CUSTOMER EQUITY DRIVERS, CUSTOMER EXPERIENCE QUALITY, AND CUSTOMER PROFITABILITY IN BANKING SERVICES: THE MODERATING ROLE OF SOCIAL INFLUENCE

ABSTRACT

Financial service organizations are increasingly interested in ways to improve the service experience quality for customers, while customers progressively perceive the commoditization of banking services. This is no easy task, as factors outside the control of the service firm can influence customers' perceptions of their experience. This study builds on the customer equity framework to understand the linkages between what the firm does (customer equity drivers: value equity, brand equity, and relationship equity), the social environment (social influence), the customer experience quality, and its ultimate impact on profitability. Using perceptual and transactional data for a sample of customers of financial services, we demonstrate the central role played by factors under the control of the firm (value, brand, and relationship equity) and those outside its control (social influence) in shaping customers' perceptions of the quality of their experience. We offer new insights into the moderating role of social influence in the linkages between the customer equity drivers and the customer experience quality. The managerial takeaway is that the impact of customer equity drivers on the customer experience quality is contingent on the influence exerted by other people, and that enhancing customer experience quality can be a way to increase monetary returns.

INTRODUCTION

As indicated by Ostrom et al. (2015), the context in which services are delivered and experienced has changed fundamentally, and the contemporary customer demands an engaging, robust, compelling, and memorable customer experience (Lemke, Clark, and Wilson 2011). Delivering customer experiences of high quality is crucially important in the banking industry where an increasing commoditization is captured. Indeed, as confirmed by an EY Global Consumer Banking Report (EY 2017), banks are under intense pressure to master customer experience, while customers continually perceive financial organizations indifferently. Recent evidence shows that improving the entire experience skillfully can reap enormous rewards, such as enhanced customer satisfaction, reduced churn, increased revenue, and greater employee satisfaction (Helkkula, Kelleher, and Pihlström 2012; Zomerdijk and Voss 2010). This explains why many service organizations are placing the customer experience and its quality at the core of their service offering (Lemke, Clark, and Wilson 2011; Lemon and Verhoef 2016; Ostrom et al. 2010; Ostrom et al. 2015; Patrício, Gustafsson, and Fisk 2018). Therefore, understanding and managing the customer experience quality, understood as the "perceived judgment about the excellence or superiority of the customer experience" (Lemke, Clark, and Wilson 2011, p. 849), has become a top priority for business managers (Marketing Science Institute 2018).

However, when it comes to the execution of a customer experience strategy, anecdotal evidence suggests an incomplete and inaccurate understanding of the customer experience and of how customer experience quality should be improved in service settings (Bowen and Schneider 2014; Homburg, Jozić, and Kuehnl 2017). For

example, in the banking services industry, while most top executives recognize the essential role of customer experience quality for the future of their business (91% of respondents), only one third of banking customers strongly perceive that their banks are focused on customer experience (Kantar 2018), which indicates the need for additional research in this emerging field (Lemon and Verhoef 2016).

Recent academic research has started to tackle this important topic. It has focused primarily on providing a conceptual understanding of the customer experience and its quality, the nature and characteristics of this construct, its antecedents and consequences, potential moderating factors, and experience design elements (De Keyser et al. 2015; Grewal, Levy, and Kumar 2009; Meyer and Schwager 2007; Patrício, Fisk, and Falcão e Cunha 2008; Patrício et al. 2011; Puccinelli et al. 2009; Verhoef et al. 2009; Zomerdijk and Voss 2010). However, empirical research on the customer experience is sparse: "there is limited empirical work directly related to customer experience" (Lemon and Verhoef 2016, p. 70). To date, only a few studies have empirically addressed the customer experience, and these have had specific applications to brand (Brakus, Schmitt, and Zarantonello 2009; Gentile, Spiller, and Noci 2007; Schouten, McAlexander, and Koenig 2007), the online context (Novak, Hoffman, and Yung 2000; Rose et al. 2012), and the service context (Arnould and Price 1993; Chang and Horng 2010; Chen and Chen 2010; Hui and Bateson 1991; Jaakkola, Helkkula, and Aarikka-Stenroos 2015; Otto and Ritchie 1996), or they have been conducted at the level of the firm (Homburg, Jozić, and Kuehnl 2017; Teixeira et al. 2012). At the level of the customer, there is still a dearth of studies aimed at a proper understanding of the drivers of the customer experience (Lemon and Verhoef 2016) and of the performance consequences for firms (Verhoef et al. 2009).

In the context of financial services, there is a lack of attention to customer experience, as demonstrated by Table 1, since most studies focus on the role of customer satisfaction while aiming to link customer attitudes and customer profitability. However, customer satisfaction is a retrospective assessment (De Haan, Verhoef, and Wiesel 2015) resulting from a single transaction, whereas customer experience is created by encompassing multiple elements (Verhoef et al. 2009), indicating customer experience as a broader concept than customer satisfaction (Lemon and Verhoef 2016). Following Lemke, Clark, and Wilson (2011, p. 848), customer experience can be defined as "the subjective response to the holistic direct and indirect encounter with the firm," which encompasses every aspect of a company's offering, including the quality of customer care, advertising, packaging, product and service features, ease of use, and reliability (Meyer and Schwager 2007). And, as noted previously, customer experience quality refers to the perceived excellence or superiority of the customer experience (Lemke, Clark, and Wilson 2011).

<Insert Table 1 about here>

To fill this important gap, this research offers a unified framework for understanding the customer experience quality that integrates customer perceptions of the firm's investments in value, brand, and the relationship (Rust, Zeithaml, and Lemon 2000), and the social influence exerted by other customers (Verhoef et al. 2009). To do so, we build on two central premises of customer relationship management. First, companies invest in value, brand, and relationship (i.e., customer equity drivers; Rust, Lemon, and Zeithaml 2000) to provide satisfactory experiences to customers in order to establish, develop, and maintain successful and profitable relationships with them. Thus, we argue that the way in which customers evaluate the quality of their experiences with

companies is a function of value equity, brand equity, and relationship equity. Second, customer experience is created not only by those elements that companies can control (i.e., investments in customer equity drivers), but also by the social influence (Brodie et al. 2011; Chandler and Lusch 2015; Colm, Ordanini, and Parasuraman 2017; De Keyser et al. 2015; Jung, Yoo, and Arnold 2017; Libai et al. 2010; Verhoef et al. 2009). As noted by Verhoef et al. (2009, p. 34), "the experience of each customer can impact that of others"; we therefore argue that perceptions of the customer experience quality will be affected by social influence, or the degree to which individuals are exposed to and influenced by the experience of others. Importantly, we propose that the extent to which the three equity drivers influence the customer experience quality will be moderated by the social influence exerted by others. Our framework also establishes a direct link between the customer experience quality and financial performance (i.e., customer profitability).

With these objectives in mind, this study contributes to the emerging literature on the customer experience in three main ways. First, we provide an integrative framework of the linkages between customer perceptions of marketing investments in value, brand, and relationships (the customer equity framework; Rust, Zeithaml, and Lemon 2000) and the customer experience quality (the customer experience framework; Lemon and Verhoef 2016), offering novel insights into the drivers of the customer experience. Second, we address recent calls for a better understanding of the role of social influence (De Keyser et al. 2015; Libai et al. 2010) by examining both its direct impact on the customer experience quality as well as its moderating role in the linkages between the customer equity drivers and the customer experience quality. Finally, we relate the three equity drivers to the customer experience quality and then to

performance outcomes (i.e., customer profitability). This enables us to provide a direct link between a firm's bottom line and its investments in value, brand, and relationships, and to offer evidence for the financial implications of the customer experience.

CONCEPTUAL FRAMEWORK

In this section, we develop a conceptual framework to understand the drivers and consequences of the customer experience quality. Building on the customer equity framework developed by Rust, Zeithaml, and Lemon (2000) and Rust, Lemon, and Zeithaml (2004), under which customer perceptions of marketing investments in value, brand, and relationship affect customer attitudes and behaviors, and, in turn, firm performance outcomes, we propose that the customer equity drivers in the customer equity framework will be central to understanding the customer experience quality. Importantly, by considering the three equity drivers and, therefore, investments in marketing activities devoted to products and services (value), brand, and relationship, we simultaneously consider the wide variety of drivers that have been suggested by previous research (Lemke, Clark, and Wilson 2011; Lemon and Verhoef 2016; Verhoef et al. 2009). We also build on recent frameworks of the customer experience (Chandler and Lusch 2015; De Keyser et al. 2015; Homburg, Jozić, and Kuehnl 2017; Lemon and Verhoef 2016), which recognize that the customer experience is also significantly influenced by elements from the social environment (Verhoef et al. 2009). In particular, the influence exerted by other customers through sharing their own experiences (Homburg, Jozić, and Kuehnl 2017; Lemon and Verhoef 2016; Lemke, Clark, and Wilson 2011; Libai et al. 2010) represent a strong force that potentially affects the customer experience quality. We combine these ideas in Figure 1, where we offer a

graphical representation of the proposed framework. We now go on to discuss the central constructs of our model.

<Insert Figure 1 about here>

Customer experience quality

Previous studies have conceptualized the customer experience in different ways (for a review, see Lemon and Verhoef 2016). In general, these definitions view the customer experience as a holistic construct, incorporating the customer reaction to all interactions and touchpoints with the firm over time (Gentile, Spiller, and Noci 2007; Verhoef et al. 2009). Within this line of thought, customer experience is conceptualized as "the subjective response to the holistic direct and indirect encounter with the firm" (Lemke, Clark, and Wilson 2011, p. 848). It encompasses every aspect of a company's offering in terms of quality of customer care, advertising, packaging, product and service features, ease of use, and reliability (Meyer and Schwager 2007).

Lemke, Clark, and Wilson (2011) further argued that, as with perceptions of product and service quality, individuals could articulate differences in the quality of their experience by making judgments about excellence or superiority. They defined the concept of customer experience quality as "perceived judgment about the excellence or superiority of the customer experience" (Lemke, Clark, and Wilson 2011, p. 849). This was considered a superior construct, as it can help discriminate among different experiences based on their excellence or superiority and, thus, "link more strongly to customer relationship outcomes" (Lemke, Clark, and Wilson 2011, p. 848).

Customer equity drivers

In one of the first attempts to connect marketing investments to performance outcomes, Rust, Lemon, and Zeithaml (2004) offered the customer equity framework as a means to understand the impact of marketing activities on customer perceptions and preferences, which in turn affect customer behavioral reactions and, ultimately, the lifetime value of each individual customer. Aggregated across all the firm's customers, the lifetime values determine the customer equity of a firm.[1] This customer equity framework considers strategic investments in three core categories: (1) value equity, which refers to "the customers' objective assessment of the utility of a brand based on perceptions of what is given up for what is received" (Vogel, Evanschitzky, and Ramaseshan 2008, p. 99); (2) brand equity, which considers "the customer's subjective and intangible assessment of a brand, above and beyond its objectively perceived value" (Rust, Zeithaml, and Lemon 2000, p. 57); and (3) relationship equity, which refers to the "customer's view of the strength of the relationship between the customer and the firm" (Rust, Zeithaml, and Lemon 2000, pp. 55–56).

Social influence

As noted above, the literature on customer experience has acknowledged the central role played by social influence (Chandler and Lusch 2015; De Keyser et al. 2015; Libai et al. 2010; Ostrom et al. 2015; Verhoef et al. 2009) in understanding how individuals perceive their experiences with firms. Social influence is conceptualized as "the transfer of information from one customer (or a group of customers) to another customer (or group of customers) in a way that has the potential to change their preferences, actual purchase behavior, or the way they further interact with others" (Libai et al. 2010, p. 269). By taking account of this, we intend to offer novel insights into the implications of the social environment for the customer experience.

Customer profitability

This study is also concerned with the consequences of the customer experience in terms of performance outcomes. Specifically, we investigate the extent to which customer experience quality may affect an individual-level measure of performance: customer profitability. Customer profitability is conceptualized as the difference between customer revenues and costs, which are central components in the calculation of customer lifetime value. By establishing this link, this study provides a connection between investments in marketing activities to improve value, brand, the relationship, and financial performance (Rust, Lemon, and Zeithaml 2004).

RESEARCH HYPOTHESES

Customer equity drivers and customer experience quality

As noted above, we argue that customers' perceptions of the firm's investments on customer equity drivers will affect their experience with firms.

With regard to value equity, previous research has maintained that perceived value equity produces positive affective states that lead to positive attitudes toward firms (Adams 1965). Holbrook (1994) emphasized that value equity is "the fundamental basis for all marketing activity," since high value is one primary motivation for customer evaluations of the relationship and subsequent purchase behavior. In addition, customers' favorable perceptions of the outcome–input ratio promote the experience of inner fairness (Oliver and Swan 1989); this leads to higher satisfaction with a firm's offerings when they perceive high value equity (Ou et al. 2014) and, thus, to the perception of a superior experience quality. We therefore offer hypothesis H1a:

H1a: Value equity will have a positive impact on the quality of the customer experience.

On the subject of brand equity, Schmitt (1999) acknowledged the importance of this equity driver on the customer experience, noting that branding is a rich resource to create memorable and rewarding brand experiences. Similarly, Gentile, Spiller, and Noci (2007) claimed that a good brand leads to a strong emotional link with customers, involving their affective system through the generation of moods, feelings, and emotions. Thus, when the perceived brand equity is strong, customers would judge the quality of their experiences with the company as superior. We therefore offer hypothesis H1b:

H1b: Brand equity will have a positive impact on the quality of the customer experience.

Better perceptions of the relationship positively influence customers' feelings associated with the firm and contribute to the formation of a positive attitude (Chaiken and Eagly 1976). High relationship equity implies that customers are well treated and handled with particular care (Vogel, Evanschitzky, and Ramaseshan 2008) and that they feel familiar with the firm and its employees, which provides important psychosocial benefits (Vogel, Evanschitzky, and Ramaseshan 2008). Since the value derived from the relationship between customers and firms reflects the experiential worth of consumption (Lemke, Clark, and Wilson 2011), higher perceptions of relationship equity will be associated with a superior experience quality. We therefore offer hypothesis H1c:

H1c: Relationship equity will have a positive impact on the quality of the customer experience.

Social influence and customer experience quality

Building upon social influence theory (Cialdini and Goldstein 2004; Kelman 1958) as our fundamental theoretical basis, we argue that there is a relationship between social influence and customer experience quality. Specifically, the three determinants of social influence (accuracy, identification, and affiliation) proposed by Cialdini and Goldstein (2004) enable us to integrate our arguments in a way that advances the understanding of the moderating role of social influence.

Direct impact of social influence

In examining the direct effect of social influences on customer experience quality, previous research in sociology (Weaver et al. 2007) has suggested that individuals who receive more information about the firm or the product/service from related partners have a higher likelihood of being affected because of the greater joint influential power. Under a high level of social influence, customers will be more easily persuaded, given that the simple repetition increases subjects' belief in their validity. This is in line with Cox and Cox (2002) who suggested that the mere repetition of social influence irrespective of the nature of the information received can increase positive customer experience. Most importantly, when the information comes from a personal social network in which they have strong trust, customers tend to conform to the opinions of others (Hu and Van den Bulte 2014). Thus, we offer hypothesis H2:

H2: Social influence will have a positive impact on the quality of the customer experience.

Moderating role of social influence

Social influence in the relationship between value equity and customer experience quality. The need for accuracy is one of the main determinants of social

influence (Cialdini and Goldstein 2004). Customers constantly seek to evaluate the correctness of their own decisions by comparing the characteristics of their choice (such as price and convenience) with others' choices. Similarly, the theory of inequity states that in social exchanges people tend to orient their opinions relative to those of others through social comparison (Festinger 1954), and specifically by comparing the ratios of their inputs into the exchange to their outcomes from the exchange with other customers' (Adams 1965). This suggests, therefore, that perceived equity can be affected by other persons through expectations. Furthermore, high social influence may be interpreted as a signal of popularity (Weaver et al. 2007), which may lead to an increase in customers' expectations of a positive ratio of input to outcome and, in turn, to a weaker association between value equity and the customer experience quality. On this basis, we offer hypothesis H3a:

H3a: The positive relationship between value equity and the quality of the customer experience will be weakened by social influence.

Social influence in the relationship between brand equity and customer experience quality. Besides the need for accuracy, customers also desire social identification (Cialdini and Goldstein 2004). As symbolic resources for the construction of social identity, brands are helpful for customers to define or strengthen their social identity (Kirmani 2009), since they may reflect specific values or traits that are considered central to communication with others (Chernev, Hamilton, and Gal 2011; Kirmani 2009). Thus, a brand presented in social influence may be regarded as identity-signaling, thereby serving as an effective communication function of social identity to other customers in a social network, which could be perceived positively by observers (Chernev, Hamilton, and Gal 2011). We therefore argue that customers, driven by social

identification, tend to align their own brand choices with those of others to ensure that other members make desired identity inferences about them as a way of constructing or enhancing their desired social identity (Chan, Berger, and Van Boven 2012). This therefore strengthens the link between brand equity and the customer experience quality. Thus, we offer hypothesis H3b:

H3b: The relationship between brand equity and the quality of the customer experience will be strengthened by social influence.

Social influence in the relationship between relationship equity and customer experience quality. Humans are fundamentally motivated to create and maintain meaningful social relationships with others (Cialdini and Goldstein 2004). With the goal of affiliation, customers tend to comply with other members in order to gain social approval (Sridhar and Srinivasan 2012). Whereas the literature has previously stressed conformity (e.g., Cialdini and Goldstein 2004; Kelman 1958), recent studies have also emphasized that people in a social group simultaneously experience competing needs to conform and to be unique (Sridhar and Srinivasan 2012). However, the need for conformity seems much more prevalent than the need for uniqueness; this suggests that the rewards for conformity and approval tend to be more powerful determinants of behavior (Chan, Berger, and Van Boven 2012). Following this logic, we argue that a customer will maintain a relationship with a company under conformity pressures in order to improve or maintain their intimacy of relationship with others. This is because such conformity may make them feel more likeable and desirable, even when they are aware that such a position is not necessarily correct (Tsao et al. 2015). Consequently, the impact of relationship equity on customer experience quality is strengthened. We therefore offer hypothesis H3c:

H3c: The positive relationship between relationship equity and the quality

of the customer experience will be strengthened by social influence.

Customer experience quality and performance

We follow previous conceptual arguments that suggest that providing superior

experience quality to customers is a key determinant of long-term success, leading to

the development of strong customer–firm relationships, to superior attitudinal and

behavioral reactions from customers, and even to the creation of a sustainable

competitive advantage (De Keyser et al. 2015; Lemon and Verhoef 2016). At the

individual level, we expect customers who perceive their experience with the firm as

one of high quality tend to develop favorable behaviors toward the firm (e.g., cross-

buying, increased product or service usage, repatronage), which leads both to increased

revenues and to lower costs, thus positively impacting the profitability of the firm. We

therefore offer our final hypothesis, H4:

H4: The quality of the customer experience will have a positive impact on

customer profitability.

DATA AND METHODOLOGY

Sample and data

We empirically tested the proposed conceptual framework and its associated

hypotheses in the financial services industry using data from a bank in a European

country. The bank sells B2C financial services to individual customers, including

certificates of deposit, savings accounts, and mortgages. The data combined

transactional and perceptual information with targeted marketing activities and

demographic information to derive a comprehensive dataset that enabled us to test the proposed framework.

Perceptual information (customer equity drivers, social influence, and customer experience quality) was obtained by carrying out a survey in December 2012 among customers from the collaborating bank using an external market research company. After the survey was designed, a pre-test was conducted with financial services users (marketing students and researchers from several universities) in order to check the comprehensibility and adequacy of the items. The market research company approached by telephone a total of 5,848 representative customers of the bank for whom transactional information was available. Individuals taking part in the study were asked to score statements about the company from 1 (strongly disagree) to 7 (strongly agree). We obtained an effective sample of 1,990 questionnaires, which constituted a response rate of 34.19%. Confidentiality and anonymity were ensured, and the market research company took steps to discourage customers from responding artificially or in a dishonest manner (Podsakoff et al. 2003). The design of the questionnaire introduced separations and pauses between the different variables in such a way that the respondents could not use their previous responses in subsequent answers. The design of the survey also ensured that the respondents could not establish cause–effect links between the dependent and independent variables. Given the use of perceptual information, we needed to ensure that common method bias was not a concern in our study. We therefore applied several procedural and statistical methods (Podsakoff et al. 2003; Podsakoff and Organ 1986), and we performed an exploratory factor analysis, in which all the items loaded on their respective scales.

In addition to perceptual information, we had access to objective data about transactions made by the customers, targeted marketing activities developed by the bank, customer profitability, and customer demographics. To assess the relationship between customer experience quality and customer profitability, we used the year 2012 to measure the customer transaction activity (including relationship duration and lagged customer profitability) and demographic information, as well as any targeted marketing activities on the part of the bank (i.e., direct marketing) that could affect customer attitudes at the end of the year (as measured in the survey). Customer profitability was measured at the beginning of 2013 (January to March).

Measurement of variables

Details of the measurement of the variables in our study and their descriptive statistics are given in Table 2. Table 3 gives the scales used to measure the perceptual variables, which are all adapted from previous studies, as we discuss below. For all variables, respondents had to score statements about the company from 1 (strongly disagree) to 7 (strongly agree). Table 2 also shows the Cronbach's alphas of the constructs, which all exceed the critical threshold of 0.7 (Nunnally and Bernstein 1994), while the composite reliabilities exceeded 0.6 for all constructs (Bagozzi and Yi 1988). Appendix 1 gives the correlation matrix for the study variables. Although the correlation values between subjective measures might be considered high, based on key literature of discriminant validity (Farrell 2010; Franke and Sarstedt 2019; Henseler, Ringle, and Sarstedt 2015; Shiu et al. 2009; Voorhees et al. 2016), various tests (i.e. constrained phi approach [Baggozi and Philips 1982], overlapping confidence intervals technique [Anderson and Gerbing 1988], and cross-loadings method [Chin 1998; Hair

et al. 2017]) were performed and demonstrated the discriminant validity of the studied constructs (Franke and Sarstedt 2019; Shiu et al. 2009) [2].

<Insert Tables 2 and 3 about here>

Customer experience quality. The use of short scales is appropriate here from a practical perspective, given the economic and time restrictions that firms frequently impose on the collection of perceptual information from surveys (Lemon and Verhoef 2016). Hence, to measure customer experience quality, we followed Chen and Chen (2010), who measured customer experience quality in the tourism context by applying the experience quality scale developed by Otto and Ritchie (1996) with four factors: hedonics, peace of mind, involvement, and recognition. The hedonic component is associated with affective responses such as excitement, enjoyment, and memorability (Chen and Chen 2010). We therefore asked customers to value their level of pleasure in working with the bank (indicating the extent of their agreement with the statement "It is a pleasure for me to work with this bank"). This item has been commonly used in measurements of the customer experience (e.g., Cole and Scott 2004; Lemke, Clark, and Wilson 2011; Otto and Ritchie 1996; Rose et al. 2012), since it is easier to deliver a memorable and positive customer experience when firms enable a pleasant and entertainment purchase journey for customers (Lemon and Verhoef 2016).

For peace of mind, which is concerned with the need for physical and psychological safety and comfort (Chen and Chen 2010), we used two items. Customers were requested to examine their degree of comfort while interacting with the bank (indicating agreement with "I feel comfortable when I interact with this bank") and their personal security (indicating agreement with "This bank meets my needs and covers my expectations").

As customers' expectations and needs determine the relative salience of products and service features, customers usually evaluate their experience with a firm by noticing what has meaning for them (Puccinelli et al. 2009). Involvement refers to the desire to have choice and control in the service offering and the demand to be educated (Chen and Chen 2010); therefore, "I like to interact with this bank" was used for this dimension.

Finally, recognition is linked to feeling important and confident, and to consumers being taken seriously (Chen and Chen 2010). Therefore, we asked customers to evaluate whether the bank cares about keeping their custom, and to evaluate the relationship quality in relation to the bank ("In my opinion, this bank really cares about keeping me as a customer"; "Please value the quality of relationship with this bank"; "I consider that the quality of the relationship with this bank has increased during recent months"). Relationship quality valued by customers as providing confidence, social benefits, and special treatment (Lemke, Clark, and Wilson 2011) accurately reflects the customer experience quality that customers have with firms. In total, we used seven items to identify the quality of the customer experience for the four dimensions of customer experience quality listed above.

Customer equity drivers. Value equity was measured based on the work of Vogel, Evanschitzky, and Ramaseshan (2008). We measured brand equity by adapting items from the research of Rust, Lemon, and Zeithaml (2004). Relationship equity was measured using the scales proposed by Rust, Lemon, and Zeithaml (2004) and Vogel, Evanschitzky, and Ramaseshan (2008).

Social influence. Following Harrison-Walker (2001) and Cheung, Lee, and Rabjohn (2008), social influence was measured using three items. In line with previous

research (Mende and van Doorn 2015), and to facilitate interpretation of the moderating effects, scales of social influence were recoded into dummy variables. Customers reporting high ratings for social influence (values greater than 4) were considered as showing high levels of social influence, and lower ratings (less than or equal to 4) were taken to indicate low levels of social influence.[3]

Customer profitability. Customer profitability was measured as the difference between customer revenues and costs, based on the information provided by the collaborating bank for each individual customer. In order to evaluate the relationship between customer experience quality and customer profitability, we measured this variable month by month in the three periods following the survey (from January to March 2013). To ensure the stability of the impact of drivers on customer profitability, we log-transformed this variable, since the logarithm is less impacted by outliers. We also considered a number of additional variables, including lagged customer profitability, targeted firm activities, relationship duration, and demographic information. Additional information is given in Table 2.

Methodology

We developed a two-equation seemingly unrelated regression (SUR) model to test the empirically proposed conceptual framework and its associated hypotheses. The SUR model is a system of linear equations with errors that are correlated across equations for a given individual (Zellner 1962). The model consists of $j = 1…m$ linear regression equations for $i = 1…N$ individuals. There are a number of benefits to using the SUR modeling approach. The first is to gain efficiency in the estimation by combining information from different equations. A system of multiple equations produces more efficient estimations when the error terms of the regressions considered

are allowed to correlate. When a joint relationship between the disturbances across a system of j equations is not taken into account, the results are inconsistent and biased (Ogundari 2014). Secondly, "since some variables are dependent and independent variables in different regressions, this technique allows us to alleviate endogeneity problems that can potentially present in the data" (Autry and Golicic 2010, p. 95). Thus, given the recursive nature of the proposed framework, joint estimation of the equations using the SUR approach is usually the best procedure, and this approach is in line with other studies investigating recursive processes such as the service-profit chain (Bowman and Narayandas 2004).

To assess the relationships in the proposed chain of effects, we captured the information for the different components of the proposed model at different points in time. We collected objective customer-level information (relationship duration, lagged customer profitability, and demographic information) between January 2012 and December 2012 (t_0); customer perceptual data (the three customer equity drivers, social influence, and customer experience quality) came from the questionnaire in December 2012 (t_1); and customer profitability was measured from January to March 2013 (t_2). The model consists of j = 2 linear regressions, one for the antecedents of the customer experience, and one for the consequences in terms of customer profitability.

For the antecedents of the customer experience, our dependent variable was customer experience quality, and we investigated the impact of a set of explanatory variables that included the three equity drivers, social influence, and a number of additional variables that controlled for additional sources of heterogeneity in experience. We specified a linear regression model as follows:

$$CEQ_i = \beta_0 + \beta_1 VE_i + \beta_2 BE_i + \beta_3 RE_i + \beta_4\ Social\ Influence_i + \beta_5 VE_i *$$
$$Social\ Influence_i + \beta_6 BE_i *\ Social\ Influence_i + \beta_7 RE_i *$$
$$Social\ Influence_i + \beta_8 Control_i + \varepsilon_i$$

where *CEQ_i* represents the customer experience quality perceived by customer *i*, VE_i, BE_i, and RE_i capture the three equity drivers (value equity, brand equity, and relationship equity, respectively) as perceived by customer *i*; *Social Influence_i* represents the impact of social influence on customer *i*; *Control_i* represents a vector of control variables, including lagged customer profitability (transformed into logarithmic form), targeted marketing activities, relationship duration, and demographics (gender and age); and ε_i is the error term. In this study, we were mainly interested in the parameters β_1–β_3 (which measure the direct impact of the three equity drivers on customer experience quality), the parameter β_4 (which captures the direct impact of social influence on the customer experience), and the parameters β_5–β_7 (which represent the moderating effect of social influence on the relationship between the equity drivers and the customer experience).

For the consequences, our dependent variable was an individual measure of customer profitability, and we investigated the impact of customer experience quality as well as a set of other explanatory variables that include transactional behavior, marketing activities, and demographic information. We specified a linear regression model as follows:

$$CP_i = \alpha_0 + \alpha_1 * CEQ_i + \alpha_2 Control_i + \omega_i$$

where CP_i represents customer profitability by customer *i* (log-transformed); *Control_i* represents a vector of the same set of control variables mentioned above; and ω_i is the error term. Here, we were interested in the parameter α_1, which captures the impact of

customer experience quality on customer profitability. To estimate our model, we used the Stata 14 software package.

FINDINGS

In Tables 4 and 5, we report the coefficient estimates for the equation of the antecedents of customer experience quality and the estimates for the equation of the performance consequences of customer experience quality.

First, given the moderate correlations between some of the independent variables in our models, we assessed the extent to which multicollinearity might be an issue in the estimation. Following Ou and Verhoef (2017) and other papers related to customer equity drivers (e.g., Ou, Verhoef, and Wiesel 2017; Rust, Lemon, and Verhoef 2004), we mean-centered equity drivers and social influence, as mean-centering limits multicollinearity problems in econometric models (Aiken and West 1991; Cronbach 1987; Shieh 2011). Following standard practice, we computed variance inflation factor (VIF) scores (Appendix 2) to assess the presence of multicollinearity (Allison 1999). The results show that the VIFs are below the commonly accepted threshold of 10 in studies including interacting effects (Auh and Menguc 2005; Luo et al. 2013; Mason and Perreault 1999; Phillips and Baumgartner 2002; Teng et al. 2010; Yang and Peterson 2004), and therefore multicollinearity should not severely affect our regression results. Furthermore, drawing from Grewal, Cote, and Baumgartner (2004), Type II error rates become insignificant when composite reliability improves to .80 or higher R^2 reached to .75 and sample size becomes relatively large, as in our empirical application (CR_{VE} =.921; CR_{BE} =.918; CR_{RE} =.943; CR_{SE} =.912; CR_{SE} =.964; R^2 = .931; Sample size =1990).

Second, for the model for the drivers of the customer experience quality, in order to demonstrate the contribution of the variables to explaining the variance in the customer experience quality, we applied a hierarchy approach and introduced different categories of variables set by set. In total, three models were estimated. Model 0 is the base model that examines the impact of the control variables. Model 1 adds the main effects of the customer equity drivers and social influence. Finally, Model 2 includes the interaction terms among these variables. The results of the regression models are presented as a series of nested models (Table 4). An overall F-test shows that adding each set of variables improves the model fit significantly. As indicated by the model fit statistics, Model 1 fits better than null models with no explanatory variables ($F_{(9, 1781)} = 2836.50$, $p < .001$), while Model 2 increases significantly the explanatory power of the drivers of the customer experience quality in comparison with Model 1 ($F_{(12, 1778)} = 2141.44$, $p < .001$).[4] With regard to the interpretation of the findings, a positive (negative) sign for a coefficient indicates that an increase in the explanatory variable leads to an increase (decrease) in the dependent variable (perceived customer experience in the first equation, and customer profitability in the second equation).

<Insert Tables 4 and 5 about here>

With regard to the model of the drivers of customer experience quality, the results reveal that each of the three equity drivers has a significant and positive association with customer experience quality ($\beta_1 = .3319$, $p < .01$; $\beta_2 = .0964$, $p < .01$; $\beta_3 = .4311$, $p < .01$), and, thus, that customers who perceive high value equity, brand equity, and relationship equity will judge their experiences as superior. This supports hypotheses H1a, H1b, and H1c. Concerning the impact of social influence, we found support for the effect hypothesized in H2: the results confirm a positive and significant

association between social influence and customer experience quality ($\beta_4 = .8900$, p < .01).

We also found significant results in terms of the moderating role of social influence in the relationship between the equity drivers and customer experience quality. Consistent with our expectations, the impact of value equity on customer experience quality was significantly and negatively moderated by social influence ($\beta_5 = -.0716$, p < .01), which suggests that being exposed to experiences by other individuals in the personal social network weakens the relationship between these variables. This supports hypothesis H3a. The prevalence of social comparisons (Festinger 1954) causes customers continuously to evaluate their opinions against those of others. When customers are exposed to social influence regarding others' experiences with the firm, their expectations of a positive input to outcome ratio likely increase, leading to a weaker association between value equity and the customer experience quality.

Regarding the moderating role of social influence in the relationship between brand equity and customer experience quality, the results demonstrate that social influence strengthened the impact of brand equity on the customer experience quality ($\beta_6 = .0377$, p < .1). This supports hypothesis H3b. The association suggests that the brand can become an important signal of identity. Being exposed to social influence about that brand can lead the individual to align their own brand choices with those of others to ensure that other members make the desired identity inference about them as a way to construct or enhance their desired social identity (Chan, Berger, and Van Boven 2012).

Although we hypothesized a positive moderating effect of social influence on the relationship between relationship equity and customer experience quality, no

significant influence was found; hypothesis H3c is therefore unsupported. This result may be attributed to the need for uniqueness being counterbalanced by the pressure to conform with the social environment, which would neutralize the impact of social influence on the relationship between relationship equity and customer experience quality.

In our models, we also considered a number of control variables. First, a significant and positive association between lagged customer profitability and the customer experience quality was found ($\beta = .0152$, p < .05). The results also show a negative and significant association between relationship duration and customer experience quality ($\beta = -.002$, p < .05). Customers who have been with the company for longer might feel entitled to receive higher service levels; thus, their higher expectations of the experience may lead to a lower perception of its quality. Finally, we found a negative association between gender and the dependent variable ($\beta = -.0421$, p < .05).

In our model of the consequences of customer experience quality, we found support for hypothesis H4 that the expectation that judging experiences as superior in quality might lead to enhanced performance outcomes in the form of higher customer profitability. Specifically, customer experience quality is positively and significantly associated with customer profitability ($\alpha_1 = .0159$, p < .05). In line with previous customer profitability analyses (Bowman and Narayandas 2004; Cambra-Fierro, Melero-Polo, and Sese 2016; Reinartz, Thomas, and Kumar 2005), the results also demonstrate that lagged customer profitability, targeted marketing activities, and age exert a strong influence in identifying the most profitable customers in the banking industry (lagged customer profitability: $\beta = .9683$, p < .01; targeted marketing activities: $\beta = -.1182$, p < .05; age $\beta = -.0040$, p < .01).

DISCUSSION

Theoretical implications

Drawing on the customer equity framework proposed by Rust, Lemon, and Zeithaml (2004), together with models of customer experience that emphasize the central role played by elements outside the company's control (Homburg, Jozić, and Kuehnl 2017; Lemon and Verhoef 2016), this study offers an integrative framework that connects the three customer equity drivers with social influence and provides an empirical test of their impact on the customer experience quality and their joint influence on customer profitability. We thereby offer a better understanding of the drivers of customer experience quality, and we have addressed recent calls for research on this topic (Lemon and Verhoef 2016).

Although we have built on the rich theoretical insights provided by these authors to develop our conceptual framework and hypotheses, our study is fundamentally different in several aspects, and we regard these as the main contribution of this research. Specifically, our research complements two very influential conceptual papers on the customer experience (Lemon and Verhoef 2016; Homburg, Jozić, and Kuehnl 2017) by empirically investigating the drivers and consequences of the customer experience quality. In comparison to the work by Rust, Lemon, and Zeithaml (2004), another key resource for our study, we have taken a step forward by investigating the impact of the firms' investments in the three equity drivers on the customer experience quality and, through this, on customer profitability. Our findings further complement the study of Rust, Lemon, and Zeithaml (2004) by investigating the direct moderator role of social influence in the framework.

Another important contribution of this study is the support it provides for the central role played by the experiences of others in shaping an individual's perception of the superiority of his/her experience quality with the firm (Verhoef et al. 2009). Our findings show that being exposed to the shared experiences of other individuals enhances a customer's perception of his/her experience quality with the firm. This indicates that important elements of the judgment that customers make about their experiences with a firm are not controlled by the firm. Despite the direct impact of social influence, our study builds on social influence research (Cialdini and Goldstein 2004) by shedding light on how the impact of value equity, brand equity, and relationship equity on the customer experience quality can be strengthened or weakened by social influence. This result is important, as it suggests that the influence exerted by the investments made by companies to improve value, brand, and relationship perceptions in customer experience quality is contingent on the influence that others exert on the individual through sharing their own experiences with the firm. For example, being exposed to experiences shared by other customers in a social network enhances the impact of brand equity on the customer experience quality, but it strongly decreases the influence of value equity on this construct. As noted previously, the moderating impact of social influence can be explained by the different motivations behind social influence (Cialdini and Goldstein 2004).

For value equity, which relates to the need for accuracy, customers seek to compare their own choices with the standard value established on the basis of social influence. Thus, the impact of value equity on customer experience quality varies depending on the degree of social influence. The dissonance and unpleasant feelings generated from the perception of dissimilarity during the comparison process with other

customers' perceived value equity would be evoked increasingly together with higher level of social influence. This is in line with our theoretical reasoning: the popularity derived from social influence might lead to an increase of expectation in terms of value equity, thereby boosting the possibility of an unfair customer experience. This negative feeling is especially relevant when the value equity is perceived to be low. Figure 2 shows these results graphically.

<Insert Figure 2 about here>

For brand equity, and the need for social identification, customers resort to brands as an identity signal to convey the desired identity to other customers in a social network. As we argued previously, a brand highly exposed by social influence might be easily considered as a symbolic resource for the construction of social identity, since it may serve as a communication tool to others, thus strengthening the impact of brand equity on customer experience quality. The role of social influence is even stronger when the brand equity is perceived as high, since customers tend to define or strengthen their positive social identity (Kirmani 2009). Figure 3 shows these results graphically.

<Insert Figure 3 about here>

The association between relationship equity and customer experience quality is not affected by the experiences of others, which suggests that the need for uniqueness might be counterbalanced by the pressure for conformity with the social environment, resulting in a neutralized effect. This evidence contributes to a refinement of our understanding of how social influence affects customer perceptions and behavior.

This study also contributes to the rich field of the evaluation of financial return from marketing expenditures with a focus on the customer experience quality and its drivers (Lemke, Clark, and Wilson 2011; Lemon and Verhoef 2016; Palmer 2010). Our

study incorporates customer profitability as an outcome variable that is associated with perceptions of the quality of the experiences that customers have with companies (Gentile, Spiller, and Noci 2007; Grewal, Levy, and Kumar 2009; Lemke, Clark, and Wilson 2011; Palmer 2010). Thus, we have been able to establish a link between firms' marketing investments in the strategic levers of value, brand, and relationship (i.e., the equity drivers), customer experience quality, and financial performance. In doing this, we have provided direct evidence of the financial implications of investments in creating superior experiences, which could enable marketers to quantify the economic return on such investments (Rust, Lemon, and Zeithaml 2004).

Managerial implications

The management of the customer experience quality is considered to be a top strategic priority for most organizations in today's marketplace. Our study provides managers with a number of guidelines concerning how to manage marketing investments in ways that promote a superior experience quality that can be profitable for the firm.

An important aspect of our proposed framework is that it accounts for the multidimensional nature of customer experience quality, which is affected by investments in different strategic aspects, including value (product and service quality), brand, and the relationship. With this model, firms can identify the relative impact of each strategic lever on customer experience quality and, ultimately, on customer profitability. This can help firms prioritize their investments in ways that promote superior experience quality and enhance financial returns. Using the parameter estimates of our models, we calculated changes in customer experience quality when increasing each of the customer equity drivers by one standard deviation.[5] The results

show that changes in customer experience quality are 22.35%, 6.02%, and 28.68% when firms are able to increase value equity, brand equity, and relationship equity, respectively, by one standard deviation. These changes ultimately result in significant improvements in customer profitability. The results suggest that relationship equity is the equity driver most highly associated with changes in customer experience quality and in customer profitability, then followed by value equity and brand equity. A useful recommendation is to develop relational targeted marketing activities as the primary task, as they are useful tools to create emotional bonds with the firm. These relational marketing activities may easily reinforce the customer's view of the strength of the relationship, thereby driving customer experience quality and profitability. Later, firms may turn to address their investments in informative targeted marketing activities in order to increase the customers' perceptions of value equity. Informative firm-initiated contacts may enable customers to better assess the utility of the offered services.

Another central issue in our study is the key role played by social influence in shaping an individual's perception of the quality of his/her experience with the firm. One direct implication is that customers who are exposed to the influence of more individuals will have richer and better experiences, owing to the reinforcing role played by the experiences of people in their social networks. This result reinforces the notion that firms should proactively leverage social information to deliver favorable experiences to their customers (Libai et al. 2010). Social influence has been regarded as a factor that falls outside a firm's control; however, we encourage firms to collect more social information about their customers, a task that is enabled by the proliferation of social media platforms (such as Facebook, Instagram, and YouTube) and by the availability and processing of big data. In some industries, such as telecommunications,

interactions among consumers using telecom devices (including mobile phones) may provide a way to identify a personal social network and its specific dimensions (Nitzan and Libai 2011; Risselada, Verhoef, and Bijmolt 2014), while also allowing firms to gauge the nature of social influence by relying on internal transactional measures. Thus, empowered by the availability of richer information about an individual's social networks (Nitzan and Libai 2011; Rafaeli et al. 2017), firms can now use this information strategically to improve the experiences of their customers.

Using the insights that we provide into the moderating role played by social influence in the link between the equity drivers and the customer experience quality, firms can tailor their marketing investments to the individual customer. Taking account of the characteristics of customers' social networks, firms may segment customers depending on the degree of social influence and manage their investment accordingly. For example, for individuals exposed to strong social influence, firms are advised to develop informational targeted marketing activities, as receiving valuable information from the company on its products and services will help customers to better evaluate the utility of their purchase and mitigate the negative effect of social influence. Given the potential role of social influence on brand equity and customer experience quality, firms can take a more active role in guiding interactions among customers. For instance, they can establish brand community (both online and offline) as a platform to encourage interactions and conversations among customers; the platform could be regarded as a trustworthy source of information for evaluation of products and services. For example, Sephora established a massive, well-organized forum called Beauty Talk, where their customers can ask questions, share ideas, and upload pictures of themselves wearing

Sephora products. Similarly, Lego established Lego Ideas to encourage their customers to vote on their favorite products and to leave feedback on other customers' comments.

Finally, based on the connection we have established between customer experience quality and customer profitability, firms can quantify the impact on performance measures of investing in the promotion of superior experience. They can do this at the level of the individual customer, making it possible to demonstrate the contribution of marketing investment to profitability.

Limitations and further research

This study has a number of limitations. First, services are heterogeneous in nature and present different characteristics. Customer equity drivers and social influence are therefore likely be evaluated differently depending on the category of services (e.g., search, experience, and credence) (Jiménez and Mendoza 2013; Kim, Lado, and Torres 2009).[6] We tested our framework empirically in the context of financial services, and the collaborating bank provides a broad range of banking services. Future studies could improve understanding of the customer experience by investigating the implications of the type of service, using the categories of search, experience, and credence (Kim, Lado, and Torres 2009).

A second limitation concerns the measurement of some of the variables. We used perceptions to measure our central constructs. Although this is a natural approach to adopt for the equity drivers and customer experience quality (Ou et al. 2014; Rust, Lemon, and Zeithaml 2004; Vogel, Evanschitzky, and Ramaseshan 2008), we encourage future studies using more sophisticated techniques to capture social influence from the actual behavioral data. Suitable data are available in specific industries, such as telecommunications (Nitzan and Libai 2011; Risselada, Verhoef, and Bijmolt 2014), or

they can be obtained from social networking activity. This information is crucial, considering that firms' investments in value, brand, and relationship would affect customer attitudes indirectly through customers' social networks. Finally, we used data from a single company. Although the sample is representative of the profile of customers of the collaborating bank, it might not be for other financial organizations.

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[1] We investigate the impact of the three equity drivers on the customer experience quality. Given that our focus is on the individual customer, we use customer profitability as our financial outcome variable. The sum of the lifetime values of all customers represents the customer equity of a firm (Rust, Lemon, and Zeithaml 2004).

[2] The Fornell-Larcker criterion (1981) was not met, but this is in line with the findings of previous studies (i.e. Franke and Sarstedt 2019; Henseler, Ringle and Sarstedt 2015; Shiu et al. 2009) which demonstrate divergences among the three criteria used in our study and the Fornell-Larcker criterion. In addition, Shiu et al. (2009) highlight that the Fornell-Larcker criterion is not the most appropriate for the development of multi-dimensional scales, such as the customer experience quality scale in our study (Meyer and Schwager 2007).

[3] We performed a robustness check by splitting our sample based on the median; the results remained stable. We also introduced the continuous variable (instead of the dichotomized one) in our models, and although the model fit was lower, the results remained the same. We thank an anonymous reviewer for these suggestions.

[4] To further perform the robustness check of the proposed model, we also estimated an alternative model by excluding the last two items of customer experience quality; the results of key variables remained the same. We thank an anonymous reviewer for this suggestion.

[5] We calculated changes in customer experience quality when increasing each customer equity driver by one standard deviation, as follows (Ou, Verhoef, and Wiesel 2017): $\frac{\beta 1/\ \beta 2/\ \beta 3 * \ one\ SD\ of\ VE/BE/RE}{variance\ of\ customer\ experience\ quality}$ where $\beta 1$, $\beta 2$, and $\beta 3$ are derived from Equation 1 of the model specification, and SD refers to the standard deviation of correspondent equity drivers. We thank an anonymous reviewer for these suggestions.

[6] We thank an anonymous reviewer for these suggestions.

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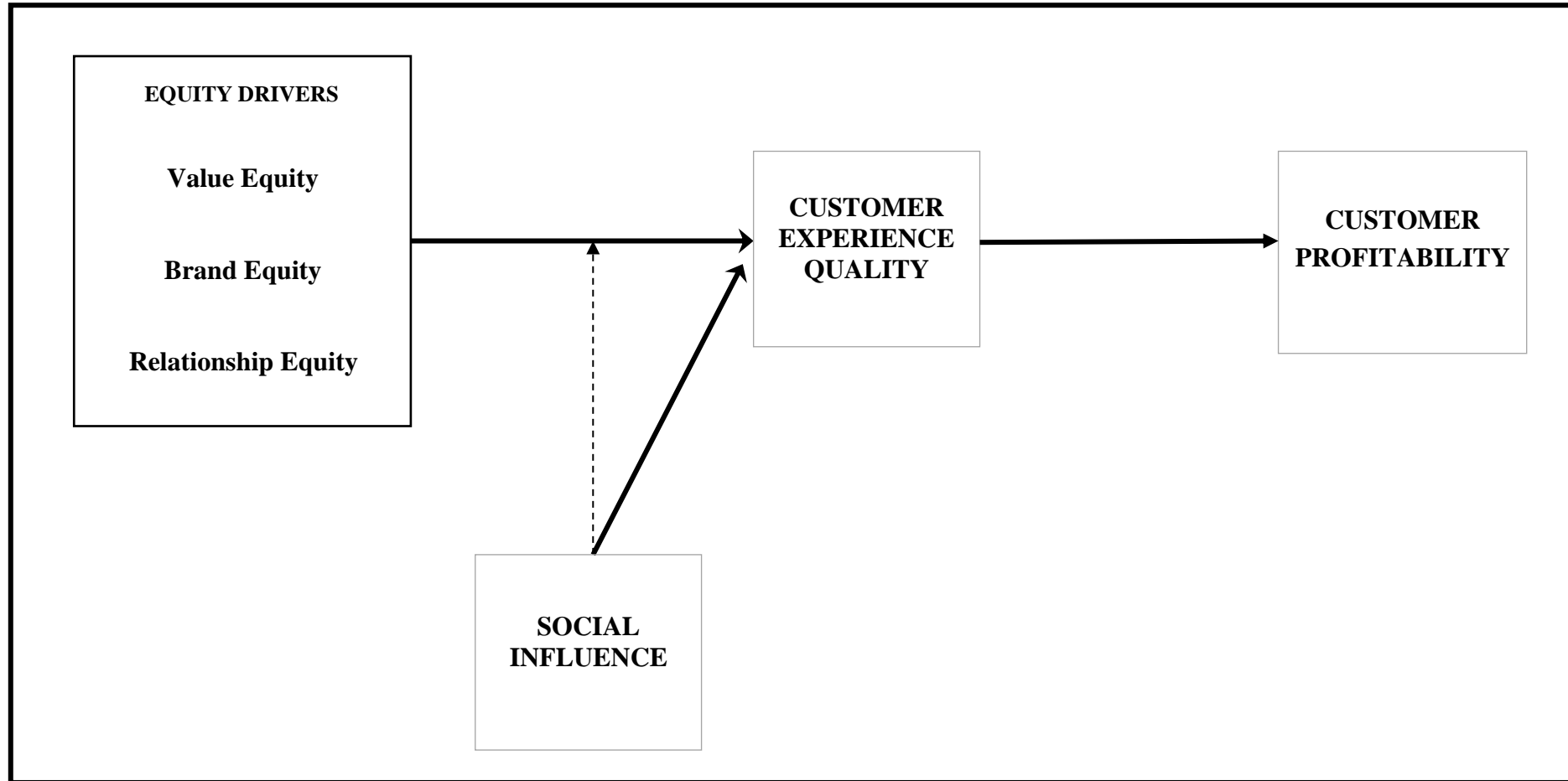
Figure 1. Conceptual framework

Figure 2. The moderating role of social influence on the relationship between value equity and customer experience quality
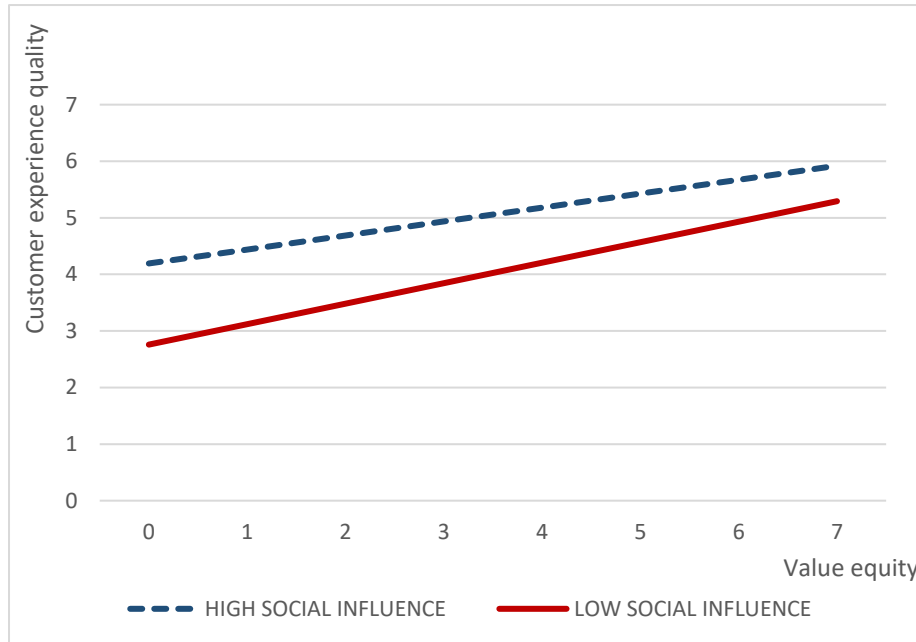
Figure 3. The moderating role of social influence on the relationship between brand equity and customer experience quality
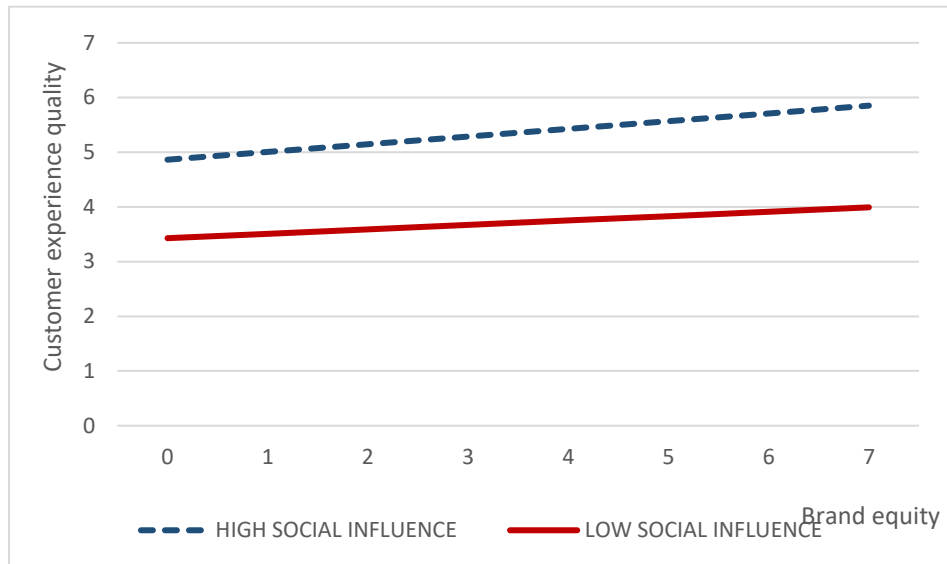
Table 1. Literature review on the relationship between customer perceptions and customer profitability in the banking context

Source	Sample size; Study design	Independent variables					Moderators			Mediators				Dependent variables					Key findings
		Customer equity drivers	Customer satisfaction	Service quality	Commitment	Others	Customer perception	Customer characteristics	Others	Customer satisfaction	Customer loyalty	Service quality	Others	Profitability	Customer retention	Revenue	SOW	Others	
Rust and Zahorik (1993)	100 customers C		✔												✔			Market share	The aggregated customer satisfaction affects the aggregated retention rates and market share of the company.
Keiningham, Zahorik, and Rust (1994)	400 customers C					Drivers of customer satisfaction				✔					✔				The overall customer satisfaction has a positive impact on customer retention.
Hallowell (1996)	59 divisions L		✔								✔			✔					The results illustrate that customer satisfaction, customer loyalty and profitability are related to one another.
Loveman (1998)	450 branches L			✔ (Internal)						✔	✔	✔	Employee satisfaction and employee loyalty	✔		✔			The results generally support the model, but there are some exceptions.
Bolton, Kannan, and Bramlett (2000)	405 customers L		✔			Customer loyalty	Customer loyalty and customer satisfaction with competitors								✔			Usage level	Obtaining a lower (higher) satisfaction level than the competitor leads to a lower likelihood of repurchase (a higher service usage level).
Varki and Colgate (2001)	828 customers C	✔ (Price perception)		✔		Customer value				✔					✔				The results indicate that price perceptions have a stronger influence on customer value than quality, customer satisfaction and behavioral intentions.
Kamakura et al. (2002)	5055 customers C					Operational inputs and attributes performance							Behavior intention and customer behavior	✔					The superior satisfaction alone is not an unconditional guarantee of profitability. Managers should translate such attitudes and intentions into relevant behaviors.
Verhoef, Frances, and Hoekstra (2002)	1,986 customers L	✔ (Payment equity)	✔		✔	Trust		✔ (Relational)										Customer referrals and number of services purchased	Trust, affective commitment, satisfaction, and payment equity all positively affect customer referrals. These results differ depending on relationship age.
Verhoef (2003)	1,677 customers in T0; 918 customers in T1 L	✔ (Payment equity)	✔		✔	Loyalty program and direct mailings									✔		✔		Both affective commitment and loyalty programs positively affect customer retention and customer share, while direct mailing influences customer share.
Keiningham, Perkins-Munn, and Evans (2003)	348 customers C		✔					Buyer group characteristics									✔		There is a positive and nonlinear relationship between customer satisfaction and share of wallet. This relationship also differs depending on segment of customers.
Rust, Lemon, and Zeithaml (2004)	355 customers C	✔												✔					Customer equity affects the current and future customer's lifetime values. The authors provide a strategic framework to link the marketing actions to customer equity and financial return.
Cooil et al. (2007)	4,319 households L		✔					✔ (Demographic and relational)									✔		The results indicate a positive relationship between changes in satisfaction and share of wallet. This result differs depending on customer characteristics.

		Independent variables					Moderators			Mediators				Dependent variables					
Source	Sample size; Study design	Customer equity drivers	Customer satisfaction	Service quality	Commitment	Others	Customer perception	Customer characteristics	Others	Customer satisfaction	Customer loyalty	Service quality	Others	Profitability	Customer retention	Revenue	SOW	Others	Key findings
Larivière (2008)	522 customers L					Attributes performance				✔		✔	Customer behavior (Retention and SOW)	✔					It reveals that different levels of SOW generate different levels of customer profitability (cross-sectional effect) and that this relationship is nonlinear.
Liang and Wang (2008)	1,043 customers C					Perceived relationship investment				✔	✔		Trust /commitment		✔	✔			Consistent with the proposition of service profit chain, the customer perspective has positive effects on financial performance.
Larivière et al. (2008)	802 households C		✔					✔ (Relational)									✔		The results confirm that multichannel usage moderates positively the relationship between customer satisfaction and SOW.
Vogel, Evanschitzky, and Ramaseshan (2008)	5,694 customers C	✔									✔						✔		The customer equity drivers can significantly predict future sales.
Liang, Wang, and Dawes Farquhar (2009).	396 customers C					Attributes performance				✔	✔		Perceived benefits, trust and commitment		✔			Cross-buying	The results demonstrate that customer perceptions positively affect financial performance.
Yavas, Babakus, and Ashill (2010)	50 branches C				✔ (Branch commitment)				Service climate	✔			Branch service climate and branch employee performance				✔		The employee performance partially mediates service climate and customer satisfaction.
Gonçalves and Sampaio (2012)	1,210 customers C		✔					✔ (Demographic and relational)							✔				The impact of customer characteristics as moderators varies depending on the measurement of customer loyalty.
Jha et al. (2017)	872 customers C					Role overload			Customer orientation	✔		✔			✔				Interaction quality fully mediates role overload and customer satisfaction while the effect of interaction quality on branch sales is fully mediated by customer satisfaction.
Ou and Verhoef (2017)	10,527 customers; 5 firms from banking industry C	✔				Emotion	Emotion								✔				Customer equity drivers and emotions positively affect customer loyalty, while emotions also moderate the primary relationship.
Ou, Verhoef, and Wiesel (2017)	301–781 customers from banking industry C	✔				Customer characteristics		✔ (Demographic and relational)	Firm and industry characteristics						✔				The results show that specific industry and firm characteristics affect the effectiveness of customer equity drivers on loyalty intentions.
Current study	1,990 customers C	✔				Social influence			Social influence				Customer experience quality	✔					Customer equity drivers and social influence associate positively with customer experience quality. The same effect is found between customer experience quality and customer profitability. The moderator role of social influence varies depending on the nature of equity drivers.

Note: In the column for sample size and study design, **C** means cross-sectional data and **L** refers to longitudinal data

Table 2. Key constructs and measures

	Variable	Description	Mean	Standard deviation
Dependent variable	**Customer Profitability**	Customer profitability (in euros) is measured as the average of the sum of customer gross margin (customer incomes – costs), non-financial products, and commissions between January and March 2013 (t_2)	238.67	450.72
Equity drivers	**Value Equity**	Value equity of customer i is measured as the average of three items collected through the survey (from 1: strongly disagree to 7: strongly agree) in December 2012 (t_1)	4.84	1.66
	Brand Equity	Brand equity of customer i is measured as the average of three items collected through the survey (from 1: strongly disagree to 7: strongly agree) in December 2012 (t_1)	4.92	1.54
	Relationship Equity	Relationship equity of customer i is measured as the average of four items collected through the survey (from 1: strongly disagree to 7: strongly agree) in December 2012 (t_1)	4.95	1.64
Moderating effect	**Social Influence**	Social influence of customer i is measured as the average of three items collected through the survey (from 1: strongly disagree to 7: strongly agree) in December 2012 (t_1) and coded into a dummy variable (1 for >4; 0 for ≤4)	0.77	0.42
Mediating variable	**Customer Experience Quality**	Customer experience quality of customer i is measured as the average of seven items collected through the survey (from 1: strongly disagree to 7: strongly agree) in December 2012 (t_1)	5.12	1.57
Control variables	**Lagged Customer Profitability**	Lagged customer profitability is measured as the average of the sum of customer gross margin (customer incomes – costs), non-financial products, and commissions from January to December 2012 (t_0) and transformed into a logarithm	5.02	1.46
	Targeted Marketing Activities	The average of the number of direct marketing communications per month initiated by the firm to customer i from January to December 2012 (t_0) (i.e., offers of products/services, promotions, information, etc.)	0.26	0.28
	Relationship Duration	The number of years that customer i has been a customer of the bank at t_0, December 2012	30.39	14.76
	Gender	Dummy variable (1 for men; 0 for women)	0.53	0.50
	Age	The age of customer i at (t_0) as of December 2012	53.78	13.93

Note: Final sample size is 1,990 customers.
The mean and standard deviation value of the log-transformed customer profitability are 4.80 and 1.46, respectively.

Table 3. Scales used to measure relational variables

EQUITY DRIVERS

	Cronbach's alpha	Factor loadings	Composite reliability
VALUE EQUITY **(Vogel, Evanschitzky, and Ramaseshan 2008)**	Cronbach's alpha	Factor loadings	Composite reliability
1. I stay with this bank because both (this bank and I) can earn a profit from it.		.890	
2. I want to keep working with this bank because it is difficult to find other banks like it.	.871	.885	.921
3. I am happy with the service received from this bank.		.899	
BRAND EQUITY **(Rust, Lemon, and Zeithaml 2004)**	Cronbach's alpha	Factor loadings	Composite reliability
1. I pay a lot of attention to everything about this bank.		.877	
2. Everything related to this bank grabs my interest.	.866	.890	.918
3. I identify myself with the values that this bank represents for me.		.896	
RELATIONSHIP EQUITY **(Vogel, Evanschitzky, and Ramaseshan 2008; Rust, Lemon, and Zeithaml 2004)**	Cronbach's alpha	Factor loadings	Composite reliability
1. I have trust in this bank for hiring a financial service.		.850	
2. I feel this bank is close to me.		.900	
3. I think this bank makes several investments to improve our relationship.	.919	.917	.943
4. I perceive that this bank makes an effort to improve our relationship.		.920	
SOCIAL INFLUENCE **(Harrison-Walker 2001; Cheung, Lee, and Rabjohn 2008)**	Cronbach's alpha	Factor loadings	Composite reliability
1. Most of my environment (family, friends, etc.) are customers of this bank.		.847	
2. Generally, the conversations I have with my environment about this bank have a positive tone.	.856	.887	.912
3. In conversations that I have with my environment about this bank, we discuss different topics (financial entity's products and services, profitability, image, etc.)		.909	
CUSTOMER EXPERIENCE QUALITY **(Chen and Chen 2010; Otto and Ritchie 1996)**	Cronbach's alpha	Factor loadings	Composite reliability
1. It is a pleasure for me to work with this bank.		.908	
2. I feel comfortable when I interact with this bank.		.882	
3. This bank meets my needs and covers my expectations.		.918	
4. I like to interact with this bank.		.871	
5. In my opinion, this bank really cares about keeping me as a customer.	.956	.874	.964
6. Please value the quality of the relationship with this bank.		.901	
7. I consider that the quality of the relationship with this bank has increased during recent months.		.870	

Note: Cronbach's alpha, factor loadings, and composite validity were calculated using the program Smartpls 3. Sample size: 1,990 customers

Table 4. Model estimation results for Equation 1 (drivers of Customer Experience Quality)

EQUATION 1	Dependent variable: Customer Experience Quality		
Model alternatives	**Model 0** **R² = .0791**	**Model 1** **R² = .9346**	**Model 2** **R² = .9351**
Intercept	**3.5235*****	**.5652*****	**.4352*****
Independent variables			
Value Equity		**.2812*****	**.3319*****
Brand Equity		**.1171*****	**.0964*****
Relationship Equity		**.4164*****	**.4311*****
Social Influence		**.7205*****	**.8900****
Social Influence * Value Equity			**−.0716*****
Social Influence * Brand Equity			**.0377***
Social Influence * Relationship Equity			−.0215
Control variables			
Customer Profitability 2012 (log)	**.1432****	**.0153****	**.0152****
Targeted Marketing Activities	−.0101	−.0456	−.0489
Relationship Duration	**−.0079*****	**−.0020****	**−.0020****
Gender	**−.4557*****	**−.0426****	**−.0421****
Age	**.0260*****	.0004	.0005
F-test			
Change in R²		.8857	.0005
F-statistics	$F_{(5, 1758)} = 30.66$	$F_{(9, 1781)} = 2,836.50$	$F_{(12, 1778)} = 2,141.44$
Pr > F		**.0000*****	**.0032*****

Note: Significant parameters are highlighted in bold: *** $p < .01$; ** $p < .05$; * $p < .10$.
Sample size: 1,990 customers

Table 5. Model estimation results for Equation 2 (consequences of Customer Experience Quality)

EQUATION 2	DEPENDENT VARIABLE
	Customer Profitability 2013 (Log)
	R² = .8884
Intercept	.0493
Independent variable	
Customer Experience Quality	**.0159****
Control variables	
Customer Profitability 2012 (log)	**.9683*****
Targeted Marketing Activities	**−.1182****
Relationship Duration	−.0007
Gender	−.0083
Age	**−.0040*****

Note: Significant parameters are highlighted in bold: *** $p < .01$; ** $p < .05$; * $p < .10$.
Sample size: 1,990 customers

Appendix 1. Correlation matrix.

	Variables	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Dependent variables	1. Customer Profitability 2013 (log)	1													
	2. Customer Experience Quality	**.1137***	1												
Equity drivers	3. Value Equity	**.1062***	**.9137***	1											
	4. Brand Equity	**.0778***	**.8233***	**.7642***	1										
	5. Relationship Equity	**.0998***	**.9382***	**.8785***	**.8138***	1									
Social influence	6. Social Influence	**.0908***	**.8300***	**.7465***	**.6641***	**.7733***	1								
	7. Social Influence * Value Equity	**.1040***	**.9142***	**.9127***	**.7616***	**.8715***	**.9236***	1							
	8. Social Influence * Brand Equity	**.0942***	**.8968***	**.8262***	**.8577***	**.8606***	**.9214***	**.9421***	1						
	9. Social Influence * Relationship Equity	**.1010***	**.9208***	**.8519***	**.7762***	**.9181***	**.9351***	**.9650***	**.9570***	1					
Control variables	10. Customer Profitability 2012 (Log)	**.9411***	**.1243***	**.1212***	**.0995***	**.1193***	**.1145***	**.1199***	**.1166***	**.1200***	1				
	11. Targeted Marketing Activities	**.2939***	**.0499***	**.0477***	**.0517***	**.0565***	**.0702***	**.0589***	**.0658***	**.0599***	**.3022***	1			
	12. Relationship Duration	.0025	**.0629***	**.0672***	**.1164***	**.0743***	**.0567****	**.0718***	**.0970***	**.0699***	.0450	**1.685***	1		
	13. Gender	**.2053***	**−.1076***	**−.0901***	**−.1054***	**−.0964***	**−.0912***	**−.0948***	**−.1012***	**−.0991***	**.1922***	**.2510***	−.0376	1	
	14. Age	.0174	**.2168***	**.2204***	**.2639***	**.2137***	**.1711***	**.2186***	**.2394***	**.2091***	**.0550***	**.1729***	**.5539***	.0087	1

Note: * p < .05: significant correlations are highlighted in bold.
Sample size: 1,990 customers

Appendix 2. Variance inflation factor

Factor	Tolerance	VIF
Value Equity	.203	4.920
Brand Equity	.295	3.395
Relationship Equity	.154	6.502
Social Influence	.184	5.448
Social Influence * Value Equity	.184	5.424
Social Influence * Brand Equity	.313	3.197
Social Influence * Relationship Equity	.144	6.927