

# Effects of Casino Servicescape and Customer Interaction on Chinese and Japanese Customers' Emotions and Loyalty\*

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## Abstract

This study investigates the effects of casino servicescape and customer interaction on the emotions and loyalty of Chinese and Japanese customers. Data on casino servicescape, customer interaction, pleasure, arousal, and dominance (PAD) emotions, and loyalty were obtained from 275 Chinese and Japanese gamblers in Korea's foreigner-only casinos, and structural model analysis using AMOS 21.0 was conducted to verify the model. This study empirically confirmed the similarities and differences in PAD emotions between Chinese and Japanese customers on casino servicescape and on their interactions at casinos. By doing so, this study theoretically attempts to extend the existing research framework, and demonstrates the need for casinos to consider the role of culture/nationality in the context of international marketing when targeting international consumers.

*KEYWORDS: casino, servicescape, customer interaction, customer emotion, loyalty*

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## 1. Introduction

The servicescape has become a vital marketing tool and an integral component of a company's image. Since Kotler's (1973) seminal work, a considerable body of research has analyzed the effect of servicescape on customers' behavior in a wide variety of service settings. (e.g., Mayer & Johnson, 2003; Turley & Milliman, 2000; Wakefield & Blodgett, 1994; Donovan & Rossiter, 1982).

Servicescape includes all controllable physical surroundings that influence employee and customer behavior (Bitner, 1992). However, servicescape research in the context of casinos is limited. The existing casino literature either focuses on identifying casino atmosphere elements (Johnson, Mayer, & Champaner, 2004; Mayer & Johnson, 2003; Mayer et al., 1998), or exploring the effect of ambient factors on gambling behaviors (Dixon, Trigg, & Griffiths, 2007; Marmurek et al., 2007). Since Mehrabian and Russell's (1974b) study on the emotional context of servicescape, various studies (e.g., Foxall & Greenley, 1999; Donovan & Rossiter, 1982) have found supporting evidence for the mediating role of emotional responses on customer behavior. Despite the apparent importance of the emotional effects of servicescape and customer interaction, empirical research addressing this issue in the casino environment is limited.

Currently, Chinese and Japanese gamblers constitute the main customer base in Korea's foreigner-only casinos. However, few studies have considered the differences in emotions and loyalty among these customers. The present study seeks to address this gap in the literature by examining both the similarities and differences in the effects of

casino servicescape and customer interaction on Chinese and Japanese gamblers' emotions and loyalty.

## 2. Theoretical Background

### 2.1 Servicescape

The first scholar to recognize the importance of the service environment was Kotler (1973), who used the term "atmosphere" and suggested four different dimensions of atmosphere: visual, aural, olfactory, and tactile. Bitner (1992) suggested the term "servicescape" and proposed a model showing that the servicescape, defined as the physical surroundings, influences customer and employee behavior. In other words, the servicescape refers to the non-human elements of the environment in which service encounters occur. Bitner (1992) explained that physical surroundings is a contradistinctive concept and includes the social and natural environments, and that the physical environment is human-made in a service industry. Thus, physical environment is considered as a key component not only for successful service delivery but also of a service corporation's marketing strategy. Physical environment also contributes to attracting target customers and defining a corporate image (Nguyen & Leblanc, 2002). Lucas (2003) examined the influences and determinants of Las Vegas casinos on servicescape satisfaction and deduced five servicescape components that are applicable to casinos, namely, the ambient conditions, layout and design, interior decoration, seating comfort, and cleanliness. Conversely, Baker (1987) argued that the physical environment can be

viewed as a combination of ambient, design, and social factors; however, this study solely focused on the physical environment. In line with these previous studies, the current study considers ambient environment, aesthetics, defined as layout and design, interior decoration, and convenience as spatial arrangement, functionality, and seating comfort, as components of physical environment.

## 2.2 Customer Interaction

Ha and James (1998) defined customer interaction/interactivity as the level of effort required to satisfy the needs of mutual communication through a type of connectivity, and Rafaeli (1998) suggested that interactivity can be viewed as the exchange of ideas in any given communication circumstance and the possibility for a third person to participate in this exchange. Lombard & Snyder-Duch (2001) argued that a broad concept of interaction includes all actions a person makes with an existing object or person under certain circumstances. William et al. (1988) suggested three dimensions of interaction: control, role exchange, and mutual conversation. Ha & James (1998) included playfulness, choice, connectedness, information collection, and reciprocal communication as dimensions. On the other hand, Wu (2007) used perceived control, perceived reactivity, and perceived individualization as components of interaction. Furthermore, Kalyuga (2007) used the components of ability to control, flexibility, and reliability to explain interaction. Recent studies that have focused on the customer interaction assume that other customers' behavior is an independent variable of the service

circumstance, service characteristics, or service experience (Eroglu, Machleit, & Barr, 2005). Since studies on the interaction between customers under special circumstances in a casino setting are limited, the current study performs an analysis by considering interactions as connectivity through the formation of a relationship between customers and as participation through mutual perception.

## 2.3 Customer Emotion

Numerous studies in various fields have analyzed emotion because emotion can be easily observed. For example, Mano and Oliver (1993) classified the practical components of product evaluation into need and value, and studied pleasure components by dividing them into interest, positivity, and appeal effects, analyzing these effects on consumer satisfaction. Moreover, the pleasure evaluation of products led to a significant relationship with arousal and positive emotions, and conversely, practical evaluation, with arousal and negative emotions. Kempf and Smith (1998) examined product evaluation and emotional responses and found that joy was the most significant factor affecting product evaluation, whereas arousal did not influence product evaluation. A popular research on the dimensional analysis of consumer emotional responses is the pleasure, arousal, and dominance (PAD) model by Mehrabian and Russell (1974). Among the three dimensions from this model, pleasure and arousal dimensions have already been confirmed by various studies; however, the dominance dimension has not been either confirmed or included in some studies (e.g., Donovan & Rossiter, 1982; Kwon & Yu, 1997). Thus, many

scholars have questioned the necessity of this dimension. For example, while Kwon and Yu (1997) considered all the three dimensions, they found that only pleasure and arousal dimensions had a significant influence over customer behavior including revisit intention, consumption cost, and so on. An interesting result in their research is that various types of emotions were summarized in the three dimensions suggested in the PAD model. For example, pride, affection, gratitude, and joy were analyzed in the pleasure dimension; interest, activation, surprise, and involvement were analyzed in the arousal dimension; and helplessness, sadness, fear, and disgust were considered in the dominance dimension. As a measurement method, the PAD model faces several disagreements. Despite the disagreements, the model is most frequently used by many researchers. Therefore, this study will use a measurement method that is confirmed and most frequently used in precedent research, which is the PAD model of Mehrabian and Russell (1974b) for emotion. This measurement is also earning experimental support.

## 2.4 Loyalty

Reynolds, Darden, and Martin (1974) define customer loyalty as the human tendency to transcend time and to continue to show similar actions under similar circumstances that occurred accidentally in the past, or to demonstrate behavior in which the customer purchases the same or similar product of the same brand at the same place and at a different time because he or she needs or wants it. Since Reynolds, Darden, and Martin's (1974) seminal study, loyalty has been

broadly researched in different service contexts (e.g., Morgan & Hunt, 1994; Jones & Sasser, 1995; Gremler & Stephen, 1997; Lee & Ulgado, 1997; Bejou et al., 1998; Bowen & Shoemaker 1998; Oliver, 1999; Hellier et al., 2003; Aksu, 2006; Al-Rausan & Mohamed, 2010). Choi (2012) insisted that dividing brand loyal behavior into economic and social loyal behavior not only contributes to scientific development by helping to understand various aspects of brand loyalty in detail but also suggests that corporations must take effective measures to achieve marketing goals. Accordingly, this research will divide loyalty into economic and social loyalty. In the casino context, economic loyalty implies maintaining transactional relationship such as casino revisit, which coincides with future visit intention. Furthermore, social loyalty implies consumers' investment of resources other than money for the long-term and sustainable development of the casino. For example, consumers delivering an opinion to the brand for it to grow or embracing social risk to aid the brand in crisis is applied. This is indicated as high-difficulty behavior according to the research by Park et al. (2010) and can be seen as the emotional commitment level of brand loyal behavior, as suggested by Aaker et al. (2004).

## 3. Model Development and Hypotheses

The research model is shown in Figure 3-1. This figure illustrates the influences of the different components of servicescape, that is, the physical factors of casino establishments, as well as

customer interactions, which are the social factors, and traces the effect that they have on customer emotions based on preceding research (H1, H2). The model also traces the type of influence that customer emotions have on loyalty (H3). This study also empirically analyzes the existence of attentive differences between Chinese and Japanese customers (H4) at these establishments.

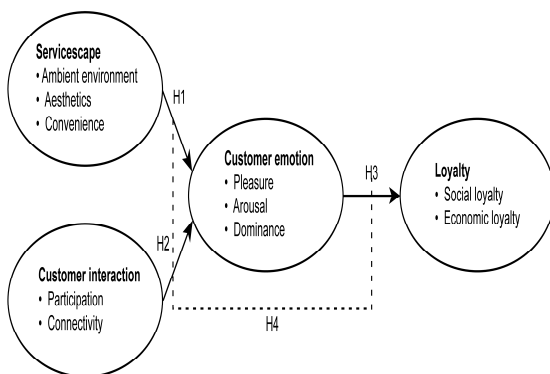


Fig 3-1 Research Model

### 3.1 Servicescape and PAD Emotion

The S-O-R (Stimulus-Organism-Response) model was used to investigate the constructional interrelationship among the environment, intermediary variable, and behavioral responses in the field of environmental psychology (Mehrabian & Russell, 1974a; Mehrabian, 1980). These studies mainly investigated the influence of the environment on human behavior, and an intermediary variable, defined as the primary emotional responses of pleasure, arousal, and dominance was set up in the middle of the process. This model by Mehrabian and Russell (1974a) was also applied in the research on store environment

in the field of marketing. Since various stimulus factors are provided by the environment, it was considered very difficult to systematically categorize them. Mehrabian and Russell (1974b) suggested a theoretical model in which the servicescape stimulates customers' emotions and thereby influences their behavioral intentions. The model posits that the emotional context of the servicescape can be captured by measuring the emotions of pleasure, arousal, and dominance (PAD). In the PAD model, customer pleasure stems from happiness and/or satisfaction; arousal is derived from excitement based on environmental stimuli, and dominance is the product of environmental control. A significant amount of research has been conducted to investigate customers' responses to servicescape. Kotler (1973) describes atmospherics as an environment consciously designed to induce emotional effects which will influence customers' purchase behavior. Bitner (1992) defines servicescape as all of the objective physical factors that can be controlled by the firm to enhance (or constrain) employee and customer actions. Aesthetic factors are the servicescape components that would influence the customers' perception of the overall servicescape quality. In the casino context, Lucas (2003) discovered that the ambient factors, layout navigation, seating comfort, interior décor, and cleanliness significantly influence satisfaction with servicescape.

Several researches have derived common factors to describe physical environment, including convenience, cleanliness, attractiveness, entertainment, and pleasantness (Wakefield & Blodgett, 1996). Many researches on these factors evidently suggest that physical environment affects

emotional response. For example, Baker, Grewal, & Parasuraman (1994) argued that physical environmental factors such as lighting and music can influence pleasure. Moreover, surrounding components related to color tone can influence customers' emotional response (Bellizzi, Crowley, & Hasty, 1983). Numerous studies support the contention that ambient factors are critical to trigger emotional responses. For instance, Dubé and Morin (2001) found that background music influences pleasure intensity levels in the service environment; Bellizzi & Hite (1992) demonstrated that color can be used to stimulate purchase behaviors; Küller et al. (2006) indicate that a light either too dark or too bright tends to have a negative effect on mood; Spangenberg, Crowley, and Henderson (1996) argue that scent can increase the lingering time in a store. As previously mentioned, casino layouts may affect the dominance emotion due to a gambler's desire for control (Lam, 2005). Sight line, signage, and ease of navigation can help customers orient themselves (Dabholkar, Thorpe, & Rentz, 1996; Wakefield & Blodgett, 1994). Baron (1994) stated that various environmental conditions induce strong positive or negative responses, and that the physical aspect of environment has a strong influence on the emotional aspects of people. From a boarder perspective, organizing the servicescape components into aesthetic and functional factors is particularly relevant for the current study because while aesthetic factors promote sensory pleasure among gamblers when participating in the casino gambling, functional factors increase arousal, defined as excitement among them.(Titz et al., 2001). In addition, Ryu and Jang (2007) analyzed the

influence of the physical environment factors of elite restaurants, such as the aesthetics of the facility, lighting, overall environment, arrangement, and restaurant facility, as well as the impact of employees on customers' behavioral intention through pleasure and arousal. The current study assumes that the concept of emotion denotes affect, feeling, and mood, and that it includes all psychological and emotional states are experienced at a casino. Therefore, a casino servicescape with an ambient environment, aesthetics, and convenience must influence the PAD emotions of customers. Thus, on the bases of these preceding studies and the theoretical background, the following hypotheses were proposed.

Hypothesis 1: Servicescape has a positive influence on the PAD emotions of customers.

Hypothesis 1-a-1: Ambient environment has a positive influence on the pleasure of customers.

Hypothesis 1-a-2: Ambient environment has a positive influence on the arousal of customers.

Hypothesis 1-a-3: Ambient environment has a positive influence on the dominance of customers.

Hypothesis 1-b-1: Aesthetics have a positive influence on the pleasure of customers.

Hypothesis 1-b-2: Aesthetics have a positive influence on the arousal of customers.

Hypothesis 1-b-3: Aesthetics have a positive influence on the dominance of customers.

Hypothesis 1-c-1: Convenience has a positive influence on the pleasure of customers.

Hypothesis 1-c-2: Convenience has a positive influence on the arousal of customers.

Hypothesis 1-c-3: Convenience has a positive influence on the dominance of customers.

### **3.2 Customer Interaction and PAD Emotion**

Tombs & McColl-Kennedy (2003) argued that customers respond to other customers' displayed emotions in the servicescape. Baker, Grewal, & Parasuraman (1994) stated that the number of salespeople influenced pleasure and arousal. In addition, the complexity of the consumption phenomenon provoked emotional responses like arousal and pleasure. Eroglu and Machleit (1990) reported that crowdedness inside a store provokes negative emotion and eventually decreases consumption. Thus, Harrell, Hutt, and Anderson (1980) contended that perceived crowding in the shop systematically affects shopping behavior and consumers' feelings about retail outlets and shopping trips, and that it can increase a negative arousal.

Ryu (2005) asserted that service quality influences customer emotion that occurs during the interaction with the physical environment. One of the interaction factors suggested by Ha and James (1998), Dholakia et al. (2001), and Chen and Yen (2004) is participation, which implies the degree of interaction among customers during service encounters. Agarwal and Karahanna (2000) argued that pleasure strengthened connectivity between customers. In particular, research on servicescape by Ryu and Jang (2007) suggests that in addition to

physical environment, personal contact with customers influences the perceived corporate image of intangible services, and that this influence is direct. Furthermore, physical environment and contact personnel have mutually interactive effects on corporate image. These findings are consistent with those of Bitner (1992), which is being imported to this research. Therefore, the following hypotheses are proposed.

Hypothesis 2: Customer interaction has a positive influence on the PAD emotions of customers.

Hypothesis 2-a-1: Participation has a positive influence on the pleasure of customers.

Hypothesis 2-a-2: Participation has a positive influence on the arousal of customers.

Hypothesis 2-a-3: Participation has a positive influence on the dominance of customers.

Hypothesis 2-b-1: Connectivity has a positive influence on the pleasure of customers.

Hypothesis 2-b-2: Connectivity has a positive influence on the arousal of customers.

Hypothesis 2-b-3: Connectivity has positive influence on the dominance of customers.

### **3.3 Customer Emotions and Loyalty**

Suh and Kim (2004) proposed that emotional response has a partial influence on revisit intention, length of stay, and communication intention, and that positive emotion, arousal, and sense of control among emotional responses have significant influence on loyalty. Lee and Park (2005) showed that the emotional response of customers influences revisit intention, and that the negative influence of

negative emotion was stronger on revisit intention than the positive influence of positive emotion. Moreover, Ryu (2005) asserted that the physical environment has a direct causal relation with customer emotions, and that customer emotions have a direct influence on loyalty. In addition, Chun and Roh (2005) argued that customers' access to a clean physical environment aroused positive emotions in them, which implies a direct causal relationship between physical environment and loyalty. From this perspective, the physical environment, customers' PAD emotions, and loyalty are strongly correlated. Hypothesis 3 was formed based on these theoretical roots.

Hypothesis 3: The PAD emotions of customers have a positive influence on loyalty.

Hypothesis 3-a-1: The pleasure of customers has a positive influence on economic loyalty.

Hypothesis 3-a-2: The arousal of customers has a positive influence on economic loyalty.

Hypothesis 3-a-3: The dominance of customers has a positive influence on economic loyalty.

Hypothesis 3-b-1: The pleasure of customers has a positive influence on social loyalty.

Hypothesis 3-b-2: The arousal of customers has a positive influence on social loyalty.

Hypothesis 3-b-3: The dominance of customers has a positive influence on social loyalty.

### **3.4 A Comparative Analysis of Chinese and Japanese Customers**

Kim and Chang (2007) identified slight differences

and similarities in customer satisfaction and loyalty between Chinese and Japanese passengers regarding the service quality of Incheon International Airport. Accordingly, this study assumes that such associations also exist for the two customer groups in Hypotheses 1 to 3 in the casino context (Hypothesis 4).

Hypothesis 4: There are significant differences between Chinese and Japanese customers in the positive relationships established in Hypotheses 1 to 3.

## **4. Methodology**

### **4.1 Sample and Data Collection**

The target of this study included randomly chosen Chinese and Japanese customers who had visited four foreigner-only casinos in Seoul and Busan within the past three months. Overall, 275 samples were selected using the convenience sampling method. The survey method was used for data collection, and the respondents were asked to fill the questionnaires in either Chinese or Japanese, based on their nationality/origin. To capture the demographic profile of the research targets, six questions pertaining to gender, age, nationality,

occupation, educational attainment, and purpose of visiting Korea were asked, as shown in Table 4-1.



Tab. 4-1 Demographic Profile of Respondents (N=275)

Variable	Description	Frequency(N)	Percentage (%)
Gender	Male	161	58.4
	Female	114	41.4
Age	20-29	50	18.0
	30-39	85	31.0
	40-49	66	24.1
	50-59	53	19.2
	60 & above	21	7.6
Nationality	Chinese	198	72.0
	Japanese	77	28.0
Occupation	Self-employed	93	33.7
	Office worker	112	40.9
	Official	10	3.7
	Student	11	3.9
	Homemaker	21	7.6
	Professional/freelance	19	6.9
	Other	9	3.2
Educational background	High school	41	14.8
	Two-year university	65	23.7
	University	156	56.8
	Graduate school	13	4.7
Purpose of visit	Tourism	135	49.1
	Shopping	59	21.4
	Casino	45	16.5
	Business	24	8.7
	Other	12	4.4
Total		275	100

## 4.2 Measurement Development

This study employed three dimensions of servicescape as suggested by Bitner (1992) and Lucas (2003): ambient environment, aesthetics, and convenience.

Customer interaction was composed of participation (Ha & James, 1998; Dholakia et al., 2001; Chen & Yen, 2004) and connectivity (Agarwal

& Karahanna, 2000). Following Mehrabian and Russell (1974b) and Babin and Darden (1995), three dimensions of customer emotions were employed: pleasure, arousal, and dominance. Loyalty was defined in terms of economic loyalty, which implies maintaining transactional relationship, and social loyalty, which implies consumers' investment of resources other than money for long-term and sustainable development of the casino, as suggested by Choi (2012). All constructs were later adjusted to the context of a casino servicescape to secure content validity and were measured with multiple items using a seven-point Likert-type scale (1 = strongly disagree; 7 = strongly agree).

## 4.3 Data Analysis

To evaluate the reliability and validity of the measurement tool, a factor analysis of the variables was conducted by using the liability module of SPSS 21.0.

This study followed a two-step approach to identify the hypothesized model with the use of AMOS21.0 (Anderson & Gerbing, 1988). Confirmatory factor analysis(CFA) was used to estimate the measurement of the constructs: specifically components that determine the relationships of the indicators with their posited constructs were analyzed. Thereafter, structural equation modeling was employed to specify the relationships among the hypothesized constructs and assess the proposed model and hypotheses.

## 5. Results

### 5.1 Measurement Model

Reliability Analysis. Reliability was measured by the Cronbach's alpha of the internal consistency index. The Cronbach's alpha of every individually measured variable appears to be greater than 0.8.

Validity Analysis. The average variance extracted (AVE) estimates were obtained through construct reliability, and discriminant validity was confirmed, as shown in Table 5-1. The construct reliability of every individually measured variable appears to have a reliability level greater than 0.7, and the AVE of each construct usually meets the criteria of more than 0.5. Therefore, a configuration of the

content validity and reliability of a single dimension may have been obtained.

As shown in Table 5-2, the AVE of each construct exceeds the squared correlation with all other constructs, with six exceptions. Therefore, the measurement model shows a satisfactory level of discriminant validity. Overall, the measurement model yielded discriminant validity and proved to be appropriate for the structural model analysis, which secured a logical basis to proceed with the path analysis based on both the previously tested validity analysis and this discriminant validity.

Tab. 5-1 Average Variance Extracted through Construct Reliability

Construct	Measurement items	Loading	CR	AVE		
Service Scape	Ambient environment 1	.769	.823	.538		
	Ambient environment 2	.825				
	Ambient environment 3	.738				
	Ambient environment 4	.787				
	Aesthetics 1	.783	.854			
	Aesthetics 2	.807				
	Aesthetics 3	.854				
	Aesthetics 4	.812				
	Convenience 1	.763	.855		.596	
	Convenience 2	.822				
	Convenience 3	.847				
	Convenience 4	.814				
Customer interaction	Participation 1	.830	.845	.577		
	Participation 2	.832				
	Participation 3	.820				
	Participation 4	.777				
	Connectivity 1	.661	.845			
	Connectivity 2	.894				
	Connectivity 3	.862				
	Connectivity 4	.897				
Customer Emotion	Pleasure 1	.771	.864	.613		
	Pleasure 2	.788				
	Pleasure 3	.801				
	Pleasure 4	.818				
	Arousal 1	.824	.833		.556	
	Arousal 2	.809				
	Arousal 3	.794				
	Arousal 4	.752				
	Dominance 1	.798	.836			.561
	Dominance 2	.821				

	Dominance 3		.780		
	Dominance 4		.802		
Loyalty	Economic loyalty 1		.863		
	Economic loyalty 2		.855	.828	.619
	Economic loyalty 3		.821		
	Social loyalty 1		.853		
	Social loyalty 2		.839	.795	.565
	Social loyalty 3		.768		

※ 1, 2, 3, and 4 indicate for all constructs

Tab. 5-2 Discriminant Validity Analysis

Construct	Am	Ae	Co	Pa	Con	Pl	Ar	Do	El.	Sl.
Ambient environment	.733	*								
Aesthetics	.796	.771								
Convenience	.849	.897	.772							
Participation	.248	.292	.383	.760						
Connectivity	.159	.274	.327	.796	.762					
Pleasure	.711	.706	.762	.353	.268	.783				
Arousal	.678	.711	.735	.328	.241	.876	.746			
Dominance	.725	.687	.732	.284	.297	.720	.721	.749		
Economic loyalty	.632	.585	.581	.195	.737	.686	.712	.077	.787	
Social loyalty	.698	.589	.592	.171	.755	.716	.729	.037	.963	.752

\* squared of AVE

### 5.2 Verification of Research Hypothesis

Verification of Correlation Analysis. In this study, an examination of the fit indices reveals the following results: GFI=.816; CFI=.933; NFI=.864; and RMSEA=.055. These values satisfied the proposed criteria for GFI, CFI, NFI, and RMSEA by Bagozzi and Dholakia (2002). The incremental fit index (IFI)

is greater than or equal to 0.9, which is judged to be a good fit, and the IFI of the model of this study was .933. Thus, the overall goodness of fit is satisfactory.

Correlation analysis was performed using a single parameter. This was done by averaging the standardization. The results are shown in Tables 5-3-1, 5-3-2, and 5-3-3.

Tab. 5-3-1 Verification of Correlation Analysis (Total Sample)

Research hypothesis	Hypothesis testing	Estimate	S.E.	T-value	P-value
Ambient environment ⇒ Pleasure	Accepted	.254	.110	2.299	.022**
Ambient environment ⇒ Arousal	Rejected	.208	.140	1.480	.139
Ambient environment ⇒ Dominance	Accepted	.459	.129	3.554	.000***
Aesthetics ⇒ Pleasure	Rejected	.104	.130	.803	.422
Aesthetics ⇒ Arousal	Accepted	.276	.167	1.653	.098*
Aesthetics ⇒ Dominance	Rejected	.094	.148	.632	.527
Convenience ⇒ Pleasure	Accepted	.330	.163	2.030	.042**
Convenience ⇒ Arousal	Accepted	.346	.207	1.667	.095*
Convenience ⇒ Dominance	Rejected	.238	.185	1.287	.198
Participation ⇒ Pleasure	Accepted	.141	.072	1.949	.051*
Participation ⇒ Arousal	Accepted	.162	.093	1.750	.080*
Participation ⇒ Dominance	Rejected	-.072	.082	-.874	.382
Connectivity ⇒ Pleasure	Rejected	-.082	.084	-.979	.328
Connectivity ⇒ Arousal	Rejected	-.099	.108	-.919	.358
Connectivity ⇒ Dominance	Accepted	.173	.097	1.797	.072*
Pleasure ⇒ Economic loyalty	Accepted	.565	.185	3.059	.002***
Arousal ⇒ Economic loyalty	Rejected	.043	.145	.296	.767
Dominance ⇒ Economic loyalty	Accepted	.407	.094	4.332	.000***
Pleasure ⇒ Social loyalty	Accepted	.543	.180	3.007	.003***
Arousal ⇒ Social loyalty	Rejected	.079	.141	.562	.574
Dominance ⇒ Social loyalty	Accepted	.406	.092	4.413	.000***

\*, \*\*, and \*\*\* denote significance at 10%, 5%, and 1% levels, respectively.

Tab. 5-3-2 Verification of Correlation Analysis (Chinese Sample)

Research hypothesis	Hypothesis testing	Estimate	S.E.	T-value	P-value
Ambient environment ⇒ Pleasure	Accepted	.394	.145	2.715	.007**
Ambient environment ⇒ Arousal	Accepted	.311	.172	1.807	.071*
Ambient environment ⇒ Dominance	Accepted	.424	.191	2.221	.026**
Aesthetics ⇒ Pleasure	Accepted	.517	.256	2.018	.044**
Aesthetics ⇒ Arousal	Accepted	.511	.303	1.686	.092*
Aesthetics ⇒ Dominance	Rejected	.078	.340	.231	.817
Convenience ⇒ Pleasure	Rejected	-.159	.321	-.497	.619
Convenience ⇒ Arousal	Rejected	.091	.382	.238	.812
Convenience ⇒ Dominance	Rejected	.283	.427	.663	.508
Participation ⇒ Pleasure	Rejected	.083	.078	.1059	.289
Participation ⇒ Arousal	Rejected	.064	.098	.649	.516
Participation ⇒ Dominance	Rejected	-.133	.114	-1.166	.243
Connectivity ⇒ Pleasure	Rejected	-.056	.088	-.635	.525
Connectivity ⇒ Arousal	Rejected	.024	.111	.213	.831
Connectivity ⇒ Dominance	Accepted	.216	.127	1.694	.090*
Pleasure ⇒ Economic loyalty	Accepted	4.033	2.173	1.856	.063*
Pleasure ⇒ Social loyalty	Accepted	5.468	2.885	1.895	.058*
Arousal ⇒ Economic loyalty	Rejected	-2.758	1.768	-1.560	.119
Arousal ⇒ Social loyalty	Accepted	-3.915	2.348	-1.667	.095*
Dominance ⇒ Economic loyalty	Accepted	.457	.255	1.791	.073*
Dominance ⇒ Social loyalty	Rejected	.546	.339	1.611	.107

\*, \*\*, and \*\*\* denote significance at 10%, 5%, and 1% levels, respectively.

Tab. 5-3-3 Verification of Correlation Analysis (Japanese Sample)

Research hypothesis	Hypothesis testing	Estimate	S.E.	T-value	P-value
Ambient environment ⇒ Pleasure	Rejected	-.229	.204	-1.122	.262
Ambient environment ⇒ Arousal	Rejected	.090	.211	.424	.671
Ambient environment ⇒ Dominance	Accepted	.291	.163	1.789	.074*
Aesthetics ⇒ Pleasure	Rejected	-.114	.182	-.624	.532
Aesthetics ⇒ Arousal	Rejected	-.194	.194	-1.000	.317
Aesthetics ⇒ Dominance	Rejected	.226	.147	1.539	.124
Convenience ⇒ Pleasure	Accepted	.709	.230	3.084	.002**
Convenience ⇒ Arousal	Rejected	.198	.226	.877	.380
Convenience ⇒ Dominance	Rejected	.232	.170	1.361	.173
Participation ⇒ Pleasure	Accepted	.307	.118	2.600	.009**
Participation ⇒ Arousal	Accepted	.413	.132	3.136	.002**
Participation ⇒ Dominance	Rejected	-.004	.091	-.045	.964
Connectivity ⇒ Pleasure	Rejected	.057	.175	.326	.745
Connectivity ⇒ Arousal	Rejected	.180	.190	.944	.345
Connectivity ⇒ Dominance	Rejected	.199	.143	1.395	.163
Pleasure ⇒ Economic loyalty	Rejected	.248	.239	1.038	.299
Pleasure ⇒ Social loyalty	Accepted	.395	.213	1.854	.064*
Arousal ⇒ Economic loyalty	Rejected	.200	.204	.981	.327
Arousal ⇒ Social loyalty	Rejected	.121	.178	.684	.494
Dominance ⇒ Economic loyalty	Accepted	.581	.168	3.447	.000***
Dominance ⇒ Social loyalty	Accepted	.321	.139	2.311	.021**

\*, \*\*, and \*\*\* denote significance at 10%, 5%, and 1% levels, respectively.

### 5.3 Summary of Empirical Results

Summary of Hypothesis Verification. As shown in Table 5-4, the analysis of the structural model in this empirical study reveals that the servicescape and customer interaction at casinos only have moderately positive effects on customers' PAD emotions. In addition, customers' PAD emotions have moderately positive effects on their loyalty.

Table 5-4 Summary of Hypothesis Verification (Total Sample)

Construct	Research hypothesis		Hypothesis testing
Servicescape	Servicescape ⇒ Customer PAD emotions	H1	Accepted partially
	-Ambient environment ⇒ Pleasure	H1-a-1	Accepted
	-Ambient environment ⇒ Arousal	H1-a-2	Rejected
	-Ambient environment ⇒ Dominance	H1-a-3	Accepted
	-Aesthetics ⇒ Pleasure	H1-b-1	Rejected
	-Aesthetics ⇒ Arousal	H1-b-2	Accepted
	-Aesthetics ⇒ Dominance	H1-b-3	Rejected
	-Convenience ⇒ Pleasure	H1-c-1	Accepted
	-Convenience ⇒ Arousal	H1-c-2	Accepted
-Convenience ⇒ Dominance	H1-c-3	Rejected	
Customer interactions	Customer interactions ⇒ Customer PAD emotions	H2	Accepted partially
	-Participation ⇒ Pleasure	H2-a-1	Accepted
	-Participation ⇒ Arousal	H2-a-2	Accepted
	-Participation ⇒ Dominance	H2-a-3	Rejected
	-Connectivity ⇒ Pleasure	H2-b-1	Rejected
	-Connectivity ⇒ Arousal	H2-b-2	Rejected
-Connectivity ⇒ Dominance	H2-b-3	Accepted	
Customer emotions	Customer PAD emotions ⇒ Loyalty	H3	Accepted partially
	-Pleasure ⇒ Economic loyalty	H3-a-1	Accepted
	-Arousal ⇒ Economic loyalty	H3-a-2	Rejected
	-Dominance ⇒ Economic loyalty	H3-a-3	Accepted
	-Pleasure ⇒ Social loyalty	H3-b-1	Accepted
	-Arousal ⇒ Social loyalty	H3-b-2	Rejected
-Dominance ⇒ Social loyalty	H3-b-3	Accepted	
	H1-H3	H4	Accepted partially

## 6. Discussions and Implications

### 6.1 Discussions

This study considers three major dimensions of servicescape and two major dimensions of customer interaction to fully understand the role of each

dimension in the association with PAD emotion and loyalty. By presenting a comprehensive framework of servicescape, customer interaction, and PAD emotion in a casino context, this study contributes to the body of knowledge with respect to servicescape research.

First, the ambient environment, aesthetics, and convenience are recognized as the primary

dimensions to explain the effect of casino servicescapes on customers' emotions. A detailed analysis has shown that there are subtle differences in the three dimensions based on customers' emotional factors. The pleasure and dominance of customers who participate in a game are affected by the ambient environment, and arousal is affected by aesthetics. Pleasure and arousal are affected by convenience. These findings provide valuable suggestions for casino operators. It appears that when customers experience more convenience at a casino, their emotions are more pleasant. This finding implies that a spacious layout can increase pleasure and arousal and can continually entertain customers at a casino. Accordingly, this result suggests that spacious layout can promote a casino's revenue growth. The physical environment includes the indoor atmosphere, indoor temperature, and level of humidity. When customers perceive the suitability of these factors, they show higher pleasure. This finding is consistent with the existing approach-avoidance theory (Lucas, 2003; Wakefield & Blodgett, 1996). When considering nationality, this study shows that the ambient environment and aesthetics have a positive impact on the pleasure and arousal of Chinese customers but have no significant or a negative impact on Japanese customers. However, the ambient environment has a positive impact on the dominance of both Chinese and Japanese customers. The relationship between convenience and pleasure is weak among Chinese customers but is significant with a positive influence on Japanese customers. Thus, customers' tastes are evidently different between the two nationalities.

Second, both pleasure and arousal are generated

by the perceptions of participation in customer interactions. It was also confirmed that connectivity affects only the dominance dimension of customers' emotions. It is confirmed that participation has a significantly positive influence on the pleasure and arousal of only Japanese customers, and connectivity has a significant and positive influence on the dominance of only Chinese customers. This finding implies that Japanese customers are extremely reluctant to interact with other customers. Thus, this finding suggests that careful consideration must be given to customers' nationality in international marketing and for suitable customer care management in international service settings, including casinos (Kim & Chang, 2007).

Third, it appears that there are significant relationships between customers' PD emotions and their economic and social loyalty. Specifically, it was found that customers' pleasure and dominance positively affect their economic and social loyalty. In other words, higher pleasure and dominance are associated with higher economic and social loyalty of customers, such as their revisit and recommendation intentions (Choi, 2012). This finding suggests that casino operators must particularly focus on customers' emotions to improve the casino's brand image. Considering individual emotional factors, this study confirmed that pleasure has a significantly positive influence on the social loyalty of both Chinese and Japanese customers; however, pleasure positively influences the economic loyalty of only Chinese customers. On the other hand, arousal has a significantly positive influence on the social loyalty of only Chinese customers, and not Japanese customers. Dominance



affects Chinese customers' economic loyalty, but Japanese customers' economic and social loyalty. These results confirm that there could be similarities and differences in customers' emotion depending on their nationalities.

Overall, the results of this study suggest that casino operators should attempt to enhance customer experience by providing more pleasure and entertainment to Chinese customers and a more autonomous atmosphere for Japanese customers. Accordingly, it is important for casino operators to adjust the level of participation and connectivity through floor layout and segmented space (Marmurek et al., 2007; Friedman, 2000). These factors will significantly contribute to customers' intention to revisit and positive word-of-mouth both in the short and long term (Choi, 2012).

Two major findings emerged from this study; both extend our knowledge concerning the emotional effect of servicescape in the casino context.

First, the path analysis supports the theoretical model presented in this study. This further supports the fact that the ambient environment of a servicescape has a very close relationship with the pleasure and dominance of customers. Furthermore, the PD emotions of a customer positively affect economic and social loyalty, as suggested by Mehrabian and Russell (1974b). The data analysis shows that the findings for the aesthetics are partly consistent with those of Lucas (2003); namely that aesthetics affect only arousal, while convenience affects both pleasure and arousal. On the other hand, participation in interactions between customers positively affects their pleasure and

arousal, while connectivity positively affects only their dominance.

The second finding demonstrates that while servicescape factors, which comprise the ambient environment, aesthetics, and convenience, have partially significant effects on PAD emotions, they are not a significant component of the perceived overall servicescape quality. This contradicts previous research findings, where they were found to be significant determinants (Johnson, Mayer, & Champaner, 2004; Lucas, 2003; Aubert-Gamet, 1997). One possible explanation is that these factors usually exist at a subconscious level, and therefore, customers' awareness of them is relatively low (Aubert-Gamet, 1997). An alternative explanation is cross-national differences. While this study was conducted in Korea, all previous research indicating a direct relationship between gaming facilitating factors and perceived service quality was conducted in western countries (Johnson, Mayer, & Champaner, 2004; Lucas, 2003). High levels of servicescape are a new phenomenon in Korea, and thus, although appreciated, are not necessarily expected. This research indicates that the ability to manage factors that influence a customer's emotion can prolong gambling engagement. The data from this research also demonstrate that positive PAD emotions partially influence economic and social loyalty. Previous studies (Lucas, 2003; Mayer et al., 1998) have emphasized servicescape factors that enhance customer satisfaction. However, feeling satisfied is just a component of the pleasure emotion (Mehrabian & Russell, 1974b).

Academic and Managerial Significance of the Study Limited prior studies have considered how customers' interactions in casinos affect their PAD

emotions. This study provides a meaningful contribution to the framework of future research by dividing customer interaction into participation and connectivity, both of which provide moderately significant results. Existing marketing studies on casinos do not systematically analyze the effect of nationality on the servicescape, customer interaction, and PAD emotions, and loyalty. The current study empirically tested the hypotheses that were delineated from a proposed model of servicescape, customer interaction, and PAD emotions, and loyalty. This analysis is also a new addition to the research in the field, and provides a useful framework for future research. Moreover, there is no detailed study regarding the differences in customer emotions between Chinese and Japanese customers in the specific setting of a casino. The results of this study confirm that loyalty to a casino is formed by cognitive factors and other customers' awareness, and that emotional factors are derived from the servicescape. This result suggests that casino operators should place more focus on the servicescape, and customer interaction. The physical environment of services, and customer interaction is significant to customer satisfaction. Therefore, appropriate spatial arrangement with proper functionality is very important (Marmurek et al., 2007; Friedman, 2000). The current study shows that besides inducing the pleasure emotion in customers, it is important to include arousal and dominance emotions when designing and managing the casino servicescape. It is important for casino operators to design facilities that can make a customer feel satisfied, excited, and in control.

## 6.2 Limitations and Future Research

Despite these significant results, this study has certain limitations. First, the researcher attempted to categorize servicescape, customer interaction, customer emotion, and loyalty; however, it is practically difficult to categorize these variables as they encompass various dimensions, some of which may be applicable to the casino context. Thus, the components of servicescape and customer interaction need to be extended in future research. Second, the relationships among the casino servicescape, customer interactions, customer emotions, and loyalty are not constant and may vary widely depending on the situation. Thus, longitudinal surveys are required to derive a more robust conclusion, by examining these relationships over different time periods. Third, this survey was limited to Chinese and Japanese customers, who form the main foreign customer base of the studied casinos; however, it is necessary to consider customers from other countries such as Southeast Asia and America

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## 카지노 서비스스케이프와 고객 상호작용이 중국과 일본 고객의 PAD감정과 충성도에 미치는 영향\*

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### 요 약

이 연구에서는 카지노 서비스스케이프 및 고객 상호작용이 중국과 일본 고객의 감정과 충성도에 미치는 영향을 조사하였다. 한국내 외국인 전용 카지노에서 275명의 중국과 일본 고객들로 부터 카지노 서비스스케이프, 고객 상호 작용,즐거움, 환기, 지배성 (PAD) 감정 및 충성도에 관한 자료를 얻었고, AMOS 21.0을 사용한 구조모형 분석을 실시하여 모델을 검증했다. 이 연구는 경험적으로 카지노 서비스 영역에서의 중국과 일본 고객 사이의 PAD 감정과 카지노에서의 상호 작용에 있어서 유사점과 차이점을 확인했다. 이러한 점에서 이 연구는 이론적으로 기존 연구의 틀을 확장하려고 시도하였고, 카지노 운영자는 국제 소비자를 타겟으로 설정할 때 국제 마케팅의 맥락에서 문화와 국적의 역할을 세심하게 고려할 필요성을 입증하였다.

*키워드: 카지노, 서비스스케이프, 고객 상호작용, 고객 감정, 충성도*

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