



Understanding the mediated moderating role of customer expectations in the customer satisfaction model: The case of casinos

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HIGHLIGHTS

- This study extends the literature by re-examining customer satisfaction.
- It provides an alternative conceptualization of customer expectations in the CS model.
- It testes how mediation can be moderated and how moderation can be mediated.

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ABSTRACT

Intensified competition in the casino gambling industry has compelled operators and scholars alike to focus more attention on satisfying customer needs. However, inconsistencies in the literature lead to various customer satisfaction models without a clear and definite conclusion of the role of customer expectations. In this article, the authors examine the moderating role of customer expectations on the relationship between customer satisfaction and its drivers: perceived performance and value. The results indicate that customer expectations moderate the mediating effect of perceived value while perceived value fully mediates the moderating effect of customer expectations. The results suggest both moderated mediation and mediated moderation. Overall, this study demonstrates a new way of assessing the effect of customer expectations and a better understanding of perceived value and customer satisfaction. Implications for theory and practice in gaming and marketing studies are delineated.

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Levels of expectation are why two organizations in the same business can offer far different levels of service and still keep customers happy. (Davidow & Uttal, 1989, p. 84)

1. Introduction

Casinos have become major travel attractions and are acknowledged to lure millions of tourists to the hosting destinations (Park, Yang, Lee, Jang, & Stokowski, 2002; Wong & Rosenbaum, 2012). Revenues generated from casino gambling and related businesses contribute a significant portion of the gross domestic product (GDP) and offer many job opportunities to the

local community. For example, gaming revenue alone contributes over 40% of the GDP in Macau and improves its GDP per capita to reach over USD 66,000 in 2011, which ranks the enclave third in the world according to the World Bank, within just ten years after its liberalization of the gaming industry (Macau Statistics and Census Services, 2012). The success of Las Vegas and Macau has led to more casino development around the globe. Yet, the proliferation of legalized casino gambling has intensified competition within and among destinations (Lee, Lee, Bernhard, & Yoon, 2006; Mor & Harrison, 2008; Roehl, 1996). While competitive forces have changed the course of the gaming industry and become more influential on customer satisfaction (CS), little research has been conducted to explain how customer satisfaction occurs in the casino gambling context. Most research studies measure gambler satisfaction by the direct relationship between some proposed variables of interest (e.g., perceived service quality) and satisfaction (Johnson, Mayer, & Champaner, 2004; Lucas, 2003; Mayer, Johnson,

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Hu, & Chen, 1998; Wong & Fong, 2010). Yet, it is still unclear whether these relationships are as direct and straightforward as hypothesized without being examined from a broader perspective that includes plausible mediating and moderating effects.

In the service encounter in general, CS arises when customers' perception of service performance (or quality) meets or exceeds their expectations (Oliver, 1980). The conceptual work of Zeithaml, Berry, and Parasuraman (1993), however, suggests that CS does not necessarily occur as a direct consequence of the difference between expectations and performance. Rather, customers have a zone of tolerance; as long as performance of a service falls within the zone, customers feel gratified. Although the extant literature has acknowledged the role of customer expectations and perceived performance on satisfaction, there is no definite conclusion about what roles these constructs play.

Oliver's (1980) seminal work on customer satisfaction posits that satisfaction is a consequence of customer expectations and expectancy disconfirmation. Fornell, Johnson, Anderson, Jaesung, and Bryant (1996) propose that customer satisfaction is determined by customer expectations, perceived performance, and perceived value of a service; in turn, performance (or quality) influences customers' value perception. Other scholars, however, believe that expectations and performance play different roles in value creation and CS (e.g., Parasuraman, Zeithaml, & Berry, 1988). For example, Parasuraman and colleagues conceptualize perceived performance of service quality as a measure of difference between expected and perceived quality, and suggest that service quality directly leads to CS (Parasuraman et al., 1988; Parasuraman, Zeithaml, & Berry, 1994; Zeithaml & Parasuraman, 2004). Other researchers, however, either link perceived service quality or performance directly with satisfaction (Brady & Cronin, 2001; Dagger, Sweeney, & Johnson, 2007; Taylor & Baker, 1994) or link perceived value with satisfaction or loyalty intention without consideration of perceived performance and expectations (Rosenbaum & Wong, 2010; Vogel, Evanschitzky, & Ramaseshan, 2008).

The inconsistencies in the literature may be attributed to the fact that most research conceptualizes customer expectations either as an antecedent of performance, value, or satisfaction; or as a component of perceived performance or value; or it completely ignores the construct. As Zeithaml et al. (1993) point out, although the dominant paradigm in the customer satisfaction research views expectation as a predictor, alternative conceptualizations (e.g., expectation as an ideal standard or as a tolerance zone) often challenge this status quo; as a result, "Many questions about the role of expectations in service evaluation remain to be answered" (p. 1).

In addition, most studies assume customers have prior knowledge of firms from non-experiential information (e.g., advertising or word-of-mouth) and experiential information (e.g., past experience); hence, "Customer knowledge should be such that expectation accurately mirror current quality" (Fornell et al., 1996, p. 9). Yet, tourists often do not have prior knowledge of specific service providers; so their expectations may not directly lead to perceived value and satisfaction. Indeed, much research acknowledges that the role of expectations in the customer satisfaction model varies according to the research context such as high- vs. low-involvement and ambiguous vs. unambiguous product purchase (Patterson, 1993; Yi, 1993). Therefore, more research is needed in order to understand the role of customer expectations, at least among tourists, in the nomological network of customer satisfaction in the high-involvement and unambiguous casino context among tourists.

The objective of this article is to extend the literature by reexamining customer satisfaction in the fast-growing casino gambling

industry. We adopt Fornell et al.'s (1996) CS model and reinvestigate the roles of customer expectations, perceived performance, and perceived value on casino customer satisfaction. This study aims to contribute to the literature by understanding the alternative conceptualization of customer expectations in the CS model and whether customer expectations can better explain CS through its moderating effect. This study also aims to contribute to tourism studies by exploring the outcomes of CS among casino tourist customers. Methodologically, this research works to provide an example for testing how mediation can be moderated (i.e., moderated mediation) and how moderation can be mediated (mediated moderation). We discuss the relevance of this proposed CS framework in the context of casino gambling industry and service marketing in general, after which we present results of the study and discuss implications.

2. Theoretical background

Although there is a large body of marketing literature advocating studies of customer satisfaction (CS; further discussed below), the literature is just beginning to understand the antecedents and consequences of CS in the casino business. For example, Lucas (2003) finds that perceived servicescape, employee services, and gaming value lead to overall satisfaction in the slot experience, which in turn drives loyalty intention, desire to stay in a casino, and word-of-mouth reputation. Other studies mostly germane to Western culture present similar results in popular tourism and hospitality journals (Johnson et al., 2004; Mayer et al., 1998; Petrillose & Brewer, 2000). Wong and Fong (2010) report similar findings in Macau, China among Chinese gamblers. The authors also note that casino patrons are beginning to switch from traditional casinos to the Vegas-style integrated casino complex. Although these studies are insightful, most of them do not incorporate customer expectations and perceived value in their research frameworks, nor do they examine mediating or moderating effects. This gap in the literature leaves a number of important questions in casino gambling studies unanswered.

This paper presents a theoretical framework for modeling CS and behavioral intentions toward casino services based on a survey of casino gambling tourists. The study's primary focus is to test a novel framework in which customer expectations for casino services is modeled as moderating the relationship between critical antecedent variables heretofore identified in the literature as relevant to influencing CS. This approach departs from dominant disconfirmation paradigms that treat customer expectations as having subtractive functions or as a subjective evaluation (Tse & Wilton, 1988) in relation to perceived performance, a combination which generates a state of positive or negative disconfirmation (Oliver, 1980) in consumers. Antecedent variables posited to directly influence CS in the proposed framework include two whose effects have been robustly shown in a number of previous studies, namely, perceived performance and perceived value. On top of the two direct effects, however, we posit that perceived value in the proposed framework mediates the relationship between performance and satisfaction, a relationship consistently hypothesized in the literature (e.g., Fornell et al., 1996). Put another way, we conceptualize perceived performance as having both direct and indirect effects on CS via perceived value. Finally, the proposed framework hypothesizes a moderating role of expectations on the relationship between: (i) perceived performance and CS, (ii) perceived value and CS, and between (iii) perceived performance and perceived value (see Fig. 1). We build the case for treating customer expectations as a moderating variable in the above relations by first reviewing dominant paradigms in early CS literature. This is followed by a re-examination of the nature and role of

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