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# Perceptions of others, mindfulness, and brand experience in retail service setting

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## ARTICLE INFO

## ABSTRACT

This study examines how the presence of other customers in a retail service environment influences an individual's service brand experience (SBE). Previous research indicates individuals perceive other customers based on their similarity, overall physical appearance and behavior. Findings from this study show this perception of other customers (OCP) will influence an individual's service brand experience. At the same time, a person's state of mindfulness mediates the relationship between OCP and SBE and the resulting SBE has a positive influence on word-of-mouth. The results extend existing theory, present a number of managerial implications and provide a basis for further research.

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## 1. Introduction

Retail and service environments are complex settings, where customer experiences are dependent on a range of intangibles. Because of this, managers are instructed to manipulate promotion, price, merchandise, supply chain and location as a way to positively influence the customer's elusive 'shopping experience' (Grewal et al., 2009). The issue with such an approach is that it treats customers as sole agents, operating independently in service silos, without consideration for the range of stakeholders and actors that contribute to the service experience. By contrast, an alternate course of action is to embrace the diverse human element that shapes and guides service provision. As Kim and Kim (2012; p.18) state, "retailers need to effectively manage, control and manipulate human-related environmental factors" as these will have a significant, positive influence on consumer attitudes, perception and behavior. One only has to walk through a major shopping mall to understand the extent of human influence on the consumer's service experience. Sales staff, service providers, administrators and ancillary workers are everywhere. Yet, the overwhelming majority of humanity one is likely to experience is the army of other customers, all vying for their 'moment of truth' in the retail service environment. Importantly, how these consumers perceive each other and interact can have major implications for their consumer attitudes and resultant behaviors.

Because of this, Brocato et al. (2012, p. 385) argue that "other customer perceptions (OCP) are the building blocks upon which managers can encourage customer-to-customer interactions". The core premise is that positive customer-to-customer interactions or observations will have flow-on effects that result in more positive evaluations of the service experience. This is because the social element afforded by other customers is seen as a key component in the development of a customer's overall service brand experience (e.g. Gilboa et al., 2016; Brakus et al., 2009; Verhoef et al., 2009). The service brand experience focuses on customer attitudes that come about from a combination of "subjective, internal consumer responses (sensations, feelings, and cognition) and behavioral responses evoked by brand-related stimuli that are part of a brand's design and identity, packaging, communications and environments" (Brakus et al., 2009, p. 53).

When it comes to a customers' brand experience in a retail context, the environment is key. The advent of online shopping has only added to the challenges faced by brick and mortar retailers. In the modern offline world, it is imperative that a positive

in-store experience is created to differentiate from online alternatives, in order to entice customers to their physical location and delight them once they are there (Rigby, 2011). Because of this, retail environments can no longer be looked upon as simple transactional settings, where retailers act as B2C warehouses. Instead, retail environments are comprised of purpose-built facilities that include a number of physical dimensions including ambient conditions and spatial layout adorned with a range of signs, symbols and artifacts to provide functionality to the context (Bitner, 1990). However, the most important element in any service setting is the human element. In this respect, Baker (1986) states that a service environment should include social factors, ambiance and design. Social factors include the attributes that determine OCP, specifically the perceived similarity, appearance and behavior of other customers. In the current study, it is proposed that such OCP social factors will influence an individual's perception of their'service brand experience' (SBE). While the influence of OCP on SBE may appear straightforward, for OCP to have an affect requires some level of perception, attention and awareness on behalf of the individual. As such, the potential influence of a mechanism that activates an individual's attentiveness to extrinsic cues is a distinct possibility. Such a mechanism is that of mindfulness.

The theory of mindfulness was introduced by Langer (1989), who suggested that mindfulness is characterized by an existential orientation, where presence and context is an active, liberated existence. While a customer's service brand experience will differ in intensity, duration and evaluation (Brakus et al., 2009), the current study proposes that a customers' level of mindfulness will be pivotal to how they evaluate their brand experience within a retail context. The existing body of research on mindfulness in retail or service settings is still in its infancy, yet it provides the potential for a large range of theoretical and managerial implications. For example, Langer and Moldoveanu (2000) have shown mindfulness allows people to become more engaged with the different tasks set out before them. Because of this, it could be expected that mindfulness in a retail or service setting will increase consumer engagement with the service brand. Likewise, increased mindfulness is likely to have a positive influence on consumer experience, satisfaction and purchase behaviors.

For example, mindfulness has been shown to assist consumers in food service situations, as it improves their reliance on physiological cues to prevent overeating (Van De Veer et al., 2015). Mindfulness can also reduce anxiety and caution, and thereby increase participation, in online markets (Nikitkov and Stone, 2015). Similar effects are seen in tourism marketing, where tourism sites present many of the same complex, dynamic experiences found in retail or consumer service settings. For example, visitors to tourist parks who are more mindful exhibit different responses in terms of benefits sought, preference for services and overall participation in activities compared to less mindful visitors (Frauman and Norman, 2004). In addition, more mindful visitors have been shown to experience increased concern for site management and conservation along with greater satisfaction (Moscardo, 1996; Moscardo and Pearce, 1986). Such increased levels of consumer satisfaction have also been found in exhibition attendees, where mindfulness is linked with overall satisfaction of the event service delivery (Choe et al., 2014). This relationship between mindfulness and consumer service experience was also demonstrated by Ndubisi (2012), in research showing mindfulness-based marketing strategies result in increased perceptions of consumer satisfaction and relationship quality in the provision of healthcare services.

As a result, the relationship between OCP, a customers' level of mindfulness and SBE presents an interesting research opportunity. Generally, heterogeneity is expected in customers' levels of awareness and attentiveness in a service setting. Because of this,

the different levels of mindfulness will not only shape the brand experience, but behaviors relating to the sharing of experience-relevant information and word-of-mouth (WOM).

WOM is proven to be a powerful, influential tool that can have both negative and positive consequences for a brand (Lam and Mizerski, 2005). Klaus and Maklan (2012) found the experience of a service significantly affects a customer's WOM intentions. This is because customers are motivated to engage in WOM in order to process emotions, improve their image, persuade others, be considered as a better friend, reduce interpersonal distance and ultimately improve social bonds (Barasch and Berger, 2014). In addition, WOM is often perceived as more trustworthy than communication originating from the firm (Herr et al., 1991). Since the brand experience will vary from consumer to consumer, WOM can be positive or negative depending on how the customer perceived their experience of a brand. Consequently, WOM is closely tied to brand experience and is a widely accepted outcome from a person's SBE.

The primary objective of this research is to examine the influence of OCP on evaluations of service brand experience. In addition, an aim of the research is to investigate the effect of OCP on a consumer's state of mindfulness, and how this might indirectly influence brand experience and subsequent word of mouth intentions. The paper begins with a review of literature covering OCP and links it to the hypothesized effects on brand experience and word of mouth. The results of a survey undertaken in a Vietnam shopping mall are then presented and the theoretical and managerial implications are discussed. This research contributes to existing theory by validating the role of OCP as a determinant of brand experience and demonstrating the mediating effect of mindfulness on the relationship between OCP and brand experience.

## 2. Conceptual development and hypotheses

In a retail or service environment, what customers see will influence their service experience. This is understandable, given that vision is the primary sense used for product perception and object identification (Schifferstein, 2006). Part of vision's influence on perception in general is also due to what Spence and Gallace (2011) term 'affective ventriloquism', whereby information received in one sensory modality will shape or bias perception in other modalities. However, affective ventriloquism is not a phenomenon exclusive to sensory modalities or sensory level perception. In fact, affect may be transferred between concepts by an individual and may also be context dependent. For example, customers in a retail environment will inevitably be exposed to other customers and this exposure to other people is likely to drive affective response (Bornstein, 1989).

The idea that other customers will influence an individual's service experience has been forwarded by a number of researchers. For example, Baker (1986) identified social cues as a component of the service environment, and such social cues are often a result of customer-customer interactions (Lehtinen and Lehtinen, 1991). These customer-customer interactions manifest themselves in different ways. For example, simple observation of other customers may be sufficient. In this respect, individuals will observe other customers and evaluate the quality of the service delivery. When this happens, output quality of the service is judged by the target customer as well as other peripheral customers in the environment (Lehtinen and Lehtinen, 1991). Alternately, customer-customer interactions may include direct, physical contact. In a retail setting, such incidental touch between customers has been shown to have a negative influence on willingness to spend and brand experience, compared to when

customers are not touched (Martin, 2012). However, the touch experience does not have to involve both customers. When an individual observes another (attractive) customer touching a product, for example, they will report a more positive evaluation of the product, in what Argo et al. (2008) describe as a′positive contagion effect'. However, there can also be a form of negative contagion, where consumers view social referents and, if they happen to be consuming, wearing or using the same product, this may create negative comparisons with self or negative product evaluations (Dahl et al., 2012). It may be that individual's observe other customers and compare others to themselves based on observable similarities or differences. In a retail environment, this can have an effect on an individual's overall service brand experience, given that brand experience is linked to brand identification (BI), where BI is the degree to which a brand is embedded in a person's self image (Escalas and Bettman, 2005). In a retail or service setting, this BI may extend to other customers. Thus, when the surrounding customers are assessed as congruent with a person's own self-image, then their BI and brand experience will be more positive than if the surrounding customers were viewed as incongruent with the individual's self-image (Sirgy, 1982). This congruence or similarity between customers will not only influence the overall brand experience, but has positive effects on attitudes towards the service, other customers and behavioral intentions (Brack and Benkenstein, 2012). As a result, the following hypothesis is proposed:

**H1.** Perceived similarity between customers will have a positive influence on service brand experience.

Part of this is founded on social identity theory, whereby people who share similarities, physical or otherwise, will group together and develop emotional bonds (Hogg, 2006). This is often the case in a sports marketing environment, where social identification with a team influences brand equity and experience along an 'identification continuum' that is dependent upon ongoing levels of consumer commitment and emotional involvement (Underwood et al., 2001). However, similarity between customers is not the only thing that will influence perception. Instead, another person's overall physical appearance has the potential to affect an individual's service brand experience.

There is a broad body of research on physical appearance and its role in service delivery. However, much of the extant literature focuses on the physical appearance, and in particular the attractiveness, of service employees. For example, staff that are physically attractive, display emotion and provide help have a positive influence on customer satisfaction (Keh et al., 2013). Similarly, Söderlund and Julander (2009) found that higher levels of service employee attractiveness resulted in higher levels of customer satisfaction. However, the physical appearance of other customers has also been shown to influence perception in a retail setting, as per the 'positive contagion effect' (Argo et al., 2008) previously discussed in this paper. However, the effects described by Argo et al., (2008) are product-specific, rather than being in relation to the overall service brand experience. Nonetheless, Söderlund (2011) called for additional research on the topic, stating that "the physical attractiveness of other customers may have an impact on the overall evaluations of a retailer" (p. 179). In this sense, it is plausible the influence of other customers' physical appearance on product evaluations will have a similar effect on evaluations of the service experience. As result, the following hypothesis is proposed:

**H2.** Perceived physical appearance of other customers will have a positive influence on an individual's evaluation of service brand experience.

While the physical appearance of the different actors within a service setting will influence a consumer's perception, the public, social nature of service encounters means the behavior of others is also likely to play a role. This is because an environment consists of time, place and behavioral dimensions (Belk, 1975), where the three dimensions are determinants of a service experience. In fact, this concept was built upon by Lehtinen and Lehtinen (1991), who proposed the behavior of other customers may be a greater influence on the evaluation of service brand experience than the staff providing the service. Essentially, customers should adhere to a commonly accepted sequence of role behaviors that are appropriate or suitable for the given scenario (Brocato et al., 2012). When all customers adhere to this process, one would expect a more amicable, inclusive and less threatening environment.

Based on this, Grove and Fisk (1997) conducted a study that identified a range of both positive and negative behaviors that are likely to influence the experience of those around them. They classified behaviors as either 'protocol' incidents (relating to explicit or implicit rules of conduct) or 'sociability' incidents (relating to the demeanor and disposition of other customers). Their findings show that for both protocol and sociability incidents, the positive and negative behaviors of other customers had an effect on the overall perceived ambience of the service environment. A consequence of this is that focal customers will report more positive evaluations of a retail experience when other customers adhere to behavioral social norms (Söderlund, 2011). As a result, the following hypothesis is proposed:

**H3.** The perceived (suitable) behavior of other customers will have a positive influence on an individual's evaluation of service brand experience.

## 3. The mediating effect of mindfulness

### 3.1. Mindfulness as both state and trait

Mindfulness is a complex construct that includes both state and trait dimensions. Indeed, Brown and Ryan (2003, p. 822) defined mindfulness as both a state and trait concept where "both dispositional and state mindfulness predict self-regulated behavior and positive emotional state". Their theory posits that, while attention and awareness are common features in human life, mindfulness occurs when the attention and awareness of current experience is enhanced. Because of this, typically, existing research on mindfulness adopts either a trait or state definition and uses one as the basis for theory development. In this manner, mindfulness is seen as either a top-down or bottom-up emotion regulation strategy, where it is conceptualized as either a mental trait present in all people (top-down) or a phenomenological process that is typical of a bottom-up mechanism (Chiesa et al., 2013). The current research looks to incorporate both aspects of mindfulness in a broader, more holistic definition that may be more relevant in a retail or service setting. Specifically, that a person's predisposition to mindfulness (trait) is activated when the situation or immediate environment requires cognitive processing (state) beyond that which occurs during automatic, habitual or routine behavior.

### 3.2. Mindfulness exists on a spectrum

While much of the extant literature focuses on mindfulness as the key construct in either state or trait form, current theory also posits that mindfulness exists on a continuum, where the spectrum is anchored by mindfulness at one end and mindlessness at

the other. Mindlessness, similar to mindfulness, is both state and trait-based, where automatic, habitual decisions are made with minimal cognitive resources being dedicated to the action (Brown and Ryan, 2003). As such, mindlessness is characterized by inflexible, rigid thought (Langer, 1989) linked to routine behaviors. This is a view supported by Woods and Moscardo (2003, p. 98) who propose "mindlessness, as the word suggests, refers to behavior that is routine, does not involve active mental processing, and where people are paying only limited attention to what they are doing".

### 3.3. Mindfulness tendencies are activated by the environment

Mindlessness occurs when the scenario, environment or context involves automatic, habitual or routine information processing or decision-making. In such situations, the nature of the routine task means people don't need to devote cognitive resources to any mindful activity. As such, their behavior occurs independent of any predisposition to mindfulness. However, when individuals encounter a complex, dynamic environment where routine decision-making is replaced by deeper cognitive processing, boundary conditions are met whereby a person's predisposition for mindfulness determines whether they use mindful activities in order to process the external environmental cues they perceive. In such a situation, it is their trait-based mindfulness that acts as the mechanism for processing environmental stimuli in order to construct different psychological outcomes. Previous research, outlined below, has demonstrated trait-based mindfulness - essentially the tendency to engage in mindful activity - can be activated when external behaviors or cues occur. For example, Langer's seminal work from 1989 suggests the tendency for mindfulness can develop from active cognitive processing of external stimuli (see Langer (2014) for the most recent edition). This is a concept supported by Goswami et al. (2009) who found, when investigating mindfulness in an organizational setting, the organizational culture is a determinant of decision-maker mindfulness. While their research was undertaken in the context of adoption of IT innovations, it is reasonable to suggest the presence of OCP factors (similarity, physical appearance, behavior), which are used in the current study as determinants of the retail service setting and immediate culture, necessitate people recruiting their mindful predisposition to allow the most efficient, effective processing of environmental cues. Part of this is because social connections and the resulting levels of group acceptance, particularly in a retail setting, are important factors that link to positive affective responses (Baumeister and Leary, 1995). As such, in a retail setting, a consumer is likely to notice other customers and if the OCP factors are congruent with the brand personality of the retail environment, or congruent with the individual's self-identity concept, this will have a positive influence on the attention, awareness and, ultimately, mindfulness of the consumer.

### 3.4. Mindfulness mediates the effect of environmental cues on various outcomes

Because mindfulness is activated by environmental cues, it has been shown to act as a mediator between a number of variables, including neuroticism and impulsivity (Fetterman et al., 2010) and self-care and well-being (Richards et al., 2010). More specifically, trait-based measures of mindfulness have been shown to act as mediators in psychology research. For example, Baer et al. (2006) used a number of mindfulness scales to create the 'Five Facets of Mindfulness Questionnaire' (FFMQ instrument), which effectively measures a person's predisposition to mindfulness. The FFMQ instrument was used by Bränström et al. (2010) to determine that environmental cues and behaviors increase an individual's

propensity to engage in mindful activity.

Given the extant literature cited indicates environmental cues influence mindfulness tendencies, and the resulting activation of mindfulness acts as a mechanism between environmental cues and various outcomes, similar effects are expected in a retail setting. In complex, dynamic retail service settings, it would be expected that environmental cues (such as the OCP dimensions) would mandate consumers call upon their predisposition for, or tendency toward, mindfulness. In turn, this would mediate the relationship between environmental cues in the retail setting and the consumers' service brand experience.

In effect, it is anticipated that an individual's perception of other customers (OCP) will activate their predisposition for mindfulness. In turn, mindfulness will cause the individual to receive and respond to new information, develop new attitudes and modify their behaviors accordingly (Woods and Moscardo, 2003). When this happens in a retail or service setting, it is proposed the resulting change in attitudes will influence a customer's evaluation of the service brand experience. To understand this a little better, recent research in cognitive neuroscience provides clarity on the processes at work.

In a review of research in cognitive neuroscience, Lieberman (2007) demonstrates that humans reflect upon themselves and others in ways that are common across the population. In this respect, humans will often attempt to assess the state of others as well as others' psychological traits and mental states, while at the same time reflecting on their own current and past experiences and their own self-concept. As Lieberman (p. 271) points out we "coordinate our activity with those around us, use feedback from others to understand ourselves, make sense of others based on our self-theories, and develop personal attitudes about social groups" in order to develop a coherent social world that conforms to our perception of accepted social norms.

Thus, the view we have of other people, which is essentially our overall OCP, will guide attitudinal development. At the same time, our own internal processing, self-reflection and personal level of mindfulness is likely to influence the overall effect of OCP on the evaluation of service brand experience. In this respect, mindfulness allows individuals to experience the local environment in a receptive and non-judgmental way. As a result, mindfulness has an effect that reduces emotional exhaustion and improves satisfaction in the given context (Hülsheger et al., 2013). At the same time, mindfulness will mediate the effect of OCP on service brand experience, by removing any neuroticism or negative emotions (Fetterman et al., 2010) that may affect the relationship between OCP and service brand experience. Because of this, the following hypothesis is proposed:

**H4.** Mindfulness will mediate the relationship between OCP and service brand experience. Specifically, mindfulness will mediate the effects of (H4a) similarity, (H4b) physical appearance and (H4c) suitable behavior on service brand experience.

The hypothesized linkages between OCP, mindfulness and brand experience build upon existing theory and point to the potential influence of complex social interactions in service environments. However, it is anticipated that such personal effects on service brand experience will also modify the consumers' behavior when it comes to disseminating their experience amongst friends and colleagues.

## 4. The influence of service brand experience on word of mouth behaviors

The social nature of service experiences means that individuals

interact not just with the service staff, but also with other customers around them either directly or indirectly. In this respect, Moore et al. (2005) conducted a study in a service setting context, in which the findings clearly identified a link between customer-to-customer interactions and WOM. Libai et al. (2010) point out that this linkage stems from observational learning theory (see also Zhang (2010) and Chen et al. (2011)), where customer-to-customer interactions may be construed as a form of non-verbal word of mouth. In this context, the non-verbal WOM transferred between customers in a service setting is likely to influence a customer's service experience and their intended or actual WOM behavior.

No doubt, the effects of WOM, particularly in a service setting, are many and varied. For example, receiving positive word-of-mouth from satisfied customers has a positive influence on service brand evaluation and purchase intent for other customers (Söderlund and Rosengren, 2007). In fact, positive valence WOM and the content of the WOM are main drivers for improving purchase intention. In a study by Wang and Yu (2015), they looked at online WOM in social commerce settings, where individual's were found to not only seek out WOM, but observed the online behaviors of other customers and included that information as a guide in the decision-making process. This not only fits with Libai et al.'s (2010) proposition that observation of other customers is a potent non-verbal WOM, it indicates any resulting verbal WOM activity will also have an influence on consumer decisions. In all, current literature demonstrates the power of WOM in a service environment and the impact on different consequences. However, it is the influence of the service brand experience that will shape the consumers' WOM behaviors.

In research designed to understand the major topics covered in WOM activity related to service delivery, Andreassen and Streukens (2009) found usage experience, along with information request, business practice issues and comments pertaining to new product launches, as the four key components of WOM. This is an important point for the current research, in that the service experience is a key determinant of intended and actual WOM behavior. What is more, the greater the satisfaction a customer experiences in relation to the service experience, the greater will be the effect on positive word of mouth (De Matos and Rossi, 2008).

In the previous sections of this paper, it has been hypothesized that brand experience is influenced by the perception of other customers, such as similarity, physical appearance and behavior. In turn, we would expect the brand experience to have a corresponding positive/negative influence on WOM. Such a process was proposed by Brocato et al. (2012), who found that OCP influences service experience, but also influences approach/avoidance behaviors. In turn, the approach/avoidance behaviors will have a positive/negative influence on WOM intentions. Part of this effect may be due to the fact that approach behaviors mediate the impact of other customers' actions, such as; their dress style, or word-of-mouth intentions, particularly among customers with a low sense of power (Choi and Mattila, 2015). Dorothea Brack and Benkenstein (2014) support this, yet they attribute the influence on WOM from the similarity between customers. Specifically, they posit that where a service encounter has other customers that are similar/dissimilar, customers are more/less likely to provide recommendations and WOM. Given the hypothesized effects of OCP on brand experience, a broader understanding of the process from OCP, through brand experience and mindfulness, to WOM is developed. Specifically, OCP is a form of non-verbal WOM where its influence is explained through observational learning theory. In turn, the three components of OCP, namely similarity, appearance and behavior, implicitly inform other customers about the service brand identity, it's positioning in the marketplace and the commonly accepted norms that define the experience. The overall
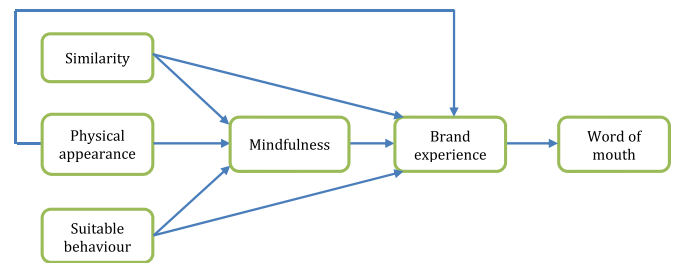


**Fig. 1.** Theoretical model.

evaluation of the service brand experience guides intended and actual WOM behavior. As such, the following hypothesis is proposed (Fig. 1):

**H5.** The service brand experience will have a positive influence on WOM.

## 5. Research methodology and data collection

### 5.1. Measurement instrument

For this study, twelve items were used to measure: similarity (five items), physical appearance (four items), and suitable behavior (four items). The measurement was adopted from Brocato et al. (2012). To measure the consumers' predisposition for mindfulness the seven-item mindfulness scale developed by Moscardo (1992) was adapted for use in the current study. Moscardo's (1992) scale has been adapted and used in a number of studies, including those by Van Winkle and Backman (2008), Woods and Moscardo (2003) and Barber and Deale (2014). The scale was adapted for use by Frauman and Norman (2004) in researching the experiences of recreation park visitors, where they repositioned the scale to measure a person's predisposition, using the lead-in statement "When at state parks I like to…" before each mindfulness item. As such, the adaptation by Frauman and Norman (2004) and Barber and Deale (2014) guided adaptation of the scale for use in the current study. Specifically, subjects were asked to consider previous experiences in retail environments, then respond to questions (such as 'I like to have my interest captured') using a 7-point Likert scale, with 1 being anchored by the term 'strongly disagree and 7 being anchored by the term 'strongly agree'.

The brand experience scale developed by Brakus et al. (2009) was used. Brand experience was operationally defined as a higher order construct, consisting of sensory, affective, behavioral, and intellectual dimensions. To measure WOM, the scale developed by Harrison-Walker (2001) was adopted given that it specifically relates to WOM in a service setting. For the current study, five items were adapted to ensure contextual fit, these were used in the survey instrument. All items involve a seven-point Likert-type scale with anchors "strongly agree" and "strongly disagree".

To ensure data equivalence, the questionnaire was translated from English to Vietnamese and then backward-translated into English. Two independent, professionally certified translation companies were engaged to do the forward and backward translation. The two versions were then compared for conceptual equivalence, resulting in the final version of the questionnaire. Third, a focus group was conducted to discuss the meaning and readability of survey items and to ensure fit within the local context.

## 5.2. Data collection and sampling

Respondents were shoppers at a luxury department store in Ho Chi Minh City, Vietnam. Data was collected via a convenience sampling process through mall-intercept technique. A total usable sample of 184 responses was obtained with gender randomly split 59.2% female and 40.8% male. Ages were randomly distributed with 66% of respondents in the 18–30 group, 28% aged 31–50% and 6% aged 50+.

## 6. Data analysis and findings

### 6.1. Psychometric assessment of focal constructs

The measures of the study exhibited strong psychometric properties. As shown in Table 1, factor loadings of the focal constructs ranging from .53 to .84 were above the recommended threshold of .5 (Hair et al., 1998) and all were significant. All composite reliabilities ranged between .77 and .90, exceeding the threshold of .7 (Nunnally and Bernstein, 1994). The squared roots of average variance extracted (AVE) values by the underlying factors (from .66 to .77) were considerably larger than the correlations among these factors (from .23 to .65). The Heterotrait-Montrait (HTMT) ratio was calculated, given it is a more powerful assessment of discriminant validity as recommended by Henseler et al. (2015). HTMT ratios for all reflective constructs in the model (from .30 to .76), were below the conservative threshold of .8 (Kline, 2015). The highest upper confidence interval of all HTMT ratios was .94, indicating that the HTMT ratios were significantly different from 1. These results collectively indicate that the measures exhibit satisfactory convergent validity (Table 2).

### 6.2. Common method variance

For this analysis, the researchers also conducted the marker variable technique (Lindell and Whitney, 2001). Since there was no marker variable that is theoretically irrelevant to any of the key constructs, an alternative strategy was implemented, which was to select the social awareness of emotion construct as a marker variable because it had the lowest correlation of .04 (p=.55) with the dependent variable among all other constructs in the model. The average absolute correlation between the marker variable and the key constructs in the model was .17 ($r_m$) (p=.16). The average difference between the correlations among all constructs in the model after partialing out the effect of $r_m$ was .12. This suggests the effect of common method variance on the correlations among the key constructs is small; supporting the claim that common method bias is minimal.

### 6.3. Endogeneity check

We controlled the potential for endogeneity in our model by using a two-stage least squares (2SLS) approach in STATA with three instrumental variables. We identified Age, Gender and Income as instrumental variables meeting two criteria that they are not correlated with the dependent variable (Mindfulness) in the second stage but correlated with three potential endogenous variables (similarity, physical appearance and suitable behavior) in the first stage. Indeed, prior research shows that age, gender, and income level are observable cues used in an individual shopper's evaluation of other customers (McGrath and Otnes, 1995; Brocato et al., 2012). Using STATA 14's "ivendog" command, the test for endogeneity showed that endogeneity was not a concern in our study (Durbin-Wu-Hasman chi-squared test: $\chi^2=.68$,

**Table 1**
Measurement Model Results.

| Constructs and manifest variables | Loading |
|---|---|
| **Similarity** AVE=.52 Composite Reliability=.78 (adapted from Brocato et al. (2012); 7-point scale 1="strongly disagree" and 7="strongly agree") | |
| 1.  I could identify with the other patrons in the facility. | .82 |
| 2.  I am similar to the other patrons in the facility. | .78 |
| 3.  The other patrons are like me. | .75 |
| 4.  The other patrons come from a similar background to myself. | .60 |
| 5.  I fit right in with the other patrons. | .63 |
| **Physical appearance** AVE=.46 Composite Reliability=.77 (adapted from Brocato et al. (2012); 7-point scale 1="strongly disagree" and 7="strongly agree") | |
| 6.  I liked the appearance of the other patrons. | .65 |
| 7.  The other patrons were dressed appropriately. | .77 |
| 8.  The other patrons looked nice. | .73 |
| 9.  The other patrons looked like they were my type of people. | .53 |
| **Suitable behavior** AVE=.58 Composite Reliability=.85 (adapted from Brocato et al., 2012; 7-point scale 1="strongly disagree" and 7="strongly agree") | |
| 10.  The behavior of the other customers was appropriate for the setting. | .73 |
| 11.  The other patrons were friendly towards me. | .70 |
| 12.  I found that the other patrons behaved well. | .82 |
| 13.  The other patrons' behavior was pleasant. | .79 |
| **Mindfulness** AVE=.48 Composite Reliability=.87 (adapted from Frauman and Norman (2004) and Barber and Deale (2014); 7-point scale 1="strongly disagree" and 7="strongly agree") | |
| 1.  I like to have my interest captured. | .72 |
| 2.  I like to search for answers to questions I may have. | .63 |
| 3.  I like to have my curiosity aroused. | .78 |
| 4.  I like to inquire further about things in it. | .75 |
| 5.  I like to explore and discover new things. | .73 |
| 6.  I like to feel involved in what is going on around me. | .62 |
| 7.  I like to feel in control of what is going on around me. | .59 |
| **Brand experience** AVE=.44 Composite Reliability=.90 (adapted from Brakus et al., 2009; 7-point scale 1="strongly disagree" and 7="strongly agree") | |
| *Sensory* AVE=.65 Composite Reliability=.85 | |
| 1.  This brand makes a strong impression on me either visually or in another way. | .54 |
| 2.  I find this brand interesting because it moves my senses. | .66 |
| 3.  This brand does not appeal to my senses[R]. | .63 |
| *Affective* AVE=.66 Composite Reliability=.86 | |
| 4.  This brand induces feelings and sentiments. | .72 |
| 5.  I do not have strong emotions for this brand[R]. | .70 |
| 6.  This brand is an emotional brand. | .73 |
| *Behavioral* AVE=.65 Composite Reliability=.85 | |
| 7.  I engage in physical actions and behaviors when I use this brand. | .64 |
| 8.  This brand results in bodily experiences. | .68 |
| 9.  This brand is not action oriented[R]. | .69 |
| *Intellectual* AVE=.65 Composite Reliability=.85 | |
| 10.  I engage in a lot of thinking when I encounter this brand. | .60 |
| 11.  This brand does not make me think. | .65 |
| 12.  This brand stimulates my curiosity and problem solving[R]. | .71 |
| **Word of mouth** AVE=.60 Composite Reliability=.88 (adapted from Harrison-Walker (2001); 7-point scale 1="strongly disagree" and 7="strongly agree") | |
| 1.  I will tell more people about the experience at the facility than other services. | .75 |
| 2.  I will seldom miss an opportunity to tell others about the experience at the facility. | .75 |
| 3.  When I tells others about the experience at the facility. I tend to talk about it in great detail. | .84 |
| 4.  I only have good things to say about the experience at the facility. | .78 |
| 5.  I mostly talks positively about the service experience at the facility. | .78 |

**Table 2**
Descriptive statistics and correlations for study variables.

| Constructs | 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|---|
| 1. Similarity | **.72** | | | | | |
| 2. Physical appearance | .30 | **.68** | | | | |
| 3. Suitable behavior | .32 | .52 | **.76** | | | |
| 4. Mindfulness | .39 | .47 | .49 | **.69** | | |
| 5. Brand experience | .37 | .43 | .58 | .65 | **.66** | |
| 6. Word of mouth | .31 | .23 | .42 | .50 | .64 | **.77** |

Notes: Sample size n=184; diagonal entries show the squared roots of AVE values; all correlation coefficients are significant at .05 or .01.

p-value=.88; Wu-Hausman $F$-test: $F\,[3, 174]=.22$, p-value=.88 (Wooldridge, 2009).

### 6.4. Hypotheses testing

We tested the proposed hypotheses using PLS-SEM with SmartPLS 3.0, a non-parametric approach based on OLS regression designed to maximize explained variance (Ringle et al., 2015). We then confirmed the mediation using Preacher and Hayes' (2008) analysis, specifying a 95% confidence internal and 5000 bootstrap re-samples. Finally, we further substantiate the findings by performing fsQCA, a set-theoretic method that examines how variables (causal conditions) combine into all possible configurations of binary states (i.e. presence or absence) to explain the desired outcome (Ragin 2008).

#### 6.4.1. PLS-SEM

We followed the procedures outlined in Hair et al. (2014) to test the proposed hypotheses. First, we estimated the PLS path model without the potential mediator variable mindfulness (Model 1 in Table 3). Second, we included the mediator variable mindfulness onto Model 1 and examined the significance of indirect effects of similarity, physical appearance, and suitable behavior via mindfulness on brand experience (Model 2 in Table 3). Finally, we determined the strength of the mediation by calculating the variance accounted for (VAF), which is the size of the indirect effect in relation to the total effect: VAF=(indirect effect)/(indirect effect+direct effect). If the VAF is less than 20%, larger than 20% and less than 80%, and larger than 80%, one can conclude no mediation, partial mediation, and full mediation, respectively. As shown in Table 3, analysis provided empirical support for hypotheses 1–3 in that similarity (Model 1, β=.19, t-value=2.40), physical

**Table 3**
Hypothesis testing.

| Exogenous variables | Endogenous variables | | | | |
|---|---|---|---|---|---|
| | Model 1 | | Model 2 | | |
| | Brand experience | WOM | Mindfulness | Brand experience | WOM |
| Similarity | .19** (2.40) | | .22*** (2.91) | .09 (1.22) | |
| Physical appearance | .13* (1.84) | | .26*** (3.40) | .03 (.41) | |
| Suitable behavior | .45*** (7.02) | | .29*** (3.38) | .32*** (4.36) | |
| Mindfulness | | | | .44*** (5.14) | |
| Brand experience | | .64*** (12.82) | | | .64*** (11.93) |
| R-square | .39 | .41 | .35 | .52 | .41 |

Note:
* indicate the significance levels of .1.
** indicate the significance levels of .05.
*** indicate the significance levels of .01.

appearance (Model 1, β=.13, t-value=1.84), and suitable behavior (Model 1, β=.45, t-value=7.02) are positively related to brand experience.

Hypothesis 4a predicted mindfulness mediates the effect of similarity on brand experience. As shown in Table 3, similarity positively affected both brand experience (Model 1, β=.19, t-value=2.40) and mindfulness (Model 2, β=.22, t-value=2.91). In addition, mindfulness had a positive effect on brand experience (Model 2, β=.44, t-value=5.14). When Model 1 and Model 2 were compared, we found the positive effect of similarity on brand experience in Model 1 became insignificant in Model 2 (β=.09, t-value=1.22). By calculating the variance accounted for (VAF), we sought to determine the size of the indirect effect in relation to the total effect, which was .52. That is, 52% of the total effect of similarity on brand experience was indirect, so similarity partially mediates the effect of similarity on brand experience, in support of Hypothesis 4a.

With respect to Hypothesis 4b, we found that physical appearance positively affected brand experience (Model 1, β=.13, t-value=1.84) and mindfulness (Model 2, β=.26, t-value=3.40), which also had a positive effect on brand experience (Model 2, β=.44, t-value=5.14). The comparison of Models 1 and 2 showed the positive effect of physical appearance on brand experience in Model 1 became insignificant in Model 2 (β=.03, t-value=.41). According to the VAF, the size of the indirect effect in relation to the total effect was .79, so 79% of the total effect of physical appearance on brand experience was indirect. In support of Hypothesis 4b, mindfulness partially mediates the effect of physical appearance on brand experience.

Similarly, suitable behavior positively affected brand experience (Model 1, β=.45, t-value=7.02) and mindfulness (Model 2, β=.29, t-value=3.38), which also had a positive effect on brand experience (Model 2, β=.44, t-value=5.14). We found that the positive effect of suitable behavior on brand experience in Model 1 became weaker in Model 2 (β=.45 in Model 1 versus β=.32 in Model 2). According to the VAF, the size of the indirect effect in relation to the total effect was .29, so 29% of the total effect of suitable behavior on brand experience was indirect. Thus, in support of Hypothesis 4c, mindfulness partially mediates the effect of suitable behavior on brand experience. Finally, in hypothesis 5, it was predicted that brand experience is positively related to word of mouth. As shown in Table 3, hypothesis 5 is supported (Model 1, β=.64, t-value=12.82).

We confirmed the mediation effects by using the bootstrapping bias-corrected confidence interval procedure with the SPSS macro PROCESS (Hayes 2012). This procedure uses an OLS path analysis to estimate the coefficients in the model. Analyses revealed that similarity (β=.21, 95% confidence internal [CI]=.11, .33), physical appearance (β=.26, 95% confidence internal [CI]=.15, .39), and suitable behavior (β=.22, 95% confidence internal [CI]=.12, .35) had significant indirect effects through mindfulness on brand experience.

#### 6.4.2. Fuzzy-set qualitative comparative analysis (fsQCA)

We also applied fsQCA to provide further support for the findings from PLS-SEM. Unlike PLS-SEM that examines pre-determined relationships to test theories, fsQCA "performs a systematic cross-case analysis that models relations among variables in terms of set membership and uses Boolean algebra to identify configurations that reflect the necessary and sufficient conditions for an outcome of interest" (Ordanini et al., 2013, p. 137). In this sense, fsQCA is complementary to PLS-SEM (Woods 2013). Specifically, we employed a three-stage approach recommended by Fiss (2011) and Ragin (2008) to conduct fsQCA. First, we transformed the measures of constructs in the model into fuzzy-set membership scores. We adopted the calibration approach recommended

**Table 4**
fsQCA configurations results.

| Complex solution |
|---|
| Model: WOM= f (SIM, SUI, PHY, MIN, BE) |
| Algorithm: Quine-McCluskey |
| Frequency cutoff: 3.000000 |
| Consistency cutoff: 0.900307 |

| | Raw coverage | Unique coverage | Consistency |
|---|---|---|---|
| SIM*SUI*BE | 0.374720 | 0.053913 | 0.893584 |
| SUI*MIN*BE | 0.395431 | 0.079961 | 0.908288 |
| SIM*PHY*MIN*BE | 0.345148 | 0.056048 | 0.900307 |
| Solution coverage: 0.529305 | | | |
| Solution consistency: 0.876901 | | | |

Note: SIM=similarity; PHY=physical appearance; SUI=suitable behavior; MIN-=mindfulness; BE=brand experience; WOM= word-of-mouth.

by Ragin (2008) with three qualitative anchors: the threshold for full membership (fuzzy score=.95), the threshold for full non-membership (fuzzy score=.05), and the cross-over point (fuzzy score=.5). Second, we constructed and refined the truth table that presents all possible configurations of causal conditions of the desired outcome by selecting a frequency threshold and a consistency threshold. Frequency refers to the minimum number of cases required for a configuration to be considered (Fiss 2011). We set the frequency threshold at 3 to ensure that the configurations selected captured at least 80% of cases. Consistency refers to the degree to which the cases sharing a given configuration of attributes exhibit the desired outcome (Fiss 2011). We set the consistency threshold at .90 which is above the minimum consistency threshold of .80 (Ragin 2008). Third, we used the Quine-McClusky algorithm to logically reduce the truth table rows to simplified configurations. The fsQCA results in Table 4 show three configurations of causal conditions (i.e. SIM*SUI*BE; SUI*MIN*BE; SIM*PHY*MIN*BE) that explain the presence of word-of-mouth with an overall consistency level of .88 and an overall solution coverage of .53. The solution exhibited acceptable consistency ( > .80) and the three identified configurations account for 53% of the membership in the presence word-of-mouth. Importantly, the results showed that none of the causal conditions (i.e. similarity, physical appearance, suitable behavior, and brand experience) are sufficient conditions for the occurrence of word-of-mouth, but their combinations are (SIM*SUI*BE+SUI*MIN*BE+SIM*PHY*MIN*BE → WOM). Thus, the fsQCA results complemented the PLS-SEM findings.

### 6.4.3. Competing models

To examine the robustness of the proposed model, we examined two competing models (Model 3 and Model 4 as shown in Table 5). First, we examined the mediating roles of similarity, physical appearance, and suitable behavior on the relationship between mindfulness and brand experience (Model 3). Results in Table 5 show that similarity (Model 3, β=.09, t-value=1.32) and physical appearance (Model 3, β=.093 t-value=.39) had no significant effects on brand experience. While mindfulness had a positive effect on suitable behavior (Model 3, β=.49 t-value=5.99), which in turns had a positive effect on brand experience (Model 3, β=.32 t-value=4.47), the VAF of .26 was just marginally above the threshold .20 which indicates no mediation effect.

Second, we examined the moderating role of mindfulness on the relationships among similarity, physical appearance, suitable behavior, and brand experience (Model 4). The results in Table 5 show that mindfulness did not moderate these relationships (Model 4, $β_{similarity}$= −.05 t-value=.70; $β_{physical\ appearance}$= −.07 t-value=1.12; $β_{suitable\ behavior}$=.08 t-value=1.27). Thus, the proposed mediated model appeared more adequate than the two competing models.

## 7. Conclusion and implications

The presence of other humans in a service environment will influence the experience for many customers. Whether this influence is positive or negative depends largely on the appearance and behavior of the other customers. Research by Brocato et al. (2012) identified three dimensions that determine the perception of other customers (OCP), namely their similarity, their physical appearance and their behavior. Based on this, the current research had three objectives: i) To examine the influence of these three OCP dimensions on a customer's service brand experience (SBE) ii) investigate the role of mindfulness as a mediator between OCP and SBE iii) test the effect of SBE on intended WOM behavior.

In terms of the first objective, all three OCP dimensions were found to have a positive influence on an individual's service brand experience. The findings from the study fit with the theory provided by Libai et al. (2010), Zhang (2010) and Chen et al. (2011) where observational learning theory was used to explain how we learn from watching others. No doubt, consumers will observe others in a retail or service setting and use that information to learn processes, service functionality and accepted norms. However, the current study has extended this theory, as it appears to be the first evidence that observation of the OCP dimensions is used

**Table 5**
Results of competing models.

| | Endogenous variables | | | | | | |
|---|---|---|---|---|---|---|---|
| | Model 3 | | | | | Model 4 | |
| Exogenous variables | Similarity | Physical appearance | Suitable behavior | Brand experience | WOM | Brand experience | WOM |
| Mindfulness | .39*** (5.32) | .47*** (6.60) | .49*** (5.99) | .44*** (5.33) | – | .43*** (5.16) | – |
| Similarity | – | – | – | .09 (1.32) | – | .09 (1.40) | – |
| Physical appearance | – | – | – | .03 (.39) | – | .03 (.46) | – |
| Suitable behavior | – | – | – | .32*** (4.47) | – | .33*** (4.56) | – |
| Similarity x mindfulness | – | – | – | – | – | −.05 (.70) | – |
| Physical appearance x mindfulness | – | – | – | – | – | −.07 (1.12) | – |
| Suitable behavior x mindfulness | – | – | – | – | – | .08 (1.27) | – |
| Brand experience | – | – | – | – | .59*** (7.59) | – | .64*** (11.87) |

Note:

*** indicates the significance level .01; Model 3 – similarity, physical appearance, and suitable behavior are mediators of the mindfulness-brand experience relationship; Model 4 – mindfulness moderates the relationships between similarity, physical appearance, suitable behavior, and brand experience.

to guide an individual's understanding and evaluation of a service brand.

The second objective was to determine whether OCP has an indirect effect on SBE via an individual's level of mindfulness. Mindfulness was introduced in the marketing literature by Langer (1989) and later expanded by Brown and Ryan (2003) who defined mindfulness as both a state and trait concept that is characterized by enhanced attention and awareness of the current environment. The findings from the current study indicate not only does OCP influence an individual's state of mindfulness, the resulting mindfulness mediates the relationship between OCP and SBE. This would appear to be the first indication that mindfulness mediates the OCP-SBE relationship. This may be due to the fact mindfulness has a calming influence on neuroticism and negative emotions, as per Fetterman et al. (2010). A calming influence fits with the concept of 'affective ventriloquism' proposed by Spence and Gallace (2011), whereby the affective response to stimuli in one sensory modality or conceptual dimension will pull or bias perception in other modalities or dimensions. In this respect, it is entirely plausible when people observe other customers, their affective response to such customers will bias their response to, and evaluation of, the service brand experience. While these findings are exciting and provide further understanding of the forces at play in service environments, they also present questions for future research. For example, independent of the OCP dimensions, can mindfulness be manipulated within the boundaries of the service setting? If it can, then what are the determinants of mindfulness that can be altered? In this respect, it may be that other environmental factors such as ambient lighting, sound and spatial layout might influence the mindfulness state. Should this be the case, then how do these factors interact with the OCP human element? Furthermore, are the effects of OCP on SBE and mindfulness maintained in situations where increased sensory demands are placed on consumers, or where cognitive load is magnified?

The third objective was to examine the effect of SBE on word-of-mouth behaviors. Previous research (Moore et al., 2005) has identified links between customer-to-customer interactions and WOM intentions. In particular, positive WOM has been shown to have a positive influence on evaluation of a service brand (Söderlund and Rosengren, 2007). Findings from the current research show that OCP influences SBE, which results in a positive influence on WOM. These results appear to be the first indication that OCP influences WOM via SBE. However, the findings present opportunities for further research. For example, the current study examined the influence of OCP on WOM using the composite OCP scale. Future studies might look at the influence of each OCP factor independently. In such cases, existing theory could be built upon by examining the effect of each factor and at what levels changes in single factors will influence both a consumer's service brand experience and their resulting WOM behaviors.

## 8. Limitations and future research directions

The current study has several limitations. First, the focus on a department store in a metropolitan city may limit the generalizability of the findings. Future research may replicate this study using different geographic areas, and different groups of shoppers to determine if the effects still hold. Second, external validity of the study is limited because of subjective data use. Future studies can use different methodologies including longitudinal design to trace the relationships between the focal constructs in the model over time. Despite the above limitations, this study provides a promising foundation for understanding the managerial implications of other customer perceptions and shopper mindfulness in

enhancing service brand experience and positive word of mouth.

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