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CROSS-BUYING IN RETAILING: THE ROLE OF CUSTOMER INSPIRATION

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Keywords: Cross-Selling, Cross-Buying, Psychological Mechanism, Customer Inspiration

Description: This paper investigates different antecedents of cross-buying and tests an underlying psychological mechanism explaining customers' cross-buying behavior.

EXTENDED ABSTRACT

Research Question

Retailers need to better leverage existing customer relationships in order to stay profitable (Zeithaml, 2000). One way of doing so is by cross-selling additional products to current customers (Kumar et al., 2008). Cross-selling refers to companies' proactive sales attempts (Rapp et al., 2015). Xu et al. (2022, p. 1) highlight that cross-selling is "one of the most important sales strategies retailers adopt to drive business revenue and increase customer lifetime value." Most cross-selling attempts have one common goal: companies want to increase customers' cross-buying behavior. Cross-buying or "add-on buying" refers to the *breadth of customer-firm relationships* (Bolton et al., 2004). It entails the number of different products, product categories,

or services purchased from a company over time (e.g., Kumar et al., 2016; Verhoef et al., 2001). A review of the literature revealed a total of 95 unique drivers of cross-buying. Among the most frequently studied antecedents of cross-buying, we find conflicting evidence about the direction and significance of the effects. The conflicting evidence calls for a better understanding of the psychological mechanism of customers' cross-buying behavior. We hypothesize that cross-buying decisions are driven by customer inspiration, a temporary motivational state (Böttger et al., 2017).

Method and Data

We ran a structural equation model to address the research gap. At first, measurement items for the antecedents and mediator were validated using confirmatory factor analysis. Subsequently, we tested a four-stage structural model to assess the effects of the antecedents and the mediator on cross-buying. We surveyed 841 American Walmart customers (49% female, M_{age}=40.2 years) that have made at least one purchase within the last 14 days about their purchase.

As drivers of cross-buying, we used 18 measures that were studied in at least two papers from our literature review. As an underlying psychological mechanism, we measured the ten items from Böttger et al.'s (2017) customer inspiration scale. We first asked participants about their cross-buying behavior at their last purchase. Afterward, we measured customer inspiration, followed by the 18 antecedents of cross-buying in randomized order. On average, customers purchased goods worth US$77.80 during their last purchase. Regarding the dependent variable (i.e., cross-buying), customers bought, on average, twelve different product entities (Range: [1,100]). The data show no issues with common method bias since the total variance extracted by one factor is 30.67% and is less than the recommended threshold of 50% (Podsakoff et al., 2003).

Summary of Findings

Measurement model. The 75-item, 18-factor (three factors [i.e., past-revenue, cross-promotion, and cross-buying] were observed variables) were covariance structure measurement model has good fit statistics, discriminant validity, and internal consistency of all constructs in the model.

Structural model. To explore the role of customer inspiration, we ran four models to assess changes in the relationships as well as model fit characteristics. In the first step, we entered the covariates into the model. In the second model, we entered all 18 drivers of cross-buying into the model. In the third model, we added customer inspiration as a driver predicting cross-buying. Lastly, in the full model, customer inspiration served as a variable mediating the relationship between the drivers and cross-buying. Similar to the measurement model, the goodness-of-fit statistics for the full model (Model 4) were good and, most importantly, outpaced the other three models (χ^2/df=2.81, CFI=.90, IFI=.90, RMSEA=.046). Also, R^2 of cross-buying increased from .060 in Model 1, to .298 in Model 2, to .311 in Model 3, and .317 in Model 4. Both the model fit criteria and the explained variance suggest that integrating customer inspiration as a mediator leads to significantly better modeling results.

Statement of Key Contributions

Our findings contribute to research and practice in three ways.

First, no research has thoroughly examined consumers' psychological mechanism of cross-buying. Other scholars have only addressed context-dependent mechanisms (e.g., Bauer et al., 2022) or pointed them out in the discussion section of the paper (e.g., Kim et al., 2022). Our study sheds light on the underlying mechanisms and adds substantial insights to the ongoing discourse on cross-buying drivers (e.g., Kumar et al., 2008; Liu-Thompkins & Tam, 2013; Ngobo, 2004; Ravula et al., 2020; Xu et al., 2022).

Second, our study goes beyond *cross-selling the right product at the right time to the right customer* (Kamakura, 2007; Li et al., 2011). Customer inspiration as a motivational state (Böttger et al., 2017) drives cross-buying behavior by raising the awareness of what is desirable and thus awakening new customer needs. We establish the mantra of *inspiring the right customer with the right products at the right time*.

Third, by showing that customer inspiration fully mediates the effects of marketing activities and salespersons' customer orientation on cross-buying behavior, our findings help retailers better design cross-selling marketing activities.

References are available upon request.