

Examining the interaction effect of focal customer's and other customer's service experience on focal customer's revisit intention and word of mouth

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Abstract

This paper aims at studying customer -to- customer interaction (CCI) during dining service experience. With observational learning theory as a theoretical anchor, the focal customer's (observer) revisit intention and negative word of mouth were tested when witnessing service experience of another customer. Experimental design was employed with 2x2 between-subject factorial design. Results showed that the interaction between focal customer's service experience and other customer service experience influence focal customer's revisit intention and negative word of mouth.

1- Introduction:

Through the past literature, there were no agreement about the influence other customers have on one another (Zhang et al., 2010). It varied from positive (increase satisfaction) to negative (other customer's misbehavior) effect (Huang, 2008), even in case of no direct interaction between customer existing in the same service environment (Tombs & McColl-Kennedy, 2013). Majority of the research done in this area tackled the effect other customers might have on the focal customer's service experience, however, little research focused on the effect of service failure that happens to a stranger can affect the observing customer (i.e. focal customer) (Argo et al., 2005). Such important question was neglected (Wan et al., 2011).

The scant literature that investigated the observing customer usually focused on the emotions, justice, and behavioral changes (Cowley, 2005; Steinhoff and Palmatier, 2014; Noort and Willemsen, 2012; Van Vaerenbergh et al., 2013; Wan et al., 2011). However, there are some areas that researchers did not agree on yet concerning the observing customer. Previous studies count on the idea that witnessing other being mistreated experience emotional, behavioral and attitudinal reactions (Mattila et al., 2014).

This paper addresses research gap in focal customer and other customer interaction. Previous research focuses on the customer -to- company relationship. Other areas such as what surrounds CCI such as the environment, other customer and crowding is scant. Accordingly, from a business perspective, the objective of this paper is to "compare the contribution of the focal customer's experience versus the other customer's experience on the focal customer's revisit intention and negative word of mouth".

2- Theoretical back ground

2.1 Observational learning Theory

Bandura (1977) stated that vicarious learning is a type of observation learning. It is concerned with attitudes and behaviors. Vicarious learning is the increase or decrease of the observing person's attitudes and behaviors simulating the observed person's ones. This simulation results from observing whether or not the observed person's attitudes and behavior lead to satisfactory or unsatisfactory outcomes (Vaerenbergh et al., 2013). It was noted that observation of other people's behaviors can match the learning results from direct experience where other person's experience can act as another source of information to the observer and provide him/her with knowledge about which behaviors can result of satisfactory or unsatisfactory outcomes (Vaerenbergh et al., 2013).

Observational learning allows customers to witness other customer's service experience with their own eyes not relying on other sources of information such as word of mouth or recommendations (Kuo et al., 2013; Wirtz et al., 2013). That is why recent studies has employed the observational learning in investigating the service context. For example, it was highlighted by Cai et al. (2009) that customers frequently visiting restaurants learn from other customer's choices. Accordingly, observational learning can have a very strong effect to the extent that customers can ignore their own attitudes and behavioral intentions (Vaerenbergh et al., 2013). Customers through observational learning learn about the quality too not only attitudes and behaviors, quality related to the product or the service provider in case of observing service failure/recovery as observational learning theory predicts that perception of customer's quality can decrease with negative information (Zhang 2010). Moreover, Libai et al., (2010) have suggested that Observational Learning can become a fundamental form of customer – to- customer interaction (CCI).

2.2 Customer –to- customer interaction (CCI)

Customer –to- customer interaction (CCI) during service experience is a phenomenon that occurs repetitively in variety of service settings as retailing, leisure and hospitality, transportation and education (Nicholls, 2010). Evidence has emerged stating that CCI can have a profound effect on customer's consumption experience and can damage the service evaluation in hospitality industry (Huang and Wang, 2014). CCI can be defined 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). Also, Huang and Hsu, 2009 stated that CCI is a phenomenon that describes the interaction that takes place between unacquainted customers.

There was a distinction in the literature between several types of CCI as: the on-site and off-site interaction where the CCI was used for on-site as for the off-site it was used to highlight the word of mouth outcome of the interaction. Such distinction was made by Harris et al. (2000). Another type was the direct and indirect CCI (Nicholls, 2010). The direct one refers to the specific interpersonal interaction between customer while customers who are considered as

merely part of the environment would be referred to as the indirect CCI (Nicholls, 2010). Moreover, other distinction in CCI types is verbal (customers saying something to each other) or behavioral one (customers doing something to one another) (Soderlund, 2011).

Negative consequences may appear due to the existence of others in the same service environment which can lead to non-homogenies customers with different needs (C.H.-J. Wu, 2007) or dysfunctional behavior that can occur intentionally or unintentionally by other customers which will disrupt the service and by default will affect employees, other customers and/or organization itself (Harris and Reynolds, 2003).

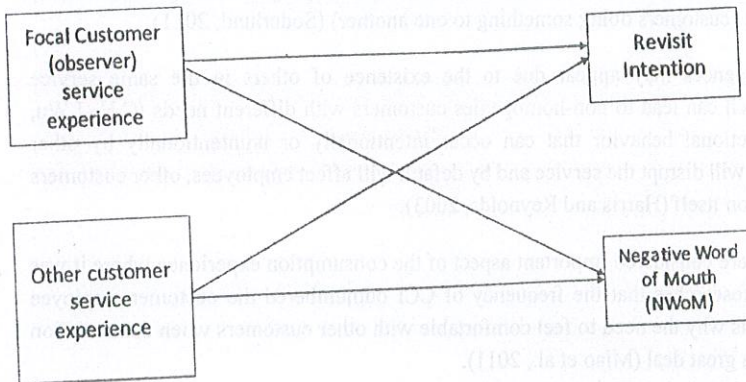
Other customers are considered important aspect of the consumption experience where it was shown in many researches that the frequency of CCI outnumbered the customer-employee interaction. That is why the need to feel comfortable with other customers when consumption takes place is of a great deal (Miao et al., 2011).

2.3 Other customer

The servuction system model was presented by Eiglier and Langeard (1977) aiming at displaying the service organization divided into two parts visible and invisible to customers (Nicholls, 2010). The visible components of servuction system model exists in service experience are contact personnel, inanimate environment and other customers presenting in the system (customer B) presenting other customers influence on the customer's perception of his/her service experience (Davies, Baron and Harris, 1999 and Nicholls, 2010). Such intimate environment will always allow customers to witness uncivil incidents that happen during the service encounter (McClure, 2016). The "influence between unacquainted consumers" phenomenon that was studied by McGrath and Otnes (1995) has divided overt and covert influences into categories. Overt influences can include help-seeker, reactive helper, proactive helper, admirer, competitor, and complainer while covert influences can include follower, observer, judge, accused, and spoiler.

Observing customers overhearing the failure/recovery incident have their own reactions which can assist in shaping their future interactions with the company and can also have influential effect on the word of mouth they spread regarding the service provider (Sharifi et al., 2017). Figure 1 highlights the conceptual frame work of this paper.

Figure 1: Conceptual Frame Work



2.4 Revisit Intention

Customers when being well treated will more likely be satisfied and thus will repurchase again from the same service provider in future exchange (Kim and Ok, 2009). Repeat purchase is "customer's judgement regarding buying again specific service from the same service provider, considering one's current situation and likely circumstances (Hellier et. al., 2003). Customer's satisfaction and revisit intention positive relationship is widely supported in service studies where it was agreed on that overall customer satisfaction will be linked to behavioral intentions to come back to the same service provider (Hellier et. al., 2003). Trust is also to be considered as one of the antecedents of revisit intention (in case of hotels) (Kim et al., 2009). Additionally, in cases as showing interest and active listening to customer's complaint; revisit intention can be reinforced even if the firm has failed to settle the complaint. Also, customer's satisfaction with the complaining process lead to higher levels of revisit intentions too (Lapidus and Pinkerton, 1995).

Another stream of research has pointed out that it is not necessary that such failure will cause negative reaction. Based on the Emotional attachment theory, it was stated that customers may tolerate such failure in both service and recovery and maintain relationship with service provider (purchase again) in return of maintain the sense of security and proximity (Evanschitzky et. al., 2011; Perlman and Fehr 1987). Palm et. al., (2000) have stated that revisit intention is positively correlated with customer's relationship with service provider.

On the contrary, findings of a qualitative study done by Tombs and McColl-Kennedy (2013) have shown that positive or negative responses to others in the same service environment can affect customers repurchase decision. Such responses evoke emotions or feelings that can lead to feel excitement, stay longer or visit the service provider again or discourage customers from entering the place. Accordingly,

H1: Focal customer revisit intention will be stronger when his/her experience is better than the other customer's observed experience

H2: Other customer favorable service experience will impact the focal customer's favorable service experience leading to higher revisit intention

2.5 Negative Word of Mouth (NWOM):

Word of mouth is "informal, person to person communication regarding a brand, product, organization or service" (Rahman et. al., 2014). Bone (1992) identified word of mouth to be "exchange of thoughts, comments and/or ideas between two or more individuals in which no one of them present marketing source". Historically, researchers used word of mouth notion to illustrate the interaction taking place among customers especially in verbal ways, followed by the focus on CCI as a different and broader concept (Libai et. al., 2010). Now a day, word of mouth is considered one of the CCI phenomenon that help revealing the post consumption experience that takes place outside the service environment (Rahman et. al., 2014). Word of mouth as one of CCI forms is beyond service firm's control, however, its impact is of a very high importance when taken into consideration future value co-creation and customers behavior (Rahman et. al., 2014). Word of Mouth is sharing customer's evaluation of he/her own service experience (Casidy and Shin, 2015).

Negative word of mouth is the effort done by customers to share the negative experience they faced to distort service firm to friends and family (Gregoire and Fisher, 2006) and acquaintances (Gregoire and Fisher, 2008). It can be considered an indirect way of retaliation where customers by sharing with others their service failure and bad experience they have been through can harm firm's reputation and warning others by discouraging them from patronizing the firm (Gregoire and Fisher, 2008). Moreover, negative word of mouth is one of the forms that customers may resort to as a way of taking revenge from the firm because of uncivil employee's behavior (Bavik and Bavik, 2015). Nicholls (2010) has referred to off-site CCI as word of mouth.

Presence of others in the same servicescape can have positive impact (satisfaction, loyalty and WOM) or negative ones (dissatisfaction and patronage intentions) (Albrecht, 2016). A study conducted to test the effect of others socially presence versus no presence on negative word of mouth has found that customers in social presence with others, have higher tendency for aggression and greater intention to engage in negative word of mouth compared to no presence situation (He et al., 2017)

Customers having strong reactions when mistreatment is being directed to them than to others (Casidy and Shin, 2015) where the lack of forgiveness and willingness to spread NWOM as a way of taking revenge from the service provider service failure (Gregoire et. al., 2009). Casidy and Shin, 2015 have hypothesized that customers will engage more in NWOM in case they were directly affected by the service failure than indirect affected ones. In the same study, they tested the effect of service recovery on the intention to engage in NWOM for both directly affected customers and indirect ones. Results have shown that service recovery efforts (i.e. apology, compensation) minimized NWOM intention for both directly and indirectly affected customers where no recovery case affected directly affected customer's intention to engage in NWOM than indirectly affected customers.

Customers usually engage in negative word of mouth when they face negative performance (i.e. severe problem, expensive service/product, firm service failure and no use from complaining) (Zhang et al., 2014). NWOM can decrease the number of purchases, ability to retain customers, harm firm's reputation and brand equity (Casidy and Shin, 2015). Zhang et al., (2014) have found that there is a difference between males and females negative word of mouth transmission likelihood as men are more self-concerned while women are more other-concerned. Moreover, Libai et al., (2010) proposed a research direction aiming at understanding negative word of mouth through observational learning effect. Much less is known about the influence of fellow customers on customer experience and satisfaction (Martin 1996, Huang and Hsu, 2009).

H3: Focal customer negative word of mouth will be weaker when his/her experience is better than the other customer's observed experience

H4: Other customer favorable service experience will impact the focal customer's favorable service experience leading to lower negative word of mouth

3- Context:

Through literature it was well established that CCI has a strong impact on customer's satisfaction in different service contexts as retail (Harris et al. 1997) and tourism (Grove et al. 1998) and hairdressing with a significant relationship with loyalty (Moore et al., 2005).

In services that is characterized by high level of interaction (i.e. restaurants, hotels) it was found that customer's dissatisfaction –sometimes- is driven by other customer's misbehavior (Huang, 2010). Focal customer being surrounded with other customers in the same environment have a sound influence on focal customer's experience and evaluation of both the organization and the service (Martin, 1996, Albrecht, 2016). Moreover, it is not only the focal customer who can be affected, the socially present other customer can also be affected by the service experience he/she witnesses (Albrecht, 2016). It was suggested by Harris and Reynolds, 2003 that dysfunctional customer behavior of other customers during satisfying and functional service interaction can have negative influence on observing customer's own consumption experience.

For example, incidents collected from customers of restaurants, hotels and airlines it was found that the misbehavior of other customers constitutes 22 % of the dissatisfactory incidents (Binter et al., 1994 and Huang, 2010). Moreover, in a study investigating the antecedents of satisfactory and unsatisfactory events, other customers shaped 30% of dissatisfactory incidents versus 14% for satisfactory ones (Grove et al., 1998). Accordingly, this paper will examine the proposed hypothesis in restaurant context as it involves high level of interaction where customers are surrounded with other customers.

4- Research Methods

This study was conducted using 2x2 between-subject factorial design experiment. Two-hundred twenty (220) respondents from united states answered the survey using the Amazon Mechanical Turk (MTurk). Respondents were randomly assigned to each of the four scenarios. To ensure high quality of responses, some of them were eliminated, the reason for elimination was that they either failed to answer the quality check question which was imbedded within the questions (i.e. "On a scale from 1 to 7, 1= strongly Disagree and 7= Strongly Agree, please choose 1= Strongly Disagree) (30 responses), or outliers (8 responses). Such procedures resulted in a final sample of (182) one hundred eighty-two individuals their characteristics are shown in the following table:

Table 1: Sample Demographics profile

Gender	
- Male	110
- Female	71
Age	
- 18-28	57
- 29-39	76
- 40-50	64
- Above 50	25
Marital Status	
- Single	99
- Married	61
- Divorced	13
- Widow	1
- Other	8
Education	
- Less than high school diploma	1
- High school diploma or equivalent	58
- No degree	16
- Bachelor's Degree	98
- Master's Degree	10
Ethnic Group	
- Black or African American	14
- Asian American	13
- Native American	7
- White or European American	146
- American Indian	2
Total	
	182

Respondents were first subjected to four different scenarios that took place in a restaurant. Variation in both the observing customer service experience (good/bad) and observed customer service experience (good/bad) were presented in each scenario, followed by questions related to the dependent variables (revisit intention and negative word of mouth).

4.1 Measurements:

The questionnaire started with manipulation check questions to make sure that the manipulation was understood by the participants in each scenario, questions like "How satisfied are you with the way you were treated?" "How happy are you with the way the other customer was treated" followed by questions related to the realism ($\alpha = 0.795$) of the scenarios that was adopted from Gelbrich et al., (2014) ("I think the description of the situation is very realistic" and "I was able to adopt the role of the observer". Respondents were then asked questions related to repurchase intention ($\alpha = 0.878$) ("In the near future, I will not use this restaurant as my provider") and negative word of mouth ($\alpha = 0.957$) ("I'll spread negative word of mouth about the restaurant). All items were rated at 7-points likert scale (1=strongly disagree, 7=strongly agree). Table 2.

Moreover, in an attempt to minimize the probability of Common method bias, there was a separation between the independent and dependent variables and they were presented in a random order. As there is no one way that is generally accepted to address this biasness, it will be acknowledged as one of the limitations of this research (Lindell and Whitney 2001; Podsakoff et.al., 2003).

Table 2: Constructs, measurement items and reliability tests

Variable	Source	Cornbach alpha
Repurchase intentions: <ul style="list-style-type: none"> ○ In the future, I intend to use this restaurant's services. ○ In the near future, I will not use this restaurant as my provider. ○ As long as this restaurant delivers its current services, I will not switch to another restaurant. 	Mathan & Netemeyer (2002) and Hawes et al., (2017)	($\alpha = 0.878$)
Negative Word of Mouth (NWoM): <ul style="list-style-type: none"> • I spread negative word of mouth about the restaurant. • I bad-mouthed against this restaurant to my friends. • When my friends were looking for a similar product or service, I told them not to buy from this restaurant. 	Grégoire and Fisher (2006) Grégoire et. al, (2009)	($\alpha = 0.957$)

4.2 Data Analysis:

The validity test was also calculated using factor analysis in SPSS software. From the below table (3), revisit intentions items are loading on the same component and the same goes for negative word of mouth items which are loading on the same component too. It is also clear that all items loading on the same component have value > 0.5 , values < 0.5 are not considered loading on the same component.

Table 3: Factor Analysis

	Component	
	Revisit Intention	NWOM
In the future, I intend to use this restaurant's services	0.894	
In the near future, I will not use this restaurant as my provider	0.589	
As long as this restaurant delivers its current services, I will not switch to another restaurant.	0.923	
I spread negative word of mouth about the restaurant		0.943
I bad-mouthed against this restaurant to my friends.		0.937
When my friends were looking for a similar product or service, I told them not to buy from this restaurant.		0.801

4.3 Hypothesis Testing

Manipulation check was done using the analysis of variance (ANOVA). In the Multivariate analysis obtained a Wilks' Lambda value of .170, with a significance value of .000. This is less than .05; therefore, there is a statistically significant difference between the four scenarios which indicate the success of the manipulation check.

To test the proposed hypotheses, MANOVA was applied. First in the Box's Test of Equality of Covariance Matrix, the Sig level was 0.507 which is greater than 0.001 which means that the assumption of homogeneity of Covariate Matrix was not violated. In the table of Multivariate test (Table 4), looking at the Wilks' lambda for focal customer's (observer), observed customer and interaction between them both is .000 which is less than 0.05. This indicates that there is a different between high and low service experience among the four groups.

Table 4: Multivariate Tests

FACILITY		FACILITY COSTS			
ITEM	DESCRIPTION	UNIT	QUANTITY	UNIT PRICE	TOTAL
FACILITY	CONCRETE	CU YD	100	10.00	1,000.00
	STEEL REINFORCEMENT	TON	50	20.00	1,000.00
	FORMWORK	SQ YD	200	5.00	1,000.00
	PAINT	TON	10	10.00	100.00
EQUIPMENT (EXHAUSTOR)	EXHAUSTOR	UNIT	1	100.00	100.00
	EXHAUSTOR	UNIT	1	100.00	100.00
	EXHAUSTOR	UNIT	1	100.00	100.00
	EXHAUSTOR	UNIT	1	100.00	100.00
EQUIPMENT (EXHAUSTOR)	EXHAUSTOR	UNIT	1	100.00	100.00
	EXHAUSTOR	UNIT	1	100.00	100.00
	EXHAUSTOR	UNIT	1	100.00	100.00
	EXHAUSTOR	UNIT	1	100.00	100.00
TOTAL FACILITY COSTS					3,200.00
					3,200.00
					3,200.00
					3,200.00
TOTAL EQUIPMENT COSTS					400.00
					400.00
					400.00
					400.00
TOTAL PROJECT COSTS					3,600.00
					3,600.00
					3,600.00
					3,600.00

In the Test of Between-Subjects Effect (Table 5), the significant level of both the independent variables (focal customer (observer) experience and other customer experience) is Sig .000 for both the dependent variables (revisit intention and negative word of mouth intention) which means that both independent variables have significant difference for the dependent variables.

Table 5: Tests of Between-Subjects Effects

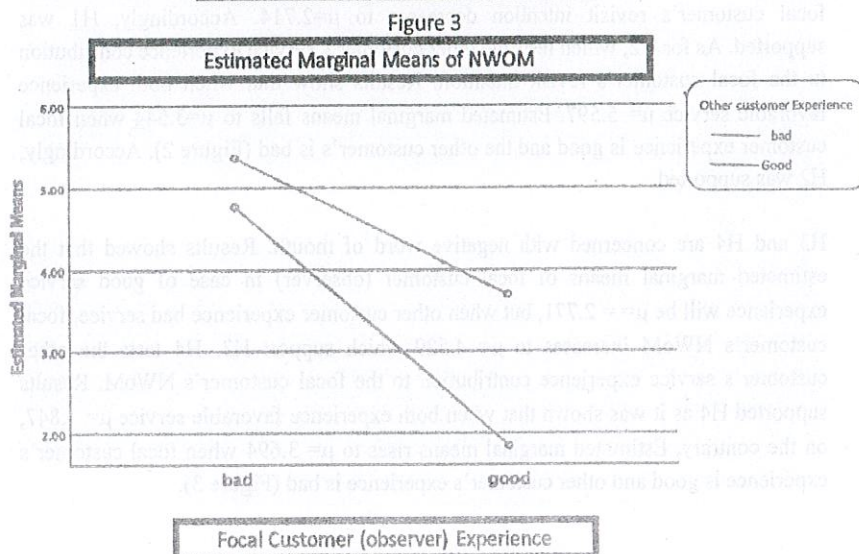
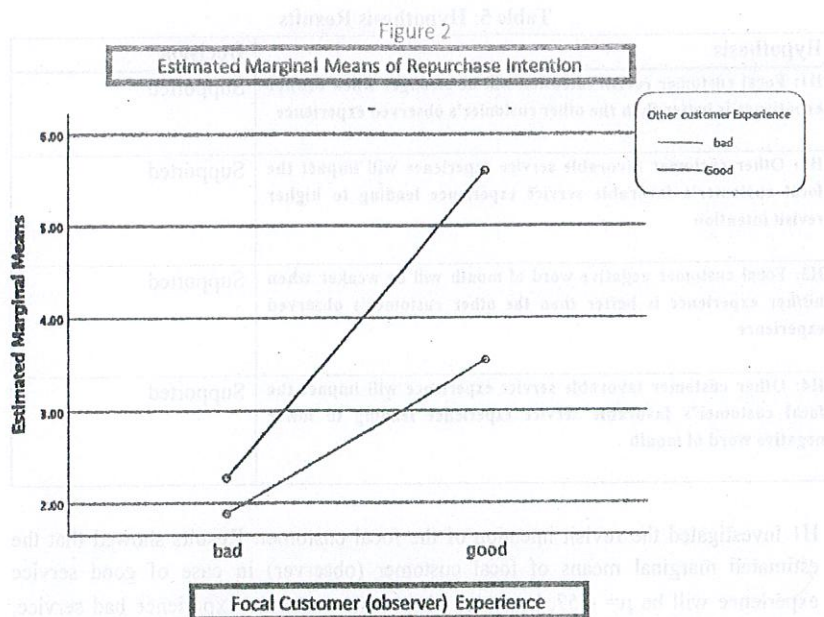
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Table 5: Hypothesis Results

Hypothesis	Decision
H1: Focal customer revisit intention will be stronger when his/her experience is better than the other customer's observed experience	Supported
H2: Other customer favorable service experience will impact the focal customer's favorable service experience leading to higher revisit intention	Supported
H3: Focal customer negative word of mouth will be weaker when his/her experience is better than the other customer's observed experience	Supported
H4: Other customer favorable service experience will impact the focal customer's favorable service experience leading to lower negative word of mouth	Supported

H1 investigated the revisit intention of the focal customer. Results showed that the estimated marginal means of focal customer (observer) in case of good service experience will be $\mu = 4.57$, however, when other customer experience bad service, focal customer's revisit intention decreases to $\mu = 2.714$. Accordingly, H1 was supported. As for H2, which tests the other customer's service experience contribution to the focal customer's revisit intention. Results show that when both experience favorable service $\mu = 5.597$. Estimated marginal means falls to $\mu = 3.544$ when focal customer experience is good and the other customer's is bad (Figure 2). Accordingly, H2 was supported.

H3 and H4 are concerned with negative word of mouth. Results showed that the estimated marginal means of focal customer (observer) in case of good service experience will be $\mu = 2.771$, but when other customer experience bad service, focal customer's NWoM increases to $\mu = 4.529$ which support H3. H4 tests the other customer's service experience contribution to the focal customer's NWoM. Results supported H4 as it was shown that when both experience favorable service $\mu = 1.847$, on the contrary, Estimated marginal means rises to $\mu = 3.694$ when focal customer's experience is good and other customer's experience is bad (Figure 3).



5- Discussion

This research Objective was to investigate the focal customer (observer) point of view upon witnessing the incident of another customer in the same restaurant on the focal customer's revisit intention and negative word of mouth. This research was done using experimental approach where a set of four scenarios were developed to manipulate the service experience of both the focal customer (observer) and the other customer. Results have showed that both

Hypothesis 1,2,3 and 4 were supported. Focal customer (observer) when receiving high service experience, will affect their revisit intention and negative word of mouth and it will be even more when focal customer (observer) perceive that he/she got better service than the other customer.

However, the interaction between both the focal customer (observer) service experience and the other customer's service experience has shown to have effect on the focal customer (observer) revisit intention and negative word of mouth were it was seen that although focal customer (observer) has higher revisit intention when he/she receives high service, his/her revisit intention will be even higher when both the focal customer (observer) and the other customer receive high service (mean increased from $M=3.5$ to $M=5.59$). Negative word of mouth also had a variation, when focal customer receives high service, his/her intention to spread negative word of mouth will be low ($M=2.7$), however, when witnessing other customer receiving low service (and focal customer has high service) the negative word of mouth will increase ($M=3.69$).

6- Theoretical and Practical Implication

To the researchers' knowledge, this is the first paper to address the interaction effect of both the focal customer and other customer observed service experience. Previous researches usually focused on the effect of witnessing good/bad service encounter/recovery on the focal customer's behavioral or emotional intentions whether such good/bad service encounter/recovery is attributed to another customer or firm/employees. This research investigated the behavioral intention of focal customer's revisit intention and negative word of mouth not only based on his/her service experience but also based on the witnessed service experience of other customers.

As for the practical implication, this would give both restaurants managers and employees an insight about the effect of witnessing bad service experience addressed to another customer on the focal customer revisit intention and negative word of mouth. It is not only what matters the focal customer's service experience, the other customers service experience witnessed is of a great importance too. Accordingly, restaurant's manager should give attention to the surrounding experience witnessed by the focal customer

7- Limitation and future research

As any other research, this research has several limitations than can be tackled in future researches. One of the limitations of this research would be testing the model through experimental design. Although such design minimizes the effect of prior experience and personal biasness, it is well known it has limitations in generalization and external validity too. Another limitation will be the context, the use of restaurants as a context for this research may not be generalizable to other service contexts such as an airline. Future research may consider replicating the same study in different context. Moreover, responses were gathered from united states citizens using the amazon MTurk. However, different results could be obtained from different cultures. This can be another recommendation for future researches.

Future research may also consider investigating this model on different dependent variables such as jealousy and intention to complaint. Another future direction would be trying to explore the mediating role of attribution on the relationship between focal customer's (observer) service experience and other customer service experience and the repurchasing intention and negative word of mouth. Future research may also try to find out the effect service recovery as it was stated that recoveries can affect customer's repurchasing intention and negative word of mouth. Future research may also examine the effect of social companion (group of people) and its effect observing other customer's service experience.

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