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Culture's Affect on the Determinants of Customer Satisfaction in Retailing: The Case of a European Retailer in China and the U.S.

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ABSTRACT

- Title:** Culture's Affect on the Determinants of Customer Satisfaction in Retailing: *The Case of a European Retailer in the U.S. and China*
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- Keywords:** *International Retailing, Determinants of Customer Satisfaction, Culture, United States, China*
- Thesis purpose:** Our study aims to identify the determinants of customer satisfaction of two national cultures in a global retail setting, in order to clarify what role culture has, if any, in customers' satisfaction with an international retailer. Further, this will uncover if a Western perspective of determinants of satisfaction is a universal means of capturing what satisfies customers across cultures in a retail setting.
- Methodology:** A quantitative approach is used to analyze data provided by our instrumental case - The Company. We will further use a cross-cultural approach to explore two of The Company's markets, the U.S. and China.
- Theoretical perspective:** The main theories that the study is based upon include international retailing, cultural studies, customer satisfaction and Westbrook's sources of retail satisfaction.
- Empirical data:** Our study is based on the data obtained from The Company's customer satisfaction questionnaires administered in their American and Chinese stores.
- Conclusion:** By revealing the determinants of satisfaction in the U.S. and China, our research illuminates that there are differences between cultures, regardless of the rapid development of globalization. Our research contributes to the understanding of customer satisfaction across cultures through revealing that what determines satisfaction and the importance attributed to each determinant is dependent on the consumer's cultural setting.

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CHAPTER 1

Introduction

When internationalizing store operations, retailers are faced with a number of issues, such as cultural differences in terms of consumers and employees, and general business practices. As retailers increasingly look to non-domestic markets for sustaining sales and growth opportunities, more culturally diverse markets are encountered. A growing number of countries are gradually liberalizing their economies, giving retailers even greater freedom to select attractive markets. Two countries that represent current growth markets for international retailers are the U.S. and China. Although both countries have predominantly been home to domestic retailers, in the past two decades retailers from abroad have been able to seize opportunities in these markets. Even though they represent vast opportunities, retailers face challenges due to the distinct cultures of each market. Considering the cultural differences, the determinants of satisfaction in China and the U.S. may vary considerably. We intend to reveal if the determinants of satisfaction are homogenous or varying across national cultures, and if or how culture affects the determinants of consumers in a nation. This can lead retailers to more closely meet customer expectations and therefore satisfaction. Such knowledge will bridge the cultural gap in retail satisfaction research, and can assist multinational retailers in their international expansion strategies.

1.1 Retail Internationalization

Similar to many industrial sectors, the retail industry has increasingly become internationalized. Although retailing is still predominantly a domestic market activity, retail companies operating in all sectors are inexorably moving into non-domestic markets. An increasing number of retailers have recognized the international appeal of their brand image and product ranges, and have sought to exploit these advantages through the development of international operations. Many have become household names on a global scale (McGoldrick 2002).

Establishing international operations became a feature in European retailing in the late 1800s, and was characteristically of a limited nature. However, development did not increase until the 1970s, with retailers mainly expanding into adjacent markets with similar market characteristics. In the mid 1980s, the internationalization activities followed a different pattern, with retailers moving into more distant markets, seeking to move beyond established trading areas. With the surge of cross-border activities in the 1990s, Eastern Europe, Asia, Central and South America, and South Africa experienced increased interest (Reynolds 1998).

A number of factors, commonly classified as push and pull factors, have been recognized to drive retail internationalization. Push factors encourage the organization to seek further expansion outside the home market. They include mature or saturated domestic markets, adverse demographic or economic conditions, and the belief that a trading format is internationally transferable. In contrast, pull factors, including favorable economic and demographic conditions, an attractive business environment, or low indigenous competition, are associated with a more proactive search for growth opportunity. Enabling factors, such as various information based technologies, an increasingly internationalized supply base and favorable exchange rates, are a third group of factors that are believed to amplify the push and pull stimuli, reducing the perceived barriers to internationalization (McGoldrick 2002).

In the literature on corporate internationalization psychic distance, i.e. the distance between the domestic market and a foreign market resulting from perceived cultural and business differences, has been identified as a key factor in explaining variations in expansion patterns and organizational performance (Johansson & Vahlne 1977). Many of the studies are based on the implied assumption that psychic distance is negatively related to organizational performance, i.e. that companies perform best in foreign markets most similar to their domestic market. This assumption is attributed to the fact that psychically close countries are easier to learn about and understand; the level of uncertainty is reduced and the transfer of domestic operating practices is facilitated (Evans et al. 2000).

However, it has been argued that psychic distance alone cannot explain variations in the performance of international retailing. A number of factors that influence the performance of retailers operating in foreign markets have been identified in retail internationalization literature. These include entry strategy (White 1995 in Evans et al. 2000), the strategic decision making process (Clarke & Rimmer 1997) and the degree of adaptation (Salmon and Trodjan 1989; Clarke & Rimmer 1997; McGoldrick & Ho 1992). Certain organizational and managerial characteristics such as the retail format (Dawson 1993 in Evans et al. 2000), the firm's level of international experience (Treadgold 1990 in Evans et al. 2000) and management's country of origin have also been shown to influence international retail operations (Martensson 1987).

The international development of large retailers provides support for the psychic distance concept, with retailers looking to familiar markets before moving into more distant markets. Indicating that international retailers commence in markets culturally and geographically close to the home market, there is also evidence from the literature to support the concept within a retail context. However, retailers do not necessarily choose culturally close markets. Depending on the nature of the products and the market positioning, retailers may choose to locate within markets that are geographically and culturally distant from their domestic market (Moore & Fernie 2004). Rather than choosing markets that are culturally and geographically close, markets are chosen on the basis of the nature and extent of the opportunities (e.g. competitive conditions, size of the market and income level) within the market.

As national boundaries have ceased to be a constraint to activities and ambitions, opportunities are sought beyond local, regional and national markets for sustaining company sales and profit growth. With the globalization of markets and competition, non-domestic markets have become increasingly viable and natural opportunities for companies wanting to expand. Imperative to the internationalization of businesses is the decision of standardizing or adapting in new markets. The question is whether businesses should try to standardize operations, reaping the benefits of consistency and economies of scale, or try to adapt to local tastes and preferences and maximize performance in the local marketplace.

1.1.2 Adaptation versus Standardization

The standardization versus adaptation of international marketing strategies has been debated by academics and practitioners for nearly eight decades. Centered on the perception of consumer homogeneity or the move toward homogeneity, the focal research question has been whether standardized or adapted international marketing strategies are more effective. Researchers that view markets as being homogenous, argue that standardization is more

effective, allowing economies of scale and thus increased margins. Researchers, whom perceive markets as being heterogeneous, contend that adaptation delivers greater value. Despite the tremendous interest the topic has generated, the debate remains unresolved (Ryans Jr et al. 2003).

The debate erupted in full force after Theodore Levitt's (1983) controversial article on globalization. Levitt, one of the most influential internationalization scholars, contends that converging technology and disappearing economic differences across countries lead to the homogenization of consumer wants and needs. Despite deep-rooted cultural differences, consumers are becoming more and more alike: "The globalization of markets is at hand" (Levitt 1983:92). Levitt argues that the strategy of tailoring products to the needs and wants of multiple markets may put an organization at a disadvantage vis-à-vis companies that market standardized products, at the right price, on a global scale, benefiting from economies of scale in production, distribution, marketing and management (Levitt 1983). Advocates of standardization propose that increased globalization due to factors including world-wide investment, production and marketing, advances in communication technologies, increased world travel and the growth of global mass media leads to the creation of a global consumer culture (Steenkamp & Ter Hofstede 2002).

Critics to standardization call for a view acknowledging differences in needs and preferences in the economic, social, legal, and competitive environment. They further argue that despite the numerous advantages which could be reaped from standardization, there are many obstacles to adopting a standardized marketing offer across different cultures (Baalbaki & Malhotra 1993). De Mooij and Hofstede (2002) believe that market homogenization is "merely a persistent myth of international marketing" (p. 62), based on the assumption that consumer behavior is rational. Contending the supposition that markets are converging and arguing that consumer behavior differs across countries, they emphasize the need of sensitivity to local tastes and habits (ibid).

In the midst of the debate on whether to standardize or adapt, some theorists (e.g. Steenkamp & Ter Hofstede 2002; Baalbaki & Malhotra 1993) conceding with the notion of market homogenization argue that companies cannot serve the world market with fully standardized marketing strategies, and contend that international market segmentation presents a resolution to the debate. "International segmentation offers a solution in that it creates the conceptual framework for offering products and/or marketing programs that are standardized across countries by targeting the same consumer segment(s) in different countries" (Steenkamp & Ter Hofstede 2002:186). Consumers across cultures expressing similar responses to marketing stimuli, are amenable to highly standardized marketing activities, yet different segments require different stimuli adapted to segment characteristics: "By standardizing across similar worldwide segments, and differentiating across dissimilar worldwide segments the advantage of both standardization and customization [sic. adaptation] can be reaped" (Baalbaki & Malhotra 1993:19).

Traditionally, standardization and adaptation have been viewed as binary opposites. A company either standardized or adapted to different markets. However, standardization and adaptation are two extremes on a continuum, and most companies adopt a strategy somewhere between the two; while some elements of the trading concept may be adapted to suit the foreign market, others are more likely to be standardized (Cavusgil & Zou 1994). It has been argued (Clarke & Rimmer 1997; McGoldrick & Ho 1992) that a lack of adaptation of the retail offer may cause the international retail operations to fail. Retailers who adapt at least

some elements of their offer will typically appear to perform better than retailers who purely standardize their offer (Ozsomer & Prussia 2000).

The work by Salmon and Trodjan (1989) is central to the academic understanding of the extent to which retailers adapt their strategies in response to foreign market differences. Identifying three strategic approaches to retail internationalization – the international investment strategy, the global strategy, the multinational strategy – they suggest that a retailer's choice of strategy is dependent on the trading characteristics and the internal competencies of the company. Adopting the international investment strategy, retailers transfer capital from one country to another with the aim to acquire part-share or total shares in existing firms in order to avert risk and high costs. The global strategy involves maximizing profitability through maintaining a high degree of control over foreign operations. This is achieved through the standardization of the retail marketing mix and the replication of communications methods, corporate identity and service levels within all stores, regardless of their geographical location. Retailers adopting a multinational strategy retain a basic trading concept or image across geographically dispersed markets, while adapting aspects of their offering in response to local market conditions and the expectations of local customers (Salmon & Trodjan 1989).

The ongoing debate over standardization and adaptation is crucial, as it revolves around firms wanting to satisfy customers in their international markets, in order to ensure their success abroad. In developed economies across cultures, customer satisfaction may contribute to purchasing, and therefore profits. We assert that when customers are faced with offerings from multiple firms, they will typically choose the firm which provides them with the highest level of satisfaction. The importance of customer satisfaction in a firm's international markets requires a close investigation of cultural divergences and similarities between nations, in order to establish if national culture affects customer satisfaction.

1.2 Sources of Satisfaction in Retail

Westbrook (1981), one of the dominant researchers in retail customer satisfaction, realized that consumers engage in various activities with retailers, resulting in diverse experiences in a visit to a retailer, as retailers comprise products, people, physical environments, etc. He conceded that consumers derived satisfaction from a retail store as well as with the product purchased from the retailer, leading to an overall satisfaction with a retailer. He further proposed that some of the non-product satisfactions offered by retail outlets may be as significant as or more significant than product related satisfactions in determining patronage. Westbrook comprised a list of store-characteristics from a variety of sources, and tested them as sources of retail satisfaction among consumers. He found eight significant factors: satisfaction with store salespersons, satisfaction with the store environment, satisfaction relevant to store merchandising policies, satisfaction with the store's service orientation, satisfaction of retailer related experiences, satisfaction with store's clientele, satisfaction with value/price relationship and satisfaction with store sales.

Because Westbrook's research was conducted in the U.S., his eight sources of customer satisfaction represent a Western perspective, which may inadvertently hold a Western cultural bias. A Western perspective is historically, culturally, politically and ideologically unified, framed by the prevailing interests and ideology of particularly the U.S. and Anglo-Germanic Europe (Westwood 2006). Westbrook's research exemplifies a dominating Western perspective held in customer satisfaction research. Such a perspective provides a one sided

view of customer satisfaction in retailing. Assuming Westbrook's determinants of satisfaction hold across cultures presumes that markets are homogeneous, and that customer retail satisfaction is influenced more by a Western-led global culture than an individual's national culture. However, is a Western perspective on satisfaction representative across cultures? If an international retailer tailors their offering based on Westbrook's sources of customer satisfaction, will they succeed in meeting customers' satisfaction across cultures? Is this standardized solution the simple answer for global retailers?

1.2.1 Customer Satisfaction among Different Cultures

While customer satisfaction has long been a research topic among academics, such as Westbrook, the topic of customer satisfaction among different cultures has only recently gained attention due to increasing globalization. Although cross-cultural customer satisfaction with a global retailer has not yet been examined, some authors have addressed issues on satisfaction among Far East nations and the U.S.

Chen-Yu et al. (2001) conducted a study on the determinants of satisfaction with the performance of apparel products between the U.S. and South Korea. In their study, it was found that the three variables proposed as the determinants of customer dissatisfaction at purchase (perceived at-purchase performance, performance expectation, and experience-based norm disconfirmation) were significantly related to customer satisfaction for both Americans and Koreans. Chen-Yu et al. suggest that companies, therefore, can use similar sales strategies to attract and satisfy customers. In addition, of the four variables Chen-Yu et al. proposed as determinants of customer satisfaction/dissatisfaction at the product /consumption stage, only two were significantly related to satisfaction for both Americans and Koreans, including perceived consumption performance and satisfaction at purchase. Performance expectation was significant in determining satisfaction for Koreans, but not for Americans. Korean performance expectation positively influenced satisfaction, regardless of high or low product performance. Chen-Yu et al. offers that this could be explained by assimilation theory, and shows the importance of product promotion in Korea. Also, expectancy disconfirmation was a determinant of customer satisfaction/dissatisfaction only for Americans, and not for Koreans, at the product consumption stage. Chen-Yu et al. suggest that this can be explained by the American value of polarized morality, where actions are either good or bad, while Koreans traditionally hold the yin-yang mentality.

The study by Chen-Yu et al. highlights that a person's culture can influence their determinants of satisfaction with an apparel product. Ghauri and Cateora (2006) state that, "the manner in which people consume, the priority of needs and the wants they attempt to satisfy, and the manner in which they satisfy them are functions of their culture that temper, mould and dictate their style of living" (p. 74). Therefore, it is crucial to comprehend the authority that one's cultural background has upon a customer decision-making procedure (Chen-Yu et al. 2001). Although this article was conducted on a single apparel product, it signals the importance of acknowledging the potential affect of culture in determining satisfaction. This naturally has implications for retailers, as satisfaction may indicate their success in a specific market. Identifying the determinants of satisfaction is even more critical due to the complex nature of a retail setting, particularly in an international environment. Chen-Yu's article illuminates that culture may be a significant element when looking upon determinants of customer satisfaction. Therefore, perceiving Westbrook's theory as universal may neglect the significant determinants of a particular culture, as a simplified categorization or a

standardized model can inhibit a comprehensive understanding of determinants of customer satisfaction in cross cultural research.

However, like Chen-Yu et al., many other marketing scholars address cultural differences in order to give a more comprehensive understanding of international business, although not in the context of customer satisfaction in a retail setting. Such distinct cultural differences, as highlighted by Chen-Yu et al., coincide with the dominant view on cultures. The most influential scholar on the subject of national culture, Geert Hofstede, highlights the variations and complexities of culture. Hofstede operationalizes culture, assisting in the understanding of consumer behavior globally, providing a fundamental framework for the great body of literature on international marketing. Considering such authors' views of the differences among cultures, can determinants of satisfaction be shared across cultures?

1.3 Problem Discussion

With the increase of competition due to the growing number of retailers both domestic and from abroad, customers are faced with infinite choices to satisfy their needs and wants. International retailers must critically understand the effects of cultural differences and their influence upon customers' satisfaction in order to improve and meet customers' demands. The issue of how retailers react to other national cultures has become more significant with increasing cross-cultural contact. Westbrook's research and other studies within the field, primarily conducted from a Western perspective and in a Western setting, provides international retailers with insight into customer satisfaction. These studies represent the prevailing view of customer satisfaction. However, perceiving all nations to value the determinants identified by Westbrook infers that cultures are becoming increasingly similar as a result of globalization. Yet this perspective may not account for the heterogeneity of foreign markets.

Although literature and research show that there are distinct cultural differences between the U.S. and China based on varying histories, traditions, values, beliefs, religion, etcetera, how retailers take these various cultural aspects into consideration when internationalizing is an ongoing debate. Using research such as Westbrook's provides a Western view of the determinants of customer satisfaction, a perspective that dominates retail satisfaction literature, implying that the determinants across cultures are homogeneous. This challenges many cultural studies, including Hofstede's and Chen-Yu et al.'s, which highlight differences among cultures. Such cultural literature and Western satisfaction research poses a theoretical and practical problem, as it is unknown whether the determinants of customer satisfaction in a retail setting are homogeneous or differing across cultures, and what role national culture has, if any, in explaining variances in the determinants across cultures. Should retailers assume that the determinants of satisfaction are the same across cultures and use a uniform way of fulfilling the needs of their foreign customers across cultures? This question represents the debate on whether retailers should adapt or standardize when expanding into a culturally distant market. Because customer satisfaction can be one of a retailers' measures of success in a culturally foreign setting, retailers need to know whether culture affects the determinants of customer satisfaction in a global retail environment, a topic not yet addressed in existing literature.

1.4 Purpose

Our study aims to identify the determinants of customer satisfaction of two national cultures in a global retail setting. Any underlying similarities and differences between the determinants of each country will be revealed through a quantitative analysis. We will use aspects of each nation's culture to explain why the determinants of satisfaction of the two national cultures possess similarities or differences to Westbrook's research. This will uncover if a Western perspective of determinants of satisfaction is a universal means of capturing what satisfies customers across cultures in a retail setting. By identifying the determinants, we attempt to contribute to the understanding of customer satisfaction across cultures, which in turn affect retailers' internationalization strategies. Such an understanding can clarify what role culture has, if any, in customers' satisfaction with an international retailer.

1.5 Outline of the Thesis

The first chapter provides a background to the problem and purpose. In chapter two the theoretical framework discussing culture, including Hofstede's cultural dimensions applied to the U.S. and China, and customer satisfaction is presented. The following chapter discusses the methodological choices made, and in chapter four the analysis of the quantitative data is presented. In chapter five, the influence that culture may have on the findings of the statistical analysis is discussed, and the findings are compared to Westbrook's sources of satisfaction. We conclude with the theoretical and managerial implications of our study, and a discussion of the study's trustworthiness.

CHAPTER 2

The purpose of this chapter is to present the theoretical framework which we will utilize in order to gain a deeper understanding of the research area, and enhance the analysis process for this study. There are two areas of theory which will be included within the chosen framework: culture and customer satisfaction.

Theoretical Framework

2.1 Culture

In order to successfully retail globally, it is necessary to address aspects of culture's influence on customer satisfaction. Therefore, we find it crucial to describe various dimensions of culture, for a greater understanding of Chinese and Americans' customer satisfaction.

2.1.1 Definitions of Culture

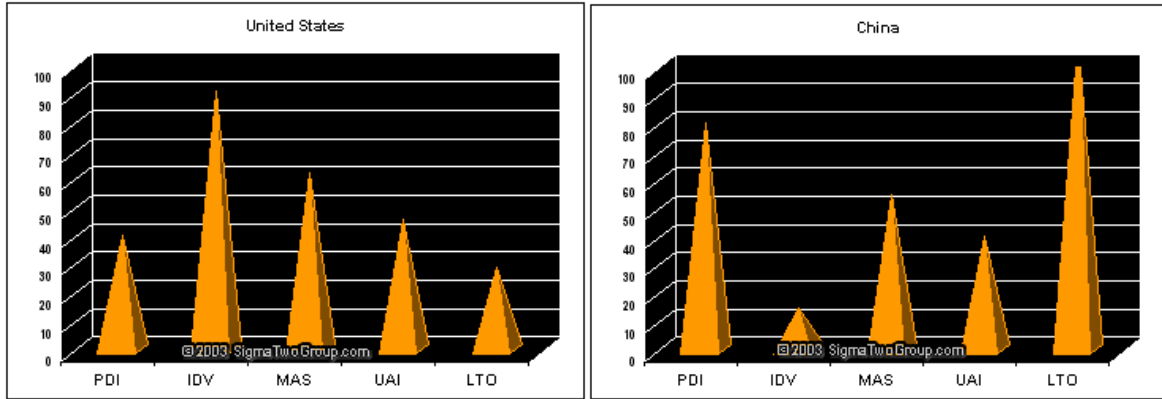
The conceptualization of culture is complex these days, attributable to numerous definitions and interpretations often depending upon the author (Triandis & Suh 2002). Hofstede proposes that, "culture is defined as collective programming of the mind", then immediately adds, "it manifests itself not only in values, but in more superficial ways: in symbols, heroes, and rituals." His application of the concept is explicit; "I use the word culture to refer to national culture" (Hofstede 2001 in Carbaugh 2007:1). Another way to consider culture is: "culture is to society what memory is to individuals" (Kluckhohn 1954 in Triandis & Suh 2002). This involves what has functioned in society's experience and what is worth transmitting to upcoming generations (ibid). While Engel et al. (1995) defines culture as "a set of values, ideas, artifacts, and other meaningful symbols that help individuals communicate, interpret, and evaluate as members of society" (in Chen-Yu et al 2001:62). Culture acts as a guide to tolerable behavior within their society and provides individuals with a sense of identity (Engel in Chen-Yu et. al 2001). Every society and individual groupings encompass a culture due to their societal legacy of human race (Ghauri & Cateora 2006): the entirety of practices and comprehension; intellectual and material of society (Guillaumin 1979 in Ghauri & Cateora 2006). Individuals are often conditioned by their sociocultural environment to behave in a specific manner and become products of their culture (de Mooij 2004).

2.1.2 Hofstede's Cultural Dimensions

Geert Hofstede's first seminal work on culture contained more than 11,600 questionnaires on the values of IBM employees in over 50 countries from 1967-1973. From these questionnaires, he developed four theoretical dimensions on which national cultures demonstrate considerable differences: *individualism/collectivism* (IDV), *power distance* (PDI), *masculinity/femininity* (MAS) and *uncertainty avoidance* (UAI) (Ghauri & Cateora 2006). Hofstede later conducted supplementary studies in China. *Long-term orientation* (LTO) was the fifth dimension included in the modified edition (Fang 2003). In this revised version, "they [Hofstede and his associates] distinguished between the so called *good* and *bad* aspects of Confucianism, and it was only the good aspects of Confucianism making up the Confucian ethic that were related to economic growth in Asian nations" (Carroll &

Gannon 1997:73 in Fang 2003). Consequently, we find it relevant to delve into the five dimensions in relation to China’s and the United State’s culture. Below, we include two graphs which display the scores for China and the U.S., as well as a comparison of societal values according to Hofstede’s five cultural dimensions (Hofstede 2007).

Figure 1: Geert Hofstede™ Cultural Dimensions, China and the U.S.



(Hofstede 2007)

Table 1: A comparison of societal values, China and the U.S./UK

<i>Hofstede's societal value</i>	<i>U.S./UK</i>	<i>China</i>
Individualism/collectivism	Individualism	Collectivism
Power distance	Small	Large
Uncertainty avoidance	Weak	Strong
Masculinity/femininity	More masculinity	Less masculinity
Lon-term/short-term orientation	Short-term	Long-term

(Adapted from Chow et al. 1995:40 in Gao & Handley-Schachler 2003)

Power Distance Index (PDI)

PDI is defined as the extent to which less powerful affiliates of institutions and/or organizations expect and accept power which is dispersed disproportionately. This symbolizes inequality (more versus less), defined not from above but rather below. It proposes that a society’s disparity level is sanctioned by the followers and leaders. Knowledge of a society’s inequality and power are fundamental essentials of any society (Hofstede 2007).

If a country possesses a high score, this illustrates the presence of inequalities within the society as well as unequal allocations of wealth and power among the citizens. Undemocratic or communistic countries with a strict power structure tend to score high in PDI. China has an extremely high PDI rank while the U.S. ranks much lower, which may be attributable to their dissimilar governing history and society (Hofstede 2007).

Masculinity

Masculinity as opposed to femininity refers to the distribution of rules between the male and female gender. Hofstede's IBM study revealed that (a) women's principles differ less among cultures than men's values; (b) men's values from one country to another range in competitiveness and assertiveness. This is dissimilar from a woman's role, which is caring and modest across various societies. The caring pole has been deemed 'feminine' and the assertive pole has been coined 'masculine' (Hofstede 2007).

A high ranking score indicates males dominate a considerable portion of the power structure and society. A society is masculine when it favors assertiveness, earning money, showing off possessions and caring little for others (Ghauri & Cateora 2006). China's rank is faintly higher than the world average of 48 within this category; however, the United States exceeds China more than ten points in this dimension (Hofstede 2007).

Uncertainty Avoidance

This measures a society's acceptance for ambiguity and uncertainty. It specifies to what degree cultures program their affiliates to feel content or uncomfortable in unstructured circumstances. Uncertainty avoiding cultures attempt to decrease the possibility of unstructured situations by strict rules and laws, as well as safety and security measures. Uncertain conditions are unknown, surprising and unusual (Hofstede 2007). A low ranking score indicates a society that possesses fewer regulations, easily accepts alterations and promotes risk-taking. A high score suggests a nation strives to avoid ambiguity through laws and government control (ibid). The U.S. (46) and China (38) rank significantly lower than the world average of 64. This signifies that both countries have an increased level of tolerance for diversity in regards to thoughts, beliefs and ideas (Hofstede 2007).

Individualism/Collectivism

The distinction between collectivist and individualistic societies is imperative to understand cross-cultural consumer actions (Maheswaran & Shavitt 2000 in Sun et al. 2004). This particular dimension has been acknowledged as one of the chief characteristics of culture (e.g. Hofstede 1980) and is possibly the preeminent way to reveal societies' divergences. Studies in cognition, social behavior and motivation indicate this dimension's complexity (Markus & Kitayama 1991; Trafimow & Triandis 1991; Triandis et al. 1990; Shkodriani & Gibbons 1995 in Sun et al. 2004). This dimension refers to the correlation one perceives between one's self and their belonging group (Hawkins et al. 2001 in Sun et al. 2004).

Individualism is defined as emotional sovereignty from organizations and collectivities (Hofstede 1980:221 in Sun et al. 2004). Individualistic societies tend to focus on themselves, their immediate family and are prompted by self-interests. They value self-determination, uniqueness, people who display initiative and admire independent workers (Sun et al. 2004). Unlike collectivists, individualist societies get along easily with those from out-groups as well as compiling new in-groups (Hofstede 1980; Hui & Triandis 1986; Triandis et al. 1988 in Sun et al. 2004).

A collectivist society is described when a person from birth onwards is incorporated into a strong, cohesive network with extended families which protect one another in exchange for obedient loyalty. Furthermore, collectivists are characterized by a close-knit social structure, where one is clearly differentiated from in-group and out-of group members. Everyone within the group is expected to uphold the group's beliefs and look after the group's interests (ibid). An essential character of individuals in a collectivist culture is their distinguished concern

with relationships. Ohbuchi et al. (1999 in Triandis & Suh 2002) revealed that collectivists in conflicting situations are mainly concerned with sustaining relationships with others. Further, they favor methods of conflict resolutions that do not distort relationships, while individualists are willing to settle disputes in court (Leung 1997 in Triandis & Suh 2002). Triandis et al. states (1988): “An essential attribute of collectivist cultures is that individuals may be induced to subordinate their goals to the goals of some collective, which is usually a stable ingroup (e.g., family, band, tribe), and much of the behavior of individuals may concern goals that are consistent with the goals of this ingroup” (p. 324).

Hofstede’s (1983) research shows that Canada, Great Britain and the USA as well as other Western countries ranked high on the individualistic dimension. Yet, South Korea, Taiwan, Hong Kong along with other Asian countries ranked low. This was recently verified by Merritt (2000), who found parallel results in which respondents from the USA were extremely individualistic and respondents from Taiwan were collectivists (in Spreng & Chiou 2000). Additional research reveals that the polar dissimilarities of individualism-collectivism dimensions mirror a principal distinction between American and Chinese cultures (Chain 1986; Ho 1979 in Sun et. al. 2004). China has historically been a collectivist culture which emphasizes the importance of collective actions and family, while discouraging personal accomplishments and goals (Li 1978; Oh 1976 in Sun et al. 2004). On the other hand, Americans are known for their rugged individualism and the belief that each individual is a separate entity from a group (Spence 1985 in Sun et al. 2004).

Long-term Orientation

Long-term orientation was added as a fifth cultural dimension in order to distinguish the philosophical differences between Eastern and Western cultures. Since the original study could not deduce the differences, Hofstede created a Chinese value survey which included 23 countries. From the acquired results and comprehension of Confucianism influence in Asia, short-term vs. long-term orientation became the fifth dimension. LTO is based on Confucian dynamism (de Mooij 2004). It has been criticized for simplifying, stereotyping and being too fixed. Regardless of the critique, it is essential to offer a preliminary understanding of a nation’s culture (Fang 2006).

This dimension measures a society’s perception of time (past and/or future) orientation. Long-term orientation is China’s highest score and the United State’s lowest score. The table below describes the characteristics of long-term and short-term orientation (Hofstede 2007).

Table 2: *Characteristics of long-term and short-term orientation*

<i>Long-term orientation (China)</i>	<i>Short-term orientation (The U.S.)</i>
1. Persistence (perseverance)	1. Personal steadiness and stability
2. Ordering relationships by status, and observing this order	2. Protecting your face
3. Thrift	3. Respect for tradition
4. Having a sense of shame	4. Reciprocation of greetings, favors, and gifts

(Hofstede 1997:165-6)

2.1.3 Critique of Hofstede's Culture Definition

Many authors have proposed several critiques (McSweeney 2002; Fang 2003, 2006) in regards to Hofstede's concept of culture therefore, the question of validity concerning his definition of culture is critical to investigate due to the escalation of globalization. It is important to mention that although we recognize there may be distinct differences between cultures, strictly following Hofstede's definition and dimensions may imply a form of cultural stereotyping. Like Tony Fang, most researchers and cultural field studies agree that there are cultural differences across nations. Moreover, we find that Fang's perspective of culture offers a more modern definition of national culture in comparison to Hofstede's. This section will present Fang's (2006) definition of national culture, followed by a critique of Hofstede discussed in the author's article *From 'Onion' to 'Ocean': Paradox and Change in National Culture*.

Fang (2006) describes national cultures as, "living organisms, not time-free 'fossils.' It is useful to conceive of cultures as having a life of its own. Seen longitudinally and historically, every culture has a dynamic life full of energies, sentiments, dramas, and contradictions" (p. 81). The new character of national culture may be understood as a result of the dynamic interactions between four key culture assemblages: (1) ethnic or region-specific culture grouping, which is a progressively more significant culture grouping shared by individuals despite of their national origin; (2) nation state or nationality-specific culture assemblages, which is arguably weakening pertinent clusters of culture; (3) universal culture groupings, which is gradually becoming a more vital culture assemblage that can be instigated by any community and person as well as shared by self-appointed memberships internationally, irrespective of nationality and; (4) industry and association-specific culture cluster, which is an increasingly essential culture grouping shared by citizens of the same industry or association regardless of country of origin (Bird & Stevens 2003 in Fang 2006).

The author further expresses that one of the greatest effects of globalization is that national cultures are no longer rigid 'black boxes' but rather becoming increasingly portable, virtual, flexible and transparent (Fang 2006). Additionally, multinational businesses often bear and possess their national principles and at certain times depending upon the context collide with foreign local traditions and values (ibid). Institutions, brands, civil societies, individuals, ethnic assemblages, rising global culture, borderless cultural symbols (Bird & Steven 2003 in Fang 2006), and even virtual figures can all be prospective culture groupings for learning national cultures' dynamics (Fang 2006).

In Fang's article (2006), he applies "the ocean" and "the onion" (originally created by Hofstede in 1991) as metaphors to demonstrate Hofstede's fixed analysis on national culture (onion) and the paradoxical and dynamic nature of a nation's culture in the 21st century (ocean) (Fang 2006). The outer layers of an onion peel represent heroes, symbols and rituals, while the inner core symbolizes fundamental values, beliefs and assumptions. The outer peels are apt to evolve over time, while the core remains stable (Fang 2006). Moreover, Fang suggests that, "to understand a culture more deeply, we need to peel the 'onion' layer by layer to touch its core" (Fang 2006:74).

This perspective above exhibits each national culture as a separate onion which will not interact with another but will probably collide (Fang 2006). "Similarly, when different national cultures meet, they will collide. Cultural differences will be accentuated, and cross-cultural has its own indigenous stable history, beliefs, norms and, value systems that hardly change over time" (Fang 2006:75).

In opposition to Hofstede, Fang (2006) illustrates culture as an “ocean.” The ocean is constantly in motion, separated periodically and has unknown depth and visual wave patterns. “...the culture we see at this moment does not represent the totality and the entire life process of that culture” (Fang 2006:83). We feel that this definition is the most appropriate and applicable definition for national culture considering the escalation of globalization.

Further, Fang (2006) critiques Hofstede’s utilization of bi-polarization as a technique of analyzing culture, as it theoretically permits opposites to co-exist. Alternatively, Fang illustrates cultures through the Yin-Yang philosophy. Since Yin-Yang generates one another, a culture’s inclination toward one extreme of a bi-polar element (e.g., low context) creates a reverse tendency (e.g., high context) within the same culture (Fang 2006). “Yin-Yang suggests that human beings, organizations, and cultures intrinsically embrace paradoxes for their sheer existence and healthy development. Culture is ‘both/and’ instead of ‘either/or.’ We are both yin and yang, feminine and masculine, long-term and short-term, individualistic and collectivist...” (Fang 2006:77).

Fang (2006), further criticizes Hofstede’s time and context-free approach to culture, signifying that cultural idioms are undeniably affected by occurrences and time. He contests the idea that merely behavior is a variable while beliefs and values remain constant. “Simply put, yin-yang suggests that if there exists values and behaviors in a culture, there must coexist values and behaviors in the same culture depending on situation, context, and time” (Fang 2006:78).

2.1.4 High Context/Low Context

The concept of contextuality was presented by anthropologist Edward T. Hall (Ghauri & Cateora 2006). Although not written in critique of Hofstede, it is an alternate description of cultural differences. Hall asserts that there are low-text cultures (LC) and high-text cultures (HC). Within these, there are significant dissimilarities in how individuals relate to implicit and explicit contextual information.

Most information is spelled out thoroughly and concisely (i.e. explicitly) in LC cultures (Hall and Hall 1987 in Sun et al. 2004). In contrast, in HC cultures less explanation is provided due to the communicator’s assumption of shared views and knowledge. Further, intimate human relationships, social norms and hierarchy influences human communication in HC cultures (Li et al. 2007). LC cultures prefer to begin business rapidly, while HC cultures take noticeably longer caused by their desire to initially form a personal relationship. Often, HC are not capable of handling LC relationships due to the strong cultural divergent (Cateora & Ghauri 2006:107-108).

According to Ghauri and Cateora (2006), even within LC cultures, communication is strongly dependent upon the cultural context. Most individuals are unaware of how dependent one is on their context. Hall states in Ghauri and Cateora (2006) “since much of our culture operates outside our awareness, frequently we don’t even know what we know” (p. 107-108).

Cross-cultural research displays that the Chinese people prefer HC relationships and are perceived as community-oriented, whereas Westerners favor LC relationships and are perceived as task-oriented. The United States and most Western European countries are considered to have LC societies, acclimatized to direct speech and explicit information.

Chinese consumers who belong to HC cultural groups are typified by non-verbal and indirect expression and the use of symbolism (Li et al. 2007).

2.2 Customer Satisfaction

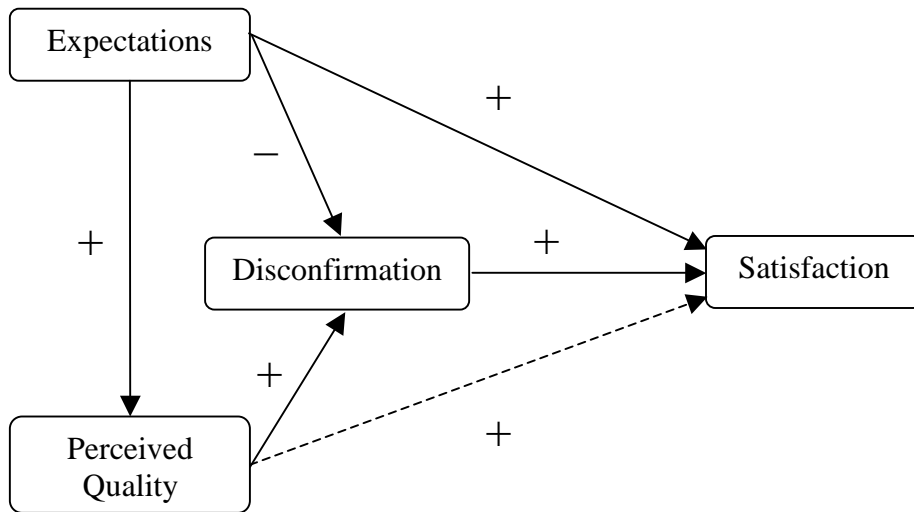
Since the 1970s, customer satisfaction has gained growing attention among researchers (Churchill & Surprenant 1982). Firms have also been aware that the key to success and profitability is through having and keeping customers satisfied. Customer satisfaction can lead to loyal customers, and therefore profitability (Hallowell 1996; Gilbert & Veloutsou 2006), making this an issue of top concern in most firms. The more satisfied a customer is, the more likely they will re-patron a retailer (Burns & Neisner 2006) and participate in positive word-of-mouth behavior (Hallowell 1996), giving satisfaction an important role in retaining and attracting customers.

2.2.1 Definitions of Customer Satisfaction

There are many definitions of satisfaction in the literature. Kotler (2003) considers satisfaction to be the feelings of pleasure or disappointment as a result of the comparison between perceived product performance and expectations. Anderson & Sullivan (2003) describe it as “a post-purchase evaluation of product quality given pre-purchase expectations”. Veloutsou et al. (2005) explains customer satisfaction to be context specific, and is the “meeting and/or exceeding of customer expectations. It has also been described as the favorableness or emotion that is a result of the individual’s subjective evaluation of the various outcomes and experiences associated with buying or using a product (Babin & Griffin 1998). Hallowell (1996) describes it as the “result of a customer’s perception of the value received in a transaction or relationship – where value equals perceived service quality relative to price and customer acquisition costs – relative to the value expected from transactions or relationships with competing vendors”. Throughout these definitions and countless others, many authors implicitly or explicitly refer to expectations in their definitions of satisfaction. This highlights the key role that expectations plays in determining levels of satisfaction, which has been proven in numerous satisfaction research. More importantly, these definitions refer to satisfaction as a process (Parker & Mathews 2001), which is under constant academic scrutiny by researchers.

2.2.2 Satisfaction as an Outcome

Such a theory emphasizing the role of satisfaction as an outcome to a process, and the most prevailing in the literature, is the customer satisfaction model presented by Oliver (1980), commonly referred to as expectancy confirmation theory. While this model has been modified over the years by many authors, it still remains the most accepted. In Oliver’s model, pre-purchase and consumption expectations create a frame of reference from which one makes comparisons. If subsequent purchase and consumption (perceived quality) are better than expected, which is positive disconfirmation, it will result in ratings above this reference point (Oliver 1980). The delight of a positive disconfirmation enhances a satisfaction judgment. If ratings are below this reference point, it would result in negative disconfirmation. If the product is as expected, it results simply in confirmation (Oliver & DeSarbo 1988). Oliver holds that satisfaction is therefore a function of the expectation level (initial standard) and the resulting disconfirmation due to a discrepancy with expectations. Most authors include the full disconfirmation paradigm to encompass most of four constructs: expectations, performance, disconfirmation, and satisfaction (Churchill & Surprenant 1982).

Figure 2: *Oliver's model*

(Anderson & Sullivan 2003)

Some of the other satisfaction theories include aspects of the disconfirmation theory, but to varying degrees, as some were conceptualized before and after Oliver's theory. One of these is the Contrast Theory, which proposes consumers exaggerate product performance if it is below or above their expectations (Parker & Mathews 2001). Hovland et al. (1957 in Pieters et al. 1994) introduced assimilation theory as an explanation of satisfaction. This theory holds that individuals dislike discrepancies from previously held positions, and therefore assimilate their interpretations of events toward their initial positions. Such persons are predicted to respond with satisfaction levels similar in emotional tone to their expectations (Oliver & DeSarbo 1988). Equity theory suggests that satisfaction is thought to exist when the focal person in an exchange perceives that their outcome-to-input ratio is proportionate to that of the partner, and that it is fair (Oliver & DeSarbo 1988). Burns & Neisner (2006) found that both cognitive evaluation and emotional reaction explain a customer's level of satisfaction in a retail setting. However, their study discovered that cognitive evaluation was more important than emotional reaction in explaining satisfaction in a retail environment.

2.2.3 Types of Satisfaction

In most satisfaction research, two differing types of satisfaction are distinguished. These are transaction specific satisfaction and overall satisfaction. Transaction specific refers to the level of satisfaction felt in a discrete service encounter (Jones & Suh 2000). Overall satisfaction represents satisfaction with an organization based on all encounters and experiences with that particular organization, and is the product of all previous experiences with the firm, updated after each transaction (Jones & Suh 2000). Overall satisfaction is a more fundamental indicator of the firm's past, current, and future performance (Anderson, Fornell & Lehmann 1994 in Fornell et al. 1996). Because satisfaction is considered a dynamic process, every transaction can positively or negatively influence overall satisfaction (Fournier & Mick 1999 in Veloutsou et al. 2005). Each transaction a customer participates in is stored with their overall cumulative experiences, which will affect their expectations (Gilbert & Veloutsou 2006). Recognizing these two types of satisfaction can be especially useful when measuring customer satisfaction.

2.2.4 Measuring Satisfaction

Because of the critical effect customer satisfaction may have on a firm's profitability, measuring satisfaction is of equal importance. Customer Satisfaction Index (CSI) is a widely utilized tool used to measure customer satisfaction following a service encounter. CSI measures a customer's evaluation of the actual and anticipated store visit and consumption experience (Gilbert & Veloutsou 2006). One researcher in the forefront of measuring customer satisfaction is Claes Fornell, who created the American Consumer Satisfaction Index (ACSI) (Fornell et al 1996). He introduced the idea of a customer satisfaction index, after exploring Sweden's use of a National Customer Satisfaction Barometer, to measure overall customer satisfaction across industries (1992). Although used as a national economic indicator, the index can be applied to measure individual firm performance. The ACSI is embedded in the relationships between the antecedents of overall satisfaction (expectations, perceived quality, and value) and the consequences (voice and loyalty) (Fornell et al. 1996). Subsequently, the firm uses the results to improve where needed and possibly anticipate customer needs.

CHAPTER 3

In this chapter, we discuss our research approach and argue for our methodological choices. Further, we present our instrumental case and an overview of our two contrasting cases of the U.S. and China, in order to provide a basic understanding of their cultural heritage.

Methodology

3.1 Research Approach

The data used in this study belongs to a large, international, European home furnishings retailer. It was collected in all of its stores worldwide, including the U.S. and China. In autumn 2006, an external agency recruited participants and administered 300 questionnaires per store. They carried out the study during three days of fieldwork at each store.

The participants of the study were randomly selected in the exit area of the retail store (both purchasers and non-purchasers). The respondents were 15 years of age and older. The participants filled in the questionnaires independently on provided laptops. There were 35-40 questions which took approximately 10-12 minutes to complete. Once completed, all of the information was uploaded into a central database. The core content of the questionnaires are broad indicators of the European retailer's customer satisfaction (CSI), customer promises and the retailer's performance indices. The entire questionnaire was, however, not used for the purpose of our study, as only two questions were needed to answer our problem and fulfill our purpose. One question inquired about the customer's transaction specific satisfaction with The Company; the other asked the respondents to rate The Company's performance on the day of the visit, based on 24 attributes of The Company's retail setting.

The European retailer uses a customer satisfaction index (CSI) as an operational research tool to measure visitors' satisfaction during their most recent store visit. In order to develop and improve the performance of the retailer's goals, this provides a standardized way of continuously measuring and following-up on how their stores are performing in the eye of the visitor.

Because this study began with the data previously collected, we were faced with the decision of deduction or induction. When considering deduction, we concluded that creating hypotheses would allow for a certain level of cultural stereotyping to prevail on the character of American and Chinese consumers, by boxing the cultures into notions based on ideas from primarily Western literature. Although the relationship between theory and research in our study is primarily inductive, it does not contain all characteristics of an inductive study. The relationship between theory and research in this study is, therefore, primarily inductive, as the determinants of satisfaction are able to emerge through analysis, rather than through the confines of hypotheses. This allows minimal preconceptions about potential outcomes, and therefore a more open interpretation of the results, permitting all possible relationships to be exposed. However, literature is used as a background for understanding the concepts and general themes prevalent to the research topic (Bryman & Bell 2003:13). Specifically, Westbrook is used as a framework throughout our study, giving it an air of deduction. Therefore, our study is not strictly inductive, even though theory will be generated from the

research, and generalizable inferences will be made from the data results (Bryman & Bell 2003:12).

The epistemology and ontology of this paper also do not represent a single, definite perspective. There are changing tendencies throughout this study, rather than an initial one-sided outlook that remains throughout. When discussing the area of customer satisfaction, for example, we hold a fairly positivist view. Such a position believes that “the social world exists externally, and that its properties should be measured through objective methods, rather than through sensation, reflection or intuition” (Easterby-Smith et al. 2002:28). As indicated in the literature review, customer satisfaction is generally accepted as a measurable concept in research. This perspective is also taken in this study, as it is a fairly simple and effective way to reflect customer satisfaction. A self-completion questionnaire administered across the globe and a customer satisfaction index represent an external view of the social world, where customer characteristics are measured objectively.

However, because this study is conducted across two cultures, it also brings into consideration many questions about the nature of culture itself. In most business literature, national culture is stereotyped as an entity that embodies a people. It is represented as a force that is a reality of its own. Culture has an almost tangible reality in business literature, representing a more objectivist ontology. But such a view excludes the intrinsic role that individuals have in continuously forming a national culture, as is clearly exemplified in evolving metropolitan Chinese cities. We firmly adhere to the belief that “culture is continuously created by people” and therefore constantly evolving, but without doubting that “culture has a reality that persists and antedates the participation of particular people” (Becker in Bryman & Bell 2003:20-21). Such a perspective of national culture represents a more interpretive and constructionist perspective, which will particularly affect the interpretation of the data results. The changing epistemological and ontological tendencies throughout the study will benefit this research, as it allows the nature of the concepts to be revealed in their true form, rather than prescribing a position through which to view them.

Although there are varying tendencies throughout, the research strategy is quantitative, as the emphasis is on quantification in the collection and analysis of data (Bryman & Bell 2003:25). Through the numerical data from the self-completion questionnaires, relationships may emerge through statistical inquiry. The determinants of satisfaction in the U.S. and China, therefore, are revealed through quantifiable means, and not through our own interpretations. However, following the data analysis, we must interpret any existing relationships as to why they are present. Similarities or differences in the determinants of satisfaction between the U.S. and China will be explained through culture. Such an explanation is supported by literature, but requires interpretation and application from our perspectives, therefore shedding some traditionally quantitative characteristics.

3.2 Case Study

The aim of the present study is to give a greater understanding of national culture’s affect on what the determinants of satisfaction are, and the importance attached to these. The question asked is *how* culture affects the determinants of satisfaction, by studying a current event over which we had no control. Yin (1994) states that a case study is preferred when a “how” and “why” question is being asked about a contemporary set of events, and when the relevant behaviors cannot be manipulated. On the basis of the considerations that Yin (1994) identify as relevant when choosing research strategy, we therefore contend that a case study is the

most advantageous strategy for this study. However, more than one strategy is used; within the case study, a survey addressing “who”, “what”, and “how much” was conducted.

Table 3: *Relevant Situations for Different Research Strategies*

<i>Strategy</i>	<i>Form of research Question</i>	<i>Requires Control Over Behavioral Events?</i>	<i>Focuses on Contemporary Events?</i>
Experiment	How, why	Yes	Yes
Survey	Who, what, where, how many, how much	No	Yes
Archival Analysis	Who, what, where, how many, how much	No	Yes/No
History	How, why	No	No
Case Study	How, why	No	Yes

(COMOS Corporation in Yin 1994)

Stake (1994) observes that a case study is concerned with the complexity and particular nature of the case in question, and the methods of inquiry may be dominantly qualitative or quantitative. Based on the purpose of studying cases, Stake distinguishes between *intrinsic* and *instrumental* case studies. The categories are not separated by a line, but rather by a zone of combined purposes and should be seen as heuristic more than functional. The immediate interest of our study is instrumental. In instrumental case studies, “a particular case is examined to provide insight into an issue or refinement of theory” (ibid, p. 237). The case plays a supportive role, enabling a better understanding of something other than the case itself. In the present study, the case is used to illustrate the affects of culture on the determinants of customer satisfaction with a European home-furnishings retailer in the U.S. and China. However, as also pointed out by Yin (1994), the results must be tested through replication for the findings to be accepted for a larger number of similar companies. This study attempts to illuminate an area not yet addressed, building a foundation for further research on cross-cultural customer satisfaction and refining existing retail customer satisfaction theory. Contributing to the knowledge of customer satisfaction, the study is a prelude to further theory-building.

With the purpose to gain an in-depth understanding of the determinants of customer satisfaction in different cultures, our study is based on the retailer’s operations on the Chinese and American market. As the retailer’s offering is essentially unchanged irrespective of market, i.e. that little or no attempts to cater to local needs and wants have been made, the same elements of the offering can be explored in both markets and a comparison between the markets can be made. A comparative research design entails two contrasting cases and the use of more or less identical methods in both cases (Bryman & Bell 2003). The more obvious form of comparative study is cross-cultural research, which is used in the present study. The cross-cultural approach “presupposes that culture is a major explanatory variable that exerts profound influence on [organizational] behavior” (Bryman & Bell 2003:57).

3.2.1 The Company

Section 3.2.1 has been deleted for publication due to a confidentiality agreement between The Company and the authors.

3.2.2 American and Chinese Cultural Heritage

Common preconceptions about Chinese and American national characters include the belief that Chinese are intuitive, aesthetic, introverted, self-restrained, dependent, and patient. In contrast, Americans are believed to be rational, scientific, extroverted, aggressive, independent and impatient. By concluding that these assumptions hold true, we risk stereotyping the national cultures. Although an easy categorization is prone to biases, generalization seems necessary. Understanding a different culture is difficult to achieve without a certain degree of generalized descriptions of key forces underlying the particular culture. However, generalized descriptions do not cover all individual behaviors or cultural phenomena (Xing 1995).

The American market benefits from steady growth. The economy is the largest and most technologically powerful in the world. With a population of 301 139 947, the market poses great opportunities for European retailers looking for growth opportunities outside their domestic markets (CIA 2007).

For 20 000 years, North America's pioneering settlers were essentially left alone to develop distinct and dynamic cultures. However, in the 16th and 17th century, much of the continent was colonized by Spanish, Portuguese, English and French migrants, and the first Africans arrived as "indentured labourers". Following the break with Britain in 1776, Britain's American colonies were recognized as the nation of the United States of America in 1783. Despite the break with the mother country, Britain came to exert immense influence on the American language, culture and legal system. Other cultures including continental European and African cultures, as well as Asian and South American cultures, have also been very influential in the shaping of modern American culture. Nineteenth century immigration drastically altered the cultural landscape, as settlers of predominantly British decent, were joined by Central Europeans and Chinese (McKay et al. 1996).

Therefore, it is difficult to describe a single American national character. It is a diverse and sundry nation – ethnically, geographically and economically. The most unifying concept is the belief in the American Dream: "An American ideal of a happy and successful life to which all may aspire" (American Heritage Dictionary 2006). The "pioneer spirit" developed by the first European immigrants combines self-reliant individualism, practical creativity, disregard for social convention, mistrust of authority and courage in the face of adversity. The Protestant religion with its hard-working, plain-spoken and conservative sensibilities has also been a primary influence on American culture. Whether they hold religious beliefs or not, many Americans value these qualities (Lonely Planet 2007).

In regards to the economic situation in the country, while the U.S. is one of the wealthiest nations in the world, it also suffers from economic disparities. Berger (2005) describes the growing difference between the upper and lower class in the U.S., where the top one percent of the population represents 38 percent of U.S. net worth. The middle class is also struggling due to various economic and tax policies, creating a need for both heads-of-household in a home to work in order to remain in this class (ibid), an indication of the changes occurring in this "traditionally" American class. The per capita income for the overall U.S. population in 2005 was \$25,036 (U.S. Census 2007). Yet in the same year, 37 million people were living in

poverty (ibid). In 2005, out of total annual expenditure of \$46,409, the average consumer unit expenditure on household furnishings and equipment was \$1,767 (U.S. Bureau of Labor Statistics 2007). This number continues to increase each year (ibid).

As the U.S., China, with an estimated population of 1 321 851 888, offers great opportunities for international retailers. Since the move toward a market-oriented economy was initiated in the late 1970s, China has undergone tremendous social and economic development. Living standards have improved dramatically and the room for personal choice has expanded. Through increased international trade and a growing private sector, China has become a major player in the global economy (CIA 2007).

The Chinese were united for the first time during the Qin dynasty (221-207 BC), and the ensuing dynasties saw the flowering of Buddhism and the arts, and the internationalisation of society. The Portuguese were the first Europeans to arrive in China, anchoring off the coast in 1516 and establishing a trade mission in Macau in 1557. In the 17th and 18th century trade flourished. During the 19th century, there was a rise of Western military and economic command over China, and non-Chinese social systems and political organizations were introduced. China was carved up into spheres of influence. Several of the commanding powers rejected China's cultural legacy, while others sought to combine the strengths of Western and Chinese culture. In the 20th century, China's history was an experimentation to seek new systems of political, social and economic organizations that would permit reintegration of the nation in the wake of the dynastic disintegration. In 1949 Mao Zedong proclaimed the People's Republic of China and China's 550 million inhabitants were reunited in a strong centralized communist state (McKay et al. 1996).

Influenced by the doctrines of Buddhism, Taoism and Confucianism, Chinese culture claims a history of 5000 years. From modern metropolises to desert landscapes, China is a land of cultural and geographic schisms. There are large cultural gaps between different regions; while outwardly more modern, Hong Kong and Macau are also more traditionally Chinese because they didn't experience the Cultural Revolution, under which Chinese culture severely suffered (Lonely Planet 2007). The Cultural Revolution was a time of extreme social and political turmoil in China during the 20th century. Every aspect of life was affected including family, economics and government. The turmoil inhibited China's economic and industrial growth, and continues to affect Chinese politics (BBC 2007). During the Cultural Revolution, the Confucian reverence for family and family ties that suffused traditional Chinese society was rejected, and a new socialist personality was created (McKay et al. 1996).

Despite the diversity of Chinese communities, many shared characteristics persist. Although the Cultural Revolution tried to eradicate the influences of Buddhism and Confucianism, the shared characteristics of modern Chinese culture derive largely from Confucianism, and remain at the core of Chinese identity. The Chinese value family loyalty, the hierarchical structure of society, education, self-cultivation and self-restraint, and emphasise hard work and achievement. Although Western influences are apparent in modern China, traditional Confucian values form the essentials upon which Chinese culture is built (Peppas 2004).

In regards to the socio-economic situation, many Chinese are still struggling, although the situation has been rapidly improving over the last two decades. In 1978, the average wage for a full time employee was 670 yuan (~\$87). By 2000, it had increased to 18,500 yuan (~\$2,412). The per capita expenditure has increased in all consumption categories, with the total expenditure having increased 15 fold between 1980 and 2000 (Wang & Zhang 2005).

Expenditures have decreased significantly on food and clothes, and Chinese now spend larger portions of their income on housing and household appliances, among others. As families move into more spacious apartments, many heavily spend on interior furnishing and decoration (ibid). This is particularly relevant as the average square meters per individual in China continues to increase in terms of housing. Currently, apartments are averaging at 80 m² in Beijing and Shanghai opposed to the former average of 40 m². This can signify several things: Chinese inhabitants need more furnishing items because consumers are purchasing more non-necessity items (undisclosed author₂ 2004).

CHAPTER 4

In this chapter, the analysis of the empirical data is presented. Different statistical tests are used to identify the determinants of satisfaction for the American and Chinese respondents. It is also established that the importance attributed to the determinants differs between the two studied markets.

Data Analysis

4.1 Sample Statistics

In China, 901 respondents above the age of 15, of which 68 percent were women and 32 percent were men, participated in the survey. In the U.S., 6963 respondents above the age of 15 participated. Of the American respondents, 61.4 percent were women and 38.6 percent were men. The mean age of the Chinese respondents was 29 years, and 38 years for the American respondents. Although differences in the results in each country may to an extent be attributable to the differences in sample size, the considerably smaller Chinese sample is adequate for the statistical analysis made. Further, the over-representation of women in the samples do not pose a problem regarding sample criteria, as they are equally over-represented as shoppers and visitors to The Company.

The respondents indicated their level of transaction specific satisfaction on a ten point scale between “extremely satisfied” and “extremely dissatisfied”. “Don’t know” was excluded from the analysis. “Extremely satisfied” was coded as 1 and “extremely dissatisfied” as 10. As the T-test below indicates, the overall satisfaction with The Company the day of the store visit was lower in China than in the U.S. The difference is statistically significant ($P < 0.0001$). Using a one-way ANOVA test, it was shown that age and gender did not have a statistically significant affect on satisfaction (age; $F_{11,7769} = 1.74$, $P = 0.06$; gender; $F_{1,7769} = 1.76$, $P = 0.18$), and therefore these variables were not considered in the further analysis.

Table 4: *How satisfied were you, overall, with your visit to The Company today?*

<i>Markets</i>	<i>N</i>	<i>Mean</i>	<i>Std. Deviation</i>
The U.S.	6881	2.76	1.88
China	889	3.53	1.71

4.2 Factors of Retail Evaluation

The respondents evaluated 24 statements about The Company, using a ten point scale between “extremely good” and “extremely poor” (“don’t know” was excluded from the analysis). Statements regarded to explore the same aspect of the retail experience were grouped to reduce the number of variables, resulting in a more manageable number of variables. The

resulting summary variables' internal consistency reliability was then tested using Cronbach's alpha test (Malhotra & Birks 2003). Malhotra and Birks (2003) argue that alpha values above 0.60 are satisfactory, and therefore that groupings with an alpha value below 0.60 should not be used for further analysis. Excluding the statements exploring range, price and inspiration, all statements were grouped and summary variables computed. The three aforementioned qualities were not grouped, because they each explore separate areas of the retail experience. The remaining statements were grouped accordingly:

Table 5: *Cronbach's Alpha for the U.S. and China*

<i>Variable</i>	<i>Cronbach's Alpha The U.S.</i>	<i>Cronbach's Alpha China</i>
<i>Waiting Time</i> <ul style="list-style-type: none"> • The waiting time at the cash register • The waiting time at the information/sales desks • The waiting time at the goods hand out 	0.86	0.88
<i>Family Friendly</i> <ul style="list-style-type: none"> • Being easy to shop with children • Being a child-friendly store • Being a good place for families to shop 	0.97	0.96
<i>Ease Of Shopping</i> <ul style="list-style-type: none"> • Providing information on how to shop in the store • The ease of finding what you are looking for • The ease of selecting, finding and buying products without assistance from the staff • Having good product information attached to the products • Being easy to walk around the store • Having the products I wanted in stock 	0.88	0.85
<i>Staff</i> <ul style="list-style-type: none"> • The attitude of the staff and their willingness to help you • The staff availability when you need them • Having competent and well-informed staff 	0.91	0.88
<i>Atmosphere</i> <ul style="list-style-type: none"> • Having a relaxing atmosphere • Being an enjoyable store to visit • Being a modern and up-to-date store • Having products on display in good condition • Being a clean and tidy store • Providing a fun day out 	0.92	0.91
<i>Range</i> <ul style="list-style-type: none"> • Showing many products to choose from at different price levels 	–	–
<i>Price</i> <ul style="list-style-type: none"> • Offering incredibly low priced products 	–	–
<i>Inspiration</i> <ul style="list-style-type: none"> • Giving you many ideas and inspiration on how to furnish your home 	–	–

4.3 Determinants of Satisfaction and their Relative Importance

To test which summary variables are important to overall satisfaction with The Company the day of the visit, Pearson correlations were computed for each summary variable separately. The Pearson correlation coefficient has a value between -1 and 1, the former indicating negative relationships and the latter positive relationships (Malhotra & Birks 2003). The table below indicates that all variables were positively correlated with satisfaction; however, the relationships differed in importance. Values between 0.10 and 0.29 indicate weak relationships, values between 0.30 and 0.49 moderate relationships, and values above 0.5 indicate strong relationships (Pallant 2001). Thus, according to the table below, “*Atmosphere*” is the most important determinant to the Chinese respondents and “*Atmosphere*” and “*Ease Of Shopping*” to the American respondents.

Table 6: Means and standard deviations of the evaluation of the explanatory variables and Pearson’s correlation of the explanatory variables and overall satisfaction

	<i>The U.S.</i>			<i>China</i>		
	<i>Mean</i>	<i>Std. Deviation</i>	<i>Pearson’s Correlations</i>	<i>Mean</i>	<i>Std. Deviation</i>	<i>Pearson’s Correlations</i>
Waiting Time	3.13	2.03	0.36**	3.31	1.91	0.31**
Family Friendly	2.38	1.59	0.39**	2.64	1.68	0.38**
Inspiration	2.46	1.70	0.37**	2.65	1.86	0.38**
Ease Of Shopping	3.11	1.67	0.50**	3.19	1.55	0.44**
Atmosphere	2.41	1.43	0.50**	2.58	1.44	0.47**
Staff	3.17	2.01	0.44**	3.18	1.87	0.40**
Range	2.70	1.72	0.39**	3.30	1.98	0.30**
Price	2.76	1.82	0.36**	4.69	2.46	0.37**

** Correlation is significant at the 0.01 level (2-tailed)

Multiple linear regression analysis was used to further investigate the relative importance of the different determinants of customer satisfaction. It showed that the summary variables account for approximately 27 percent of the variance in customers’ perceived satisfaction

with The Company in both the U.S. and in China, thus indicating that the method only partially explains what satisfies the customers. In order of importance, “*Atmosphere*”, “*Ease Of Shopping*”, “*Staff*”, “*Price*”, “*Waiting Time*” and “*Range*” were determinants of satisfaction for the American respondents, and “*Atmosphere*” and “*Price*” were determinants of satisfaction for the Chinese respondents.

Table 7: *Multiple linear regression analyses for the American and Chinese markets on overall satisfaction*

	<i>The U.S.</i>				<i>China</i>			
	<i>B</i>	<i>Ranking</i>	β	<i>Sign.</i>	<i>B</i>	<i>Ranking</i>	<i>B</i>	<i>Sign.</i>
Waiting Time	0.05	5	0.05	<0.001	0.04	-	0.04	n.s.
Family Friendly	-0.04	-	-0.03	n.s.	-0.07	-	-0.07	n.s.
Ease Of Shopping	0.22	2	0.19	<0.001	0.05	-	0.04	n.s.
Staff	0.08	3	0.09	<0.001	0.04	-	0.04	n.s.
Atmosphere	0.28	1	0.21	<0.001	0.38	1	0.32	<0.001
Range	0.05	6	0.05	0.01	0.03	-	0.04	n.s.
Price	0.08	4	0.07	<0.001	0.11	2	0.16	<0.001
Inspiration	-0.03	-	-0.02	n.s.	0.07	-	0.07	n.s.
R Square	0.27				0.27			
Adjusted R Square	0.27				0.27			
Sign.	<0.001				<0.001			
F	249.18				37.33			
d.f.	8, 5488				8, 798			

As shown by the results of both the multiple regression analyses and the Pearson correlations (tables 6 and 7), “*Atmosphere*” is the most important determinant of satisfaction for the Chinese respondents, and for the American respondents, “*Atmosphere*”, “*Ease of Shopping*” and “*Staff*” are the most important determinants. “*Range*”, “*Price*” and “*Waiting Time*” are also shown to have a significant affect on satisfaction in the U.S., and “*Price*” in China; however, the importance of these variables differ in the two tests. The reason for differences in which variables are significant and the importance of these may be attributed to that in the multiple regression analysis, all the variables are tested together and thus influence each other, while in the Pearson correlation each variable is tested independently and is therefore not affected by the others. To minimize the risk of statistical artifacts that may arise if the summary variables correlate to each other, decreasing the significance of the variables in the multiple regressions and increasing the number of significant variables in the Pearson correlations, only variables that are significant in both tests are further discussed. Although using the results from both the multiple regressions and the Pearson correlations strengthens our results, it is important to note that variables that are in fact significant may be overlooked.

To investigate whether the respondents in the two markets showed differences in response to the explanatory variables, i.e. if differences in evaluation of the explanatory variables have the same affect on satisfaction in the U.S. and in China, interaction terms were calculated. For each independent summary variable, a corresponding interaction term is computed by multiplying the summary variable with market (China coded as 0 and the U.S. coded as 1). The interaction term shows if each step on the explanatory variable scale results in an equal change in satisfaction in the two countries. If the interaction term is significant, the difference in how the variable affects satisfaction in the two countries is statistically significant. Figure 3a illustrates a significant interaction term, i.e. the slope coefficient of the two regression lines differ, and figure 3b illustrates a non-significant interaction term, i.e. the slope coefficient is the same for the two regression lines.



It was determined through regression analyses that the relationship between satisfaction and the explanatory variables is different in the two markets; the affect that the explanatory variables had on satisfaction differed between the Chinese and American market for all variables except for “Price”, which exerts an equal affect on both markets. Differences in the evaluation of “Price” result in an equal change in evaluated satisfaction in both the U.S. and in China. The results indicate that changes in the evaluation of an explanatory variable can lead to small increases/decreases in satisfaction in one market, and greater increases/decreases in the other.

Table 7: Multiple regressions of the summary variables and interaction terms against overall satisfaction with The Company the day of the visit

Variable	Adjusted R Square	F	Sign. Total	β Summary Variable	Sign. Summary variable	β Interaction term	Sign. Interaction term
Waiting Time	0.06	260.49	<0.001	0.45	<0.001	-0.27	<0.001
Family Friendly	0.05	194.07	<0.001	0.41	<0.001	-0.26	<0.001
Ease Of Shopping	0.23	1130.81	<0.001	0.58	<0.001	-0.15	<0.001
Staff	0.10	450.72	<0.001	0.50	<0.001	-0.23	<0.001
Atmosphere	0.22	1116.19	<0.001	0.61	<0.001	-0.18	<0.001
Range	0.11	485.73	<0.001	0.44	<0.001	-0.14	<0.001
Price	0.13	565.29	<0.001	0.36	<0.001	0.00	n.s.
Inspiration	0.08	338.18	<0.001	0.47	<0.001	-0.23	<0.001

The analyses of the American and Chinese data show which determinants are significant for satisfaction in each country, and should therefore be addressed in a retail setting (table 6 and 8). Further, excluding “*Price*”, the results show that there are statistically significant differences in how American and Chinese customers’ satisfaction is affected by the explanatory variables (table 7).

CHAPTER 5

This section will present our interpretations of the results of the statistical analysis. We provide explanations for the findings of each nation, discussing the influence culture has on our quantitative findings. Our results of the determinants for the U.S. and China are compared to Westbrook's sources of satisfaction, through grouping the summary variables to the author's relevant determinants.

Discussion

Our research reveals that only five of Westbrook's eight determinants of satisfaction are applicable to our study's findings: satisfaction with store salespersons, satisfaction with value/price relationship (value for the money, general price level of merchandise, and to a lesser extent, merchandise quality), satisfaction with the store environment (layout, spaciousness, organization and appearance), satisfaction relative to store merchandising policies (selection of merchandise available, assortment, stock levels, and general merchandise quality and fashion) and satisfaction with service orientation (willingness to accommodate customers). The summary variables from the questionnaire, which only accounted for 27 percent of satisfaction, only compared with five of Westbrook's determinants of satisfaction. Perhaps if The Company added or used alternate variables, such as all eight of Westbrook's or other various determinants, the summary variables could have more thoroughly explained satisfaction levels in both countries.

In sum, significant differences were found in the determinants of customer satisfaction between American and Chinese customers in The Company's retail locations within the two nations. There were only two determinants of customer satisfaction which could apply to both countries: price and atmosphere. However, an individual's cultural background may affect their interpretation of what each determinant in the questionnaire means. Because Westbrook's determinants of customer satisfaction were more comparable to the American findings, it illustrates that Westbrook's determinants of customer satisfaction are shaped by Western standards and are, therefore, not fully applicable to China. Since the findings only demonstrate two similar determinants of customer satisfaction across the American and Chinese markets, it proves that cultural differences do in fact affect which are significant determinants of satisfaction and that standardized determinants of customer satisfaction can not be applied across national cultures.

5.1 Satisfaction with store salespersons

One of Westbrook's determinants of customer satisfaction in a retail setting is satisfaction with store salespersons. According to The Company's questionnaire, store salespersons refers to: the attitude of salespersons and their willingness to help customers; salesperson availability; and having competent and well informed salespersons. Our findings reveal that this is a determinant of customer satisfaction for Americans, and not Chinese. This might be the case in the U.S., as McKinsey Global Institute reported that five of the top seven industries between 2000 and 2003 which have led productivity growth are service industries like retailing (Heskett 2006). Furthermore, as the American economy develops, they create

proportionately more jobs in services than in farming, manufacturing, or extractive industries. Fewer than 20 percent of all jobs are in the non-service sector in the United States (ibid).

Salespeople have held a special place in American business since the early twentieth century. At this time the U.S. had an organized sales force incomparable to other nations. This is partially due to the nation's weak uncertainty avoidance (Hofstede 2007), leading to a spike in entrepreneurship activity during that time, when salespeople were hired by the hundreds or thousands to create demand for products (Friedman 2004). The salesperson has come to symbolize American capitalism, and the strong correlation between salespeople and American culture is evident through iconic pieces such as Arthur Miller's play "Death of a Salesman" (ibid). Therefore, it could be that American consumers consider salespersons to be a vital element in a retail experience, due to their historical role in the nation's business development.

Additionally, although the U.S. is a highly individualistic culture (Hofstede 2007), Americans may still value interaction with other individuals in general to enhance an experience. Salesperson characteristics valued in the U.S. are nonverbal communication such as eye contact, nodding, smiling, open body posture, etc., all of which convey signs of friendliness and intimacy (Sundaram & Webster 2000). Winsted (1997) found differences between Japanese and American service encounter evaluations. She discovered that for U.S. consumers, service person factors such as friendliness, being personal, authenticity, and promptness were all important for a successful service encounter. This was attributed to the country's individualistic and egalitarian nature. Like Winsted's, our study shows that Americans may base their satisfaction upon the type of interaction with store salespersons. Americans could have high expectations in a service setting, and our results reveal that in a retail setting they may also expect a positive interaction with the salespersons in order to achieve satisfaction. Additionally, because the U.S. is a low context culture, U.S. customers may need direct expression with the salespersons, yet another possible reason why salespersons are important to Americans (Hall in Ghauri & Cateora 2006).

Hu and Jasper's (2006) study found that American women viewed a higher service quality when they experienced a high level of salesperson service, while Chinese women perceived an elevated service quality when the retailer provided a low level of salespersons service. The findings revealed that women in China and the U.S. illustrated dissimilar attitudes toward personal service. Furthermore, Hu and Jasper's (2006) research displays that a high-level of personal service appear "pushy" to Chinese women. Like Hu and Jasper's study, our research also reflects the minimal importance salespersons hold in a Chinese retail experience, as store salespersons are not a determinant of satisfaction in China. They may avert because they feel they are obligated to purchase from the retailer. One plausible reasoning as to why interaction with salespersons is not a determinant of satisfaction may be due to the Chinese cultural value of *renqing*. *Renqing* is a social standard that Chinese follow when taking part in social interactions and exchanges on a daily basis. It is defined as, "an obligation to repay a social debt of gratitude sometime in the future and which can influence current exchanges" (Hwang 1987 in Hu & Jasper 2006:228). Even though *renqing* is omnipresent in every society, it is more intricate and firmly bound upon reciprocity in relational cultures like China. Hu and Jasper (2006) contend that in marketplaces, *renqing* entails a compulsion to reciprocate services or visual gratifications in retail environments. Consequently, shoppers might decide to stop or evade visiting specific retailers due to *renqing*.

Confucianism may also influence why store salespersons are not a determinant of satisfaction in China. It is a critical base for Chinese culture in terms of relationships and networks; this in turn may affect Chinese encounters with service personnel. The Confucian philosophy shapes the critical foundation of Chinese culture (Waldmann 2000 in Gao & Handley-Schachler 2003). A person is perceived as being an element of dissimilar social networks according to Confucian doctrines. Further, there are extremely distinct compulsions and rights to the relative position of each individual in such associations (Fei 1992 in Gao & Handley-Schachler 2003). A vital aspect supporting a lot of Confucian thought is *Wu* (five) *Lun*, known as the five principal role associations between father-son, husband-wife, emperor-subject, friend-friend and elder-young brothers (Fei 1992 in Gao & Handley-Schachler 2003). Five Confucian virtues regulating the five cardinal social relationships are *Yi* (righteousness), *Ren* (humanity-benevolence), *Zhi* (wisdom), *Li* (property) and *Xin* (trustworthiness). These Confucian ideals govern how individuals should behave in relation to others in a social hierarchy (Fan 1995 in Gao & Handley-Schachler 2003). It should be noted that although the Cultural Revolution attempted to destroy Confucianism, numerous studies show that it remains a strong influence on Chinese society. We assert that satisfaction with a salesperson may not be a determinant of satisfaction in China due to Confucianism's emphasis upon meaningful relationships as opposed to temporary relationships, such as a relationship with salespersons in a retail setting.

Further research displays that there is a relationship between service quality and culture (Furrer et al. 2000 in Munoz et al. 2006). According to Munoz et al.'s (2006) findings within the Philippines, one's shopping experience influences service quality expectations and perceptions. Furthermore, their research results reveal that individuals in the Philippines with more shopping experience expect advanced service quality and observe if it is delivered (Munoz et al. 2006). Like Munoz's findings, we assert that store salespersons are not a determinant of customer satisfaction in China because of former stricter governmental policies leading to a lower level of consumer retail experience. "Under market socialism, market forces, including individual entrepreneurship and competition among firms, are allowed to operate only within the context of a centrally planned economy" (Ettenson & Wagner 1991). Such a system also prohibited privately owned retail enterprises (ibid). It has only been few decades since consumers have experienced economic freedom due to the nation's less stringent economic policies, a requirement for the nation to join the World Trade Organization (Roberts et al. 2005). It is even more recent that growing numbers of Chinese consumers, rather than a select elite, are able to benefit from this move toward a market economy, enabling them to acquire personal wealth. Due to this reasoning, the Chinese masses are less experienced shoppers than Americans, although Chinese consumers will become increasingly experienced as retailing culture pervades all areas of Chinese society.

5.2 Satisfaction with the store environment (layout, spaciousness, organization and appearance)

Store environment refers to atmosphere (having a relaxing atmosphere; being an enjoyable store to visit; being a modern and up-to-date store; having products on display in good condition; being a clean and tidy store; and providing a fun day out) and ease of shopping (providing information on how to shop in the store; the ease of finding what one is looking for; ease of selecting, finding and buying products without assistance from staff; having good product information attached to the products; easy to walk around the store; and having the products one wanted in stock). Our analysis reveals that atmosphere is a significant determinant of satisfaction in both China and the U.S. Yet ease of shopping was only a

determinant for U.S. customers. The reasoning behind the similarity between the U.S. and China regarding atmosphere could be due to the effects of globalization. However, the explanation as to why it is a determinant for each nation may also be attributed to cultural differences. In the case of the U.S., homes have steadily increased in size over the last 50 years. In 1950, the average single-family home was 938 sq. ft., and in 2004 the average size was 2,349 sq. ft. (National Association of Home Builders 2006 in Adler 2006). Although the reasons behind this growing phenomenon are disputed, Americans' sense of space may be traceable to the history of the nation, when the country was a wide open space, making it a land of opportunity. The U.S. gave birth to the sky scraper, pushing its sense of grandiose space to extremes. Big homes and big cars are typical hallmarks of American society, and all symbolize Americans' expectations in terms of space. This may also represent a desire to "conspicuously consume" the space around you, as more and more Americans are able to buy other symbols of wealth (Lloyd 2005). Therefore, it is fair to assume that U.S. consumers expect a spacious and compartmentalized store, and an easy to shop retailer.

Li et al. (2004) studied Chinese and American motives for shopping in malls. They found that American consumers ranked atmosphere as the third most important characteristic. This may be because they consistently have high expectations of a retail atmosphere, due to the well developed retail culture. In our study, atmosphere may be a determinant of Americans' satisfaction due to their continuous expectations of how a large retail format should be. In the case of China, however, Li et al. discovered that atmosphere was the most important mall characteristic for Chinese consumers, followed by assortment and variety. Because Chinese retailing is underdeveloped compared to other nations, atmosphere may still be a big concern for consumers in determining where they shop. Chinese may consider certain retail formats to provide more of an experience through their atmosphere. For instance, Watson (1998) discovered in his research that many residents of Hong Kong utilized McDonald's as more than simply a fast-food restaurant but rather as "an oasis, a familiar rest station, in what is perceived to be an inhospitable urban environment" (p. 90). Chinese consumers may consider The Company's retail setting similar to McDonald's, in that a retail store may be viewed by Chinese consumers as an atmosphere to be experienced as well as a shelter from hectic city life. Therefore, ease of shopping may not be a determinant of satisfaction in China because Chinese may not consider The Company's large retail setting as strictly a purchasing environment.

In addition, we contend that atmosphere is a determinant of Chinese satisfaction possibly because of a significant characteristic of traditional Chinese culture, *Feng Shui* (literally means 'wind' and 'water'). This is a centuries-old Chinese belief about how placement can affect one's fortune. *Feng Shui* refers to the art and science of creating harmony between residents and their environment. It has two principles: The first is that an inhabitant's energy and state of mind affect his/her environment positively or negatively. Secondly, a person's surroundings affect the individuals' internal condition. The core of *Feng Shui* is balance and alignment. Moreover, *Feng Shui* has two realistic dimensions: practice by the use of specific symbols (e.g. hexagrams) and tools (e.g. Chinese compass) as well as its logical, philosophical and psychological expressions. It is imperative to distinguish that *Feng Shui* is not a superstition due to its logical relations between cause and effect. It is not a religion because of its mythical elements which involve no ritual components. This cosmology reveals that human affairs and the faith of natural phenomena are all within mystical and celestial control (Gao & Handley-Schachler 2003). *Feng Shui's* influence on how Chinese consumers perceive space and, therefore, a retail environment, provides another possible cultural explanation as to why Chinese consumers consider atmosphere a determinant of satisfaction.

5.3 Satisfaction with service orientation (willingness to accommodate customers)

Waiting time, an important part of service orientation, refers to time spent waiting at the cashier, information sales desk and at the goods hand-out point. Our data demonstrates that an aspect of service orientation that is imperative to a satisfactory retail experience for Americans, but not for Chinese, is the time spent waiting for various retail services. This could be a result of Americans' historical interest in efficiently using time (Smithsonian 1999). This interest can be considered an obsession, with planners, 24 hour restaurants and retailers as characteristics of the culture. Today, with the continuing rise in households with dual earners, there is an ever increasing sense of time pressure in the nation. Although the length of the American work week has not changed, dual income households are a fairly recent development in the U.S. (American Sociological Association 2004). In such households, there is less time to spend on activities outside of work, such as time spent with children, errands, leisure time, etc., creating a sense of time pressure. In addition, Hofstede (2007) found Americans to be short-term orientated, perhaps playing another role in the time constrained U.S. culture. A short-term orientation could make a long waiting time seem quite unsatisfactory, as it is wasting time in the here and now.

The reasoning as to why waiting time is not a determinant of satisfaction in China could be because China possesses a high long-term orientation score, which directly affects their perception of time. Other research reveals that unlike Americans, Chinese are not as focused on immediate gratification, which may be attributed to *guanxi*. The term *guanxi* is translated as "personal connections/relationships" which is central to the understanding of relationships in China (Dunning & Kim 2007). Networks of *guanxi* involve future obligation, reciprocity and indebtedness. China's long-term reciprocity culture is a foundation of enduring infinite personal relationships among the participants. Favors are usually always remembered and returned, oftentimes not immediately, which can exemplify the Chinese sense of non-urgency (Jin 2006). Furthermore, Chinese consumers may be accustomed to large crowds at public places and stores due to the dense population of cosmopolitan cities. Additionally, we contend that prior to the liberalization of Chinese retailing, consumers may have been accustomed to long queues when purchasing goods, and at times not receiving the desired goods. As a result of China's long-term orientation, *guanxi*, population and former socialist retail structures, Chinese consumers may be more tolerant toward time, specifically waiting time, thus it is not a determinant of their satisfaction.

5.4 Satisfaction relative to store merchandising policies (selection of merchandise available, assortment, stock levels, and general merchandise quality and fashion)

Range refers to showing many products to choose from at different price levels. Range was found to be a determinant of satisfaction for American consumers, yet not for Chinese. This could be attributed to the fact that the U.S. has long been home to volume retailers, representing endless product choice and diversity for consumers. Finn and Louviere (1996) found that wide assortment and low prices accounted for 86 percent of variance in share of Canadian's retail choice (in Amine & Cadenat 2003). Bell (1999) discovered significant relationships between quality and range of products, and stores and re-patron intentions (in Amine & Cadenat 2003). The importance of range is, however, dependant on store format. Arnold et al. (1998) further this argument by contesting that Wal-Mart has been able to shift general consumer preferences through its marketing strategy in the markets it enters in its favor. Because Wal-Mart was one of the first large retailers to enter most markets, U.S. consumers' expectations have been influenced by the presence of such retailers and their merchandising policies. Because of the endless range introduced by such retailers, Americans

may have high expectations of merchandising policies, such as range, thus making it a determinant of satisfaction.

In China, range was not a determinant of satisfaction, perhaps due to the political and ideological history of the nation. Chinese are used to operating in a sellers' market, which was, for the most part, unresponsive to their needs (Ettenson & Wagner 1991). They are relatively new to the buyer's market, and therefore may still have lower expectations in terms of what a store should provide in terms of range. Before China's economic reforms, the department store was the predominant retail format; except for department stores and some specialty stores, all others are forms of retail formats new to the country (Wang & Zhang 2005). Because of the formerly controlled retail situation, retail range was limited and shortages often occurred. Today, increasing numbers of the population are continually accustoming themselves to this new form of economy, a type of hybrid red capitalism that still embraces Communist doctrine, yet also adopts capitalist tendencies, coined "market Leninism" by Perry Link (Marquand 2004). It may be that as "market Leninism" grows, and more Chinese consumers gain economic means and become further involved in retail culture, that range may become a determinant of satisfaction. The more retailers in the nation, the more competition there will be, and range could be increasingly used as a competitive tool in attracting customers.

5.5 Satisfaction with value/price relationship (value for the money, general price level of merchandise, merchandise quality)

The Company's questionnaire included price to mean offering incredibly low-priced products. Consumers worldwide are becoming more value-conscious, focusing on value and price as the main rationale for store and product selection (McGowan & Sternquist 1998 in Sternquist et al. 2004). Our findings reveal that price is a determinant of customer satisfaction for both Chinese and American consumers. Furthermore, the impact and influence of price are of equal importance in both countries.

Americans' price sensitivity can be attributed to various factors. Leibman (1996) found that American consumers considers price to be the primary reason for selecting specific retail stores (in McGowan & Sternquist 1998). McGowan and Sternquist (1998) submit that American shoppers are seeking to pay lower prices yet still want a good quality product. However, this could be considered a universal characteristic of shoppers.

Jin & Sternquist's (2003) study found that Americans score high in value consciousness, defined as maximizing quality for the price. Americans also have higher levels of price mavenism, which is an adaptation of the term market mavenism. Market mavens have a tendency to be conscious of new brands and products, and are more likely to be regular knowledge contributors and seekers, as well as greater coupon users (Feick & Price 1987 in Sternquist et al. 2004). Price mavens do not strictly collect knowledge, but are inclined to share such information, instigate shopping-related debates and offer tips to other consumers as to where the best prices are listed (Lichtenstein, Ridgway & Netemeyer 1993 in Sternquist et al. 2004). According to Sternquist et al. (2004) one's cultural background affects price mavenism. Since the European retailer is low-priced, it is likely that price is a determinant of customer satisfaction for Americans because, like Jin and Sternquist's (2003) findings, Americans want to have the ability to show their low-priced purchased items.

Religion may also influence a culture's price/value perceptions. The overwhelming majority of Americans are either Protestant or Catholic (U.S. Census 2006). Because of the strong religious background of the country, it can be expected that religion has an affect on American consumer behavior. Sood and Nasu (1995) studied American Protestants, and found revealing consumer behavior characteristics. Their research revealed that Americans were economical in their shopping attributable to the rational approach of Protestant beliefs. Additionally, American Protestant women were more economical and thoughtful in their shopping behavior than men. Devout American Protestants also prefer low price to best assortment (Sood & Nasu 1995). In agreement with Sood and Nasu's research findings, the authors affirm that the Americans positioning price as a determinant of satisfaction in the European retailing setting can also be attributed to the influence of religion upon their perceptions of price.

With the escalation of international discount retailers in China, shoppers seek more value for money. The value-ambitious focus of today's Asian customers is projected to persist even in an enhanced economy setting, as shoppers become exposed to even greater price options (Germeroth-Hodges 1993 in Sternquist et al. 2004). Chinese shoppers are apt to place great importance on value, low price and being frugal (Weidenbaum, 1996; Ackerman & Tellis 2001 in Sternquist et al. 2004). According to Peppas (2004), thrift and frugality is a virtue of Confucianism. Research reveals that these two values result in Chinese's general price sensitivity (Jin 2006) which has an effect on their social behavior (Vatikiotis 1998; Papadimos 2002 in Peppas 2004). Moreover, Peppas's (2004) research discloses that thrift is deemed as a value of social responsibility in Confucianism. The importance of the thrift value is a result of Confucius' admiration of the thrifty character, Yan Hui. Confucius proclaims: "Admirable indeed was the virtue of Hui! With a single bamboo dish of rice, a single gourd of drink, and living in his mean narrow lane, others could not have endured the distress; but to Hui, he did not make his joy affected by it. Admirable indeed was the virtue of Hui!"ⁱ[xvii] (The Analects – Yong Ye in Yan 2003). Perhaps because of Confucianism's influence and virtues of frugality and thrift, price is a determinant of Chinese customer satisfaction. Consequently, Sternquist et al. (2004) assumed that Chinese consumers perceive high prices unfavorably, and as a result, value/price schema does not reflect optimistic price perceptions (Sternquist et al. 2004).

Price can also be a determinant of customer satisfaction due to prevalent haggling. This is an additional characteristic of Chinese shopping behavior that may be correlated to China's price consciousness (Fang 1999 in Sternquist 2004). Sternquist et al.'s (2004) research found that widespread frugality in China may have lead to a critical perception of high prices, making shoppers in China price sensitive.

Ackerman and Tellis' (2001 in Sternquist et al. 2004) study discovered that Chinese consumers demonstrated price-conscious shopping behavior in grocery stores. Additionally, McGowan and Sternquist (1998) submit that the price/quality schema may alter over time due to the increase of purchasing experience; therefore, the role of experience and age ought to be researched (Sternquist et al. 2004). Further, it is imperative to be aware that the price perceptions of shoppers in markets that have undergone great transitions in the past two decades, like the Chinese market, is a reflection of the up-and-coming experiences with various retail pricing arrangements (ibid).

Chinese's emphasis on price is exemplified through The Company's three main challenges in the nation: high duty rates, the nation's bureaucracy and pricing. The Company has struggled

to establish prices levels which are conducive for their consumers and themselves (undisclosed author₂ 2004). Although a large portion of Chinese consumers are gaining wealth, the mean income is low compared to American patrons. As mentioned earlier, the average wage in Shanghai is about \$2,412 (Wang & Zhang 2005). Even though Chinese are overall benefiting from the road to a more market economy, low income still widely persists, possibly causing price to remain an important concern for shoppers in China.

CHAPTER 6

The concluding chapter provides the theoretical and managerial implications of our study, in order to clearly state our contributions in both an academic and practical context. We then discuss the trustworthiness of our study in terms of generalizability, reliability and validity, in addition to offering suggestions for further research.

Conclusions

The discussions on globalization prevailing in social science literature continually conclude that cultures are becoming more homogeneous, and many are losing their national identities. These arguments fail to see the intrinsic nature of culture and its deep roots that run through a people. Culture is not something a revolution in technology or economic reform can obliterate, as it pervades most aspects of life in an unconscious manner. Both the U.S. and China have experienced rapid social changes in short periods of time, with China's transformation only just beginning. Yet both retain distinct cultures regardless of the changes they have experienced.

Our view of national culture is that it is continuously created through how an individual absorbs it into their life and through interactions with one another. Fang (2006) shares a similar perspective, yet elaborates on the role of globalization: "the converging forces of globalization would produce myriads of new types of differences among nations than those based on nationality or nation-state" (p. 87). The ways in which globalization will affect diverse cultural groupings in various national cultures will remain different, and the ways in which they interact will also be different (Fang 2006). Although the same trends and forces reach most cultures in the world, how they value and make such "global forces" their own will be culturally unique, and therefore not homogeneous as implied in globalization literature. This reflects our study's findings, that in the wake of international retailing and globalization, culture continues to have an affect on consumer evaluations and perceptions.

6.1 Theoretical Implications

Through identifying the varying determinants of satisfaction across cultures, our research has begun to bridge the gap in customer satisfaction research through addressing the role of national culture. By conducting cross-cultural satisfaction research in an international retail setting, our findings add to Chen-Yu et al.'s (2001) research on cross-cultural determinants of satisfaction of an apparel product. Like Hofstede's and Hall's culture research, our study reveals that there are distinct differences among national cultures, as in our case of China and the U.S. However, this is not to imply that all consumers within each national culture will be homogeneous in tastes and preferences. Consumers within various regions, minority groups, subcultures, etc may demonstrate diverging wants and needs. However, our research, as well as countless others, illustrates that certain shared commonalities between individuals within a particular national culture do exist. Our results may only represent one wave in the ocean of Chinese and American culture. Changes in a nation's social, economic and political spheres as well as the forces of globalization can affect international retail culture.

Our results indicate that Westbrook's (1981) sources of satisfaction are applicable in a primarily American context. This is evident as his sources of satisfaction are more representative of Americans' determinants of customer satisfaction and not Chinese, indicating that a Western perspective of retail satisfaction cannot be applied across cultures. Although certain markets may share some similar determinants, a consumer's perception of what, for example, encompasses a good atmosphere can differ across markets. Using Westbrook's research in an international context simplifies the complex nature of satisfaction, and the role culture has in shaping consumer expectations, which is the starting point of Oliver's (1980) disconfirmation process. Because culture influences customers' transaction specific satisfaction with a retailer, as shown in our study, culture therefore affects overall satisfaction with a retailer (Gilbert & Veloutsou 2006; Jonas & Suh 2000).

6.2 Managerial Implications

Our findings are significant for international retailers because we have demonstrated that a degree of adaptation is necessary when entering a foreign market, due to the influence that culture has upon expectations and therefore satisfaction. Failing to acknowledge or diminishing the importance of cultural differences and their affect on consumer expectations and behavior may result in retail failures in both psychically distant (Johansson & Vahlne 1977) and close markets. Therefore, international retailers need to assess the determinants of satisfaction for each new market entered.

In our research, the determinants of satisfaction discovered for the U.S. and China have implications for international retailers specifically entering these markets. Atmosphere, an aspect of the store environment, is a determinant of satisfaction in both the U.S. and China. In retailing, atmosphere can account for a significant portion of costs when designing a retail store (McGoldrick 2002). Therefore, retailers should take a more scientific approach to creating a satisfying atmosphere that stimulates and enhances a consumers' purchase probability (ibid). In China, atmosphere may play an important role in determining where Chinese shop. This may indicate that Chinese consumers consider a retail store not only to provide a mere place-of-purchase, but also a full experience ("a day out"), aided primarily by atmosphere. Retailers entering the Chinese market must consider the significant components of store atmosphere which provide a satisfying and pleasant environment not only to shop in, but to visit. Atmosphere was a determinant of satisfaction for Americans as well, but Americans may value different characteristics of a retail atmosphere than Chinese. American consumers are mature in their exposure to retail atmospheres, and therefore may not be as conscious of it, as all retailers are expected to offer a satisfying atmosphere. International retailers, therefore, need to be aware of American retail norms, in order to meet expectations of, for example, a large and spacious retail format. In the U.S., one feature of the store environment which is also a determinant of satisfaction includes ease of shopping. This may be attributed to Americans' view of a retail visit as more of a strict transaction, rather than a "shopping experience". This has implications for international retailers expanding into this market, as they will need to provide a convenient retail environment in order to satisfy their customers.

Price was also a determinant of satisfaction in both the U.S. and China. This aspect of retailing is considered one of the most critical and difficult decisions when entering a market (McGoldrick 2002). In addition, local economic situations and cultural price perceptions can all affect the success of a pricing strategy in a new market. When entering the Chinese market, international retailers must adapt their pricing strategies in order to satisfy deep-

rooted traditions which affect price perceptions, in addition to lower mean incomes. These findings have crucial implications for international retailers when developing promotion, and pricing strategies in order to flourish in target nations (Sternquist et al. 2004). In the U.S., while the general population benefits from an elevated standard of income, international retailers must nevertheless consider that consumers are price conscious due to cultural factors such as religion. However, price perceptions may vary depending on the retail format due to the mature retail culture, leading to an overall level of experienced consumers. Irrespective of culture, price is an important determinant of satisfaction in the U.S. and China and possibly across other cultures as well.

Other determinants of satisfaction which retailers must consider in the U.S. include: waiting time, store salespersons and range. International retailers entering the American market should offer short waiting times, an aspect of service orientation, through numerous checkout counters and providing enough employees at designated service points. The shorter the waiting time, the more satisfied consumers will be. In regards to store salespeople, retailers may want to employ a sufficient number of salespeople to effectively handle the volume of retail patrons, in addition to placing them in strategic positions throughout the store, in order to assist customers. Salespersons should also display positive personality traits in order to satisfy American consumers. Finally, international retailers need to be aware of the importance of range, an aspect of merchandising policies, when entering the American market, as this is also a determinant of U.S. customer satisfaction. Since the dawn of modern American culture, accessibility to boundless choice in retail stores has possibly created a consumer standard for range. Furthermore, increasing competition creates a need for retailers to capture larger segments of the market through means such as range. Therefore, international retailers should research what is a “norm” range, considering the types of products sold in a store and the retail format.

By revealing the determinants of satisfaction in the U.S. and China, our research illuminates that there are differences between cultures, regardless of the rapid development of globalization. Our research contributes to the understanding of customer satisfaction across cultures through revealing that what determines satisfaction and the importance attributed to each determinant is dependent on the consumer’s cultural setting. In an era of globalization, international retailers will continue to be faced with issues on how to deal with cultures and the gradual changes that occur across borders. It will be increasingly important for retailers to monitor how nations assimilate the forces of globalization into their own cultures, in order to successfully internationalize their operations through satisfying consumers across cultures. Globalization is an increasingly permanent reality that will continue to shape societies and the way business is conducted. Retailers seeking to reap the benefits of globalization can look to the different cultural characteristics of each market and embrace them, in order to satisfy customers across cultures.

6.3 Trustworthiness of the Study and Future Research

In any research, it is necessary to discuss the generalizability, validity and reliability of a study. Generalizability refers to the ability of the findings to be “generalized beyond the confines of the particular research context in which the research was conducted” (Bryman & Bell 2002:81). The problem of generalizability has been a chief hurdle in utilizing case studies. Opponents usually state that cases offer a weak basis for generalizing. Yet, such critics are inexplicitly contrasting the conditions to a survey investigation, in which a ‘sample’ (if chosen correctly) generalizes to a bigger universe. Much like experiments, case studies rely

on analytical generalization. In analytical generalization, researchers strive to generalize a particular set of outcomes to various broader theories (Yin 1994). Because the generalization process is not automatic, a theory must be tested through replications of the findings in another region where the theory specifies that equivalent findings should occur. If a reproduction has been made, the findings may be accepted for a great number of parallel retailing environments (ibid).

In our research, the focus was only on two nations, limiting the findings to the context of those nations. The questionnaire results would likely differ in some ways from nation to nation. However, while the specific determinants may be culture specific, the overall conclusion of our research is generalizable to other cultures and international industries: cultures are satisfied by different characteristics. Additionally, the results of our study are based on questions on a particular European home furnishing retailer, and therefore, the results may be limited to similar retailing formats on a global scale. Further research needs to be conducted in other nations and retail formats, which offer different products, in order to see whether our results hold across global retail settings and industries.

Referring specifically to our research, a large number of random respondents participated in completing the questionnaires. Such a sample can be considered generalizable to the consumer populations as a whole in the U.S. and China. However, it must be noted that the two chosen markets, China and the U.S., are vast in population and size, and include distinct regional differences; consequently, the questionnaires will not reflect all of the opinions within the two countries. This applies particularly to China, where much of the population remains in rural areas, with an underdeveloped retail culture, or without access to the consumer culture that is thriving in Chinese metropolitan cities. In addition, while more of the Chinese population has access to economic opportunities in comparison with previous decades, much of the population still suffer financial hardships.

The issue of reliability refers to “the question of whether the results of a study are repeatable” (Bryman & Bell 2002:33). Bryman and Bell (2003) mention the stability of reliability is a prominent factor when discussing the subject of reliability. This refers to whether a measure is consistent over time, so there is confidence that the measured results in regards to the sample of respondents do not vary. Therefore, if we administer a measure to a group and then re-administer it, there will be little variation over time in the results obtained. The results of this study are reliable, in that they could be administered again and obtain similar results due to the nature of the questionnaire and the fairly large samples. However, this is within reason. China is undergoing significant cultural, economic and political changes. Their retail culture is in constant development. Therefore, if the study were to be conducted in China ten years from now, the results could likely be different. In the U.S., the retail culture is more mature, but this does not necessarily mean that the results will be similar at a different time, due to elements such as generational shifts. In addition, if the study were to be conducted by researchers other than ourselves, the reasons as to why the data resulted how it did could be interpreted differently, as this is inadvertently affected by the personal experiences and knowledge of the authors. Further research should be conducted in the future to see if the found determinants of satisfaction in our study remain constant over time or change with a nation’s general societal shifts.

Another possible area of future research could be conducted on whether Oliver’s (1980) disconfirmation theory holds across different national cultures. This study was conducted under the assumption that the disconfirmation theory does hold across cultures, as there is no

cross-cultural satisfaction research contradicting Oliver's findings. If the study was repeated with the results of such research, it could be that our findings would differ.

In general, there are very limited studies on Chinese customer satisfaction, as well as retailing in China. This is due to the fairly recent "opening" of the nation, which has led to the development of a new retail culture. This was a drawback for our own research, as we did not have a rich body of work in which to immerse ourselves in order to aid in understanding the retail environment in China and Chinese consumers. Therefore, it is possible that the authors could have provided a more in depth interpretation had such literature been available. Future research needs to investigate retailing in China and Chinese customer satisfaction, as it is a rather unexplored area within international marketing. Such literature will become increasingly necessary as the Chinese market continues to attract more retailers from abroad.

Validity in quantitative research refers to measurement validity, and whether a measure of a concept really measures reality (Bryman & Bell 2002:77). The greatest limitation is that we were not involved in creating the questionnaire or collecting the empirical data. This may limit our ability to understand the full reasoning as to why some constructs were used within the questionnaire as opposed to others. In addition, there has been debate among researchers on the applicability of using the same scale across cultures. It could be that Americans and Chinese perceive the questionnaire measurements differently. Also, since the questionnaires were translated into Chinese, we cannot be absolutely sure of the accuracy of the translations. In addition, there is room for misinterpretations in how the customers in both countries generally understand the nature of the questions.

Further, the occurrence of multicollinearity, i.e. that the independent variables are correlated to each other, may have distorted the results of the study's statistical analyses. This may cause variables that are in fact significant, to be overlooked. For a more exhaustive investigation, delving deeper into the statistical data using more sophisticated statistical models, is therefore necessary. Exploring the statements within each grouping, determining which aspects of, for example, "*Atmosphere*" that are more important to satisfaction, may bring greater understanding to what satisfies customers in a retail setting. In the Chinese sample, multiple regression analysis using all 24 statements independently showed that the model accounts for 50 percent of the variance in customer satisfaction. Therefore, had the statements not been grouped, a more comprehensive understanding of the Chinese customers may have resulted.

Another limitation of the study is that if the questionnaire created by The Company had included alternate or additional variables, other than those ones included, our findings may have resulted differently. Using other variables may have provided a different view of the customers' reality. Therefore, future research should attempt to use other attributes, such as Westbrook's eight sources of satisfaction, to see if the findings are similar to those in our study.

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