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### Perceived similarity of other customers on service experience

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**Hong Kong Institute of Business Studies**  
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**Perceived Similarity of Other Customers  
on Service Experiences**

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## **PERCEIVED SIMILARITY OF OTHER CUSTOMERS ON SERVICE EXPERIENCES**

### **ABSTRACT**

This study aims to examine how a mere appearance of other similar customers will influence the perceived service quality of a potential customer. This research involves two experimental studies. Findings shows that if potential customers perceive other customers to be similar (vs. dissimilar) in a hospitality setting with regard to age, they will have more favorable perceptions toward the service quality and have a higher purchase intention. However, the positive impact of the similarity in age cohort can override the negative impact of dissimilarity in ethnicity on one's perceived service quality and purchase intentions. The results provide implications for hospitality managers.

*Keywords: perceived similarity; other customers; service experiences; hospitality management; purchase intentions*

## INTRODUCTION

In the hospitality industry, it is not uncommon for a service provider to provide services to multiple customers simultaneously. The role of “other customers” in consumption context has long been recognized in the service marketing literature, but the understanding about the impact of these other customers on the potential customers is relatively limited. This research suggests that a potential customer’s perceived similarity with other customers in a hospitality setting (such as hotel or restaurant) may exert a positive effect on his or her perceived service quality as well as purchase intentions.

Extant research suggests that the behaviors and characteristics of other customers influence an individual’s evaluation and interaction with a service organization. Even in the context where personal interactions among customers are limited, other customers can exert their influence simply by being part of the service environment. This study further investigates how such observable characteristics like age cohort and ethnicity can influence service perceptions. Building on the self-categorization theory (Hogg and Turner 1985), we attempt to propose a mechanism underlying the effects found in the study. We postulate that when a potential customer observes the appearance of other "similar" customers, they will have more favorable perceptions towards the service quality and exhibit higher patronage intentions. These effects should be in part driven by the self-categorization of the potential customers, that is, whether a potential customer classify themselves as a member of a given social category that is simultaneously shared with other existing customers in the same service setting.

In this paper, we will review the literature about the role of other consumers and self-categorization theory. This is followed by developing hypotheses linking the relationship between perceived similarity of other customers and perceived service quality and purchase intentions. Then, we will describe the two experimental studies that tested the proposed research hypotheses in hospitality settings. Finally, theoretical and managerial implications of this research will be discussed.

## CONCEPTUAL BACKGROUND AND HYPOTHESES DEVELOPMENT

### *The Impact of Other Customers on Service Encounters*

One of the unique characteristics of service encounters is human interactions. In addition to the service provider-to-customer interactions, customer-to-customer interactions are common in the hospitality industry because other customers always simultaneously occupy a service facility with a focal customer (Brocato, Voorhees, and Baker 2012). The role of other customers in a consumption context has long been recognized in the service marketing literature (Langeard et al. 1981; Martin, 1996). For example, Langeard et al. (1981) have proposed the “servuction model” to conceptualize customer service experiences and pointed out that customers are an integral part of the service delivery process. They have identified four interactive elements of the service delivery process: customer A (focal customers who are at the center stage of a service transaction); contact personnel (service providers); inanimate environment; and customer B (customers who present in the same service environment). These four interactive elements contribute significantly to a service delivery process. The majority of previous literature, however, has focused on examining how service providers and service environment would influence a focal customer’s service experience. Inadequate attention has been paid to the impact of other customers on service quality perceptions and evaluations of potential or observing customers.

A few studies have investigated how the presence of other customers influences a focal customer’s service evaluations (Argo, Dahl, and Manchanda 2005; Brocato, Voorhees and Baker 2012; Grove and Fisk 1997; Miao and Mattila 2013; Thakor, Suri, and Saleh 2008; Wan, Chan, and Su 2011). Grove and Fisk (1997) used the Critical Incident Technique (CIT) and found that the presence of other customers significantly influenced customer satisfaction with a tourist attraction. For example, positive behaviors of other customers (e.g., generous acts and friendliness) at a theme park enhanced customer satisfaction, whereas negative behaviors of other customers (e.g., cutting in line and shoving during waits) significantly reduced customer satisfaction. Similarly, Miao and Mattila (2013) have found that the negative behaviors of other customers (e.g., the kids from a family were screaming in a restaurant) in the close service settings will lead the focal customers to provoke more negative emotions as well as dissatisfaction.

Interestingly, some researchers have found that the mere presence of other customers in a service setting will also influence a focal customer's service experience even the other customers do not have positive or negative behaviors. For example, Argo, Dahl, and

Manchanda (2005) have found that the increase in the number of other customers in a service setting will increase a focal customer's negative feelings and engage in more self-presentation behaviors. More recently, Thakor, Suri, and Saleh (2008) have found that the age of other customers will influence young adults' satisfaction with services. Specifically, the presence of older customers will have a negative impact on young customers' service evaluations for both health club and restaurant services. Younger adults in general negatively stereotype older adults (such as ill, tired, and unlikely to participate in activities). Brocato, Voorhees and Baker (2012) have extended previous research and proposed an "Other Customer Perception (OCP)" scale with three dimensions to measure individual's perceptions of other customers during service consumption. The three dimensions include similarity (i.e., how similar the other patrons are to an individual customer), physical appearance (i.e., how decent the other patrons are dressed), and suitable behaviors (i.e., whether an individual customer perceives that other customers behave appropriately). These three dimensions determine the customer's intention to approach or avoid the service provider.

The aforementioned studies focused on the impact of other customers' characteristics or behaviors on focal customers' service experiences *during* the consumption process. However, none of them investigated the situation *before* the consumption process. Will the characteristics of other customers influence a potential or observing customer's service quality perceptions as well as purchase intentions even before s/he obtains the service? We propose that the potential customers may form positive perceptions and evaluation of a service even before their service consumption if they have observed a similarity between themselves and the other customers in the service setting. This similarity can simply base on observable characteristics, such as age cohort and ethnicity. By referring to the self-categorization theory (Hogg and Turner 1985), we attempt to explain how similarity between a potential customer and other customers enhance the potential customer's service quality perceptions and purchase intentions.

### ***Self-categorization Theory***

No single individual lives in a vacuum. Every day, all of us are surrounded by different people. To navigate lives easier, people come to classify themselves and others into discrete social categories. Such classification is essential to define oneself and also to regulate one's understanding of and interactions with others (Brewer 2007). It can be based on age cohorts, ethnicity, and so forth (Hogg and Turner 1987). A person can draw from a repertoire of categories to define oneself and these categories vary in terms of "inclusiveness". That is,



to what extent other people are included in the category. It can include all other people (i.e., defining oneself as human being as opposed to animal). It may also include only oneself (i.e., defining self as a unique individual). Between these two extremes, a person may consider oneself as a member of a certain category that is shared with a subset of other people (e.g., I am generation Y). The categorization that one is likely to use may change across contexts and it can be determined by how accessible or salient a category is in a given context (Turner and Reynolds 2011). When a given categorization is made salient (e.g. age cohort), people tend to self-categorize with others who share similar characteristics (Platow, Mills and Morrison 2000). That is to perceive the similar others as ingroup members (e.g. people of the same age as I am).

The self-categorization process can result in tremendous impacts such as ingroup favoritism. Robust evidence shows that people treat ingroup members and outgroup members differently (Asch 1956; Abrams, Wetherell, Cochrane, Hogg, and Turner 1990; Mackie 1986; Sherif 1936; Tajfel and Turner, 1985; Turner 1991; Turner, Hogg, Oakes, Reicher and Wetherell 1987). There is a tendency to exhibit favorable bias toward ingroup members such as evaluating ingroup members more positively and allocating resources in favor of ingroup members (Brewer 2007). Moreover, ingroup members very often can exert substantial influence on one's judgments. For example, an individual is more likely to conform to the group's position on an attitudinal issue when one perceives others to be the ingroup members (Mackie 1986). These influences operate through the process of referent informational influence (Turner 1984; 1991). People may view ingroup members as a valid source of information. They internalize the norms and attributes of the category. Therefore, the ingroup members can exert its impact by shaping one's thoughts, attitudes and behaviors.

When a potential or observing customer comes across with a new service organization, information regarding the service quality is limited. The physical cues that are available in the service environment enable the customer to make inference about the service quality. As noted earlier, other customers being a part of the environment may influence the formation of such an initial impression. Although the amount of interactions among customers may sometimes be limited, one's physical characteristics are readily observable. These physical characteristics in themselves may serve as a cue that makes some salient categorizations and age cohort is one such example. Imagine that the restaurant is predominately filled with customers who look similar to an individual in terms of age cohort (e.g. middle-aged) than those who look dissimilar. The situation may have made salient the individual's membership in such category. Therefore the individual may self-categorize with

those who are similarly aged and consider them as the ingroup. Since ingroup members serve as a valid source of information, we speculate that by seeing them enter into a service facility such as a restaurant or hotel, an individual may infer that the service provider is better (i.e., “people who like us also patronize this restaurant”). The individual tends to have a more favorable quality perception toward the service provider and as a result, has a higher patronage intention. Therefore:

H1: Potential customers will have a more favorable perceived service quality when they perceive the existing customers to be similar (vs. dissimilar).

H2: Potential customers will have a higher purchase intention when they perceive the existing customers to be similar (vs. dissimilar).

H3: The impact of perceived similarity of other customers on potential customers' purchase intentions is mediated by the perceived service quality.

## METHODOLOGY

An experimental study was conducted to examine the proposed hypotheses. The experiment aims to examine the effect of age similarity on potential customers' perceived service quality and purchase intentions. A 2 (other customers' age: young-adult vs. middle-aged) x 2 (participants' age: young-adult vs. middle-aged) between-subjects factorial design is used. Hotel was selected as the service setting.

### *Stimulus Development*

Two fictitious hotel advertisements were created. Each of the advertisement consisted of five pictures: three background pictures showing the general environment of a hotel and two main pictures featuring the customers using the hotel facility. Two versions of the main pictures were prepared. In one version, the customers were young adults (“young-adult” condition) and middle-aged customers on the other one (“middle-aged” condition). Perceived (dis)similarity with other customers was manipulated by (mis)matching the age cohort between the participant and the customers in the picture. For example, in the similar condition, the participant was around the same age cohort as the customers in the picture (e.g., both

young adults or both middle-aged). In the dissimilar condition, the respondent was of a different age cohort from the customers in the picture. The background pictures were identical in the two conditions.

A pretest was conducted to ensure that the stimulus pictures have the intended effects on perceived similarity between young and middle-aged adults. A group of participants aged from 18 to 59 years were recruited for the pretest ( $n = 38$ ; males = 44.7%; females=55.3%). Participants who aged 18-39 were classified as young-adult group ( $n = 17$ ) and those who aged 40-59 were classified as middle-aged group ( $n = 21$ ). Participants were asked to indicate the perceived similarity in terms of age cohort with the customers showed in the pictures (e.g., "I perceived the age of customers are similar to me"; 1 = strongly disagree; 10 = strongly agree).

Results indicated that among the participants in the young-adult group, they rated the customers in the picture to be more similar when the customers were young adults than the middle-aged ( $M_{\text{young-adult}} = 7.56$  and  $M_{\text{middle-aged}} = 4.50$ ;  $F(1, 15) = 72.14$ ,  $p < .001$ ), whereas participants in the middle-aged group rated the customers in the picture to be more similar when the customers were middle-aged than young adults ( $M_{\text{young-adult}} = 4.37$  and  $M_{\text{middle-aged}} = 7.92$ ;  $F(1, 15) = 80.05$ ,  $p < .001$ ). Therefore, the manipulation of perceived similarity by age group was successful.

### ***Participants and design***

The participants in the study included 110 Asian tourists (51 males and 59 females; 81% PRC, 3.6% Singaporean, 9% Japanese, 6.4% Korean) who visited Hong Kong during the summer period. They were approached by two interviewers at the Hong Kong Airport and were invited to do a questionnaire survey about consumer perceptions of service quality. They received a small incentive for their voluntary participation. The study employed a 2 (other customers' age: young-adult vs. middle-aged) x 2 (participants' age: young-adult vs. middle-aged) between-subject experimental design. To examine the impact of perceived similarity between potential customers and other customers on perceived service quality and purchase intentions, participants were randomly assigned to either the young-adult or the middle-aged condition, and their ages were obtained at the end of the study. Participants in this study aged from 18 to 59.

### ***Procedure***

Participants were first exposed to a fictitious hotel advertisement depicting either a group

of young-adult customers or a group of middle-aged customers. To assess participants' perceived service quality of the hotel, they were asked to indicate on their overall perception of service quality, using a 10-point scale (i.e., How do you perceive the overall service quality of this hotel? very bad/very good, unfavorable/favorable, and negatively/positively;  $\alpha = .90$ ). Purchase intentions were assessed with another three items (i.e., If you are going to reserve a hotel room, how likely would you reserve this hotel room? very unlikely/very likely, impossible/possible, definitely would not/definitely would;  $\alpha = .88$ ). Finally, participants were asked to provide demographic information and were thanked.

## RESULTS

*Perceived service quality.* Participants who aged from 18 to 39 were classified as young-adult group ( $n = 58$ ) and those who aged from 40 to 59 were classified as middle-aged group ( $n = 52$ ). A  $2 \times 2$  ANOVA indicated a significant interaction effect of participants' age and other customers' age on perceived service quality ( $F(1, 106) = 18.01, p < .001$ ). As expected, for the young-adult group participants, they gave a higher score on perceived service quality in the presence of other young-adult customers (i.e., similar condition) than in the presence of middle-aged consumer (i.e., dissimilar condition; 7.67 vs. 7.03;  $F(1, 56) = 5.34, p < .05$ ). Similarly, middle-aged group participants gave a higher score on perceived service quality in the presence of other middle-aged customers (i.e., similar condition) than in the presence of young-adult customers (i.e., dissimilar condition; 7.52 vs. 6.74;  $F(1, 50) = 20.29, p < .001$ ). The results support H1.

*Purchase intentions.* A  $2 \times 2$  ANOVA also showed a significant interaction effect of participants' age and other customers' age on purchase intentions ( $F(1, 106) = 13.88, p < .001$ ). As expected, participants in the young-adult group gave a higher score on purchase intentions in the presence of other young-adult consumers (i.e., similar condition) than in the presence of middle-aged consumers (i.e., dissimilar condition; 7.48 vs. 6.81;  $F(1, 56) = 4.30, p < .05$ ). In contrast, middle-aged group participants gave a higher score on purchase intentions in the presence of other middle-aged consumers (i.e., similar condition) than in the presence of young-adult consumers (i.e., dissimilar condition; 7.76 vs. 6.96;  $F(1, 50) = 14.98, p < .001$ ). Therefore, H2 is supported.

*Mediation.* To examine the mediating role of perceived service quality, we performed two separate mediation analyses for both young-adult group and middle-aged group participants following Baron and Kenny (1986). For the young-adult group, a significant effect of similarity on perceived service quality ( $p < .05$ ) and a significant effect of similarity on purchase intentions were found ( $p < .05$ ). When both similarity and perceived service quality were included, the influence of perceived service quality on purchase intentions remained significant ( $p < .001$ ), but the effect of similarity on purchase intentions disappeared ( $p > .10$ ). This pattern indicates that perceived service quality mediates the effect of similarity on purchase intention ( $z = 2.20, p < .05$ ).

Another mediation analysis has also shown similar results for the middle-aged group. First, a significant effect of similarity on perceived service quality ( $p < .01$ ) and a significant effect of similarity on purchase intentions were found ( $p < .01$ ). When both similarity and perceived service quality were included, the influence of perceived service quality on purchase intentions remained significant ( $p < .001$ ), but the effect of similarity on purchase intentions disappeared ( $p > .10$ ). Therefore, perceived service quality is found to mediate the effect of similarity on purchase intention ( $z = -3.72, p < .001$ ). H3 is supported as well.

## DISCUSSION

Results from the experiment confirm that the mere presence of similar others in a service setting will have positive influences on potential customers' service quality perceptions as well as purchase intentions. In this study, age cohort was used to manipulate perceived similarity of other customers. Young (mature) respondents (i.e. potential customers) had a higher purchase intention in the presence of other young (mature) customers than in the presence of mature (young) customers. The perception of service quality mediates the relationship between age similarity and purchase intentions. We think that the similarity on one dimension will still have a positive impact on customers' service evaluations although not as strong as the effect of similarity of both dimensions. It is possible for other customers to share physical similarity with the focal or potential customers in one aspect but are dissimilar with them in another aspect. Grove and Fisk (1997) have identified that a customer's evaluations of other customers' behaviors were based on observable characteristics, and the two most common observable characteristics are age and ethnicity. In hospitality settings, it is common for foreign tourists to share the same service environment with local customers. This

situation can sometimes result in similarity on one dimension (e.g. age cohort) but dissimilarity on the other dimension (e.g. ethnicity). Future research can be performed to address this issue. The findings may provide practical insights to the hospitality industry in which local and nonlocal guests such as tourists frequently share the same service setting.

### ***Theoretical Contributions***

The contribution of this research is twofold. First of all, this paper enriches the existing literature on the impact of the other customers in the service encounter. Unlike previous studies which investigate the influences of other customers during the consumption process, our research provides evidence that "other customers" can exert an influence even before the consumption begins. By merely glancing the existing patrons in a service setting, a potential or observing customer's quality perception toward the service provider can become more favorable or oppositely less favorable. It depends on the similarity between the observing customers and the other customers. Second, Brocato, Voorhees and Baker (2012) suggest that when the other customers are perceived to be similar to oneself, people evaluate the other customers more favorably and will find the service environment to be more compatible. People are likely to consider the opinions or the behaviors of similar others as a reference. In the context of consumption, other customers similar with us may provide clues about how suitable a product/service is to oneself. Our findings indeed indicate that when the other customers are similar, one tends to perceive the service provider to be of higher quality. However, one of the limitations of our research is that the present experimental design does not allow us to tap into consumers' inference making process. Further studies may consider the use of laboratory experiments to validate the mechanism underlying the effect of other customers similarity on quality judgments.

### ***Managerial Implications***

This research finds that when the service setting is filled with other customers who are similar to oneself, people tend to perceive the service quality to be more superior than it would be. It suggests that existing patrons who are physically attractive or nice looking do not necessarily draw in more new customers, but those who are similar to the potential or observing customers do. The tendency that people view similar others as ingroup members appear to underlie the mechanism observed in our studies. People view others of the same age cohort or the same ethnic group as sharing the same category membership. This research show that cues such as common membership with others can be used as physical attributes to

attract new customers. In fact, apart from those observable characteristics, there could be others ways by which the common membership could be cued. For example, emphasizing on common interests like green living style. In fact, self-categorization can operate at different level of inclusiveness. That is, how broad the category is. For instance, categorizing self as a unique individual, or a category that includes only self as opposed to a human being, or even a category that includes all other people. Service organizations may emphasize on a common membership that transcends predetermined memberships based on ethnic groups so that the potential customers and existing customers can view each other as ingroup members more readily.

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