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Loyalty Among Relationally Oriented Customers: Not Just an Issue of Managing Satisfaction

Working Paper Series 02-27— September 2002

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INTRODUCTION

The place of loyalty as a key marketing goal is so widely accepted that its value has been deemed to be “self-evident to every business person” (Reichheld 1996, p.35). The fundamental value of loyalty to the business enterprise rests in widely accepted assertions that loyal customers yield increased profitability (Aaker 1991; Jones and Sasser 1995). In comparison to other customers, loyal customers are characterized as more efficient to serve, less price sensitive, less likely to search for competitive alternatives, more resistant to counterpersuasion, and more inclined to engage in positive word of mouth than other customers (Reichheld 1996; Dick and Basu 1994). With such virtues, it is not surprising that there is a significant and vibrant body of work that examines loyalty and its antecedents.

To many marketers, loyalty is a straightforward concept. Loyal customers are those that engage in repeat purchase behavior and/or exhibit a favorable attitude toward repeat purchase behavior (Jacoby and Chestnut 1978). Despite such apparent clarity, marketing scholars have long lamented serious and fundamental shortcomings in our knowledge of customer loyalty (Jacoby and Kyner 1973). Just recently, scholars have called for a reexamination of loyalty that takes a more customer-centered focus and that can accommodate the nuances and dynamics of its experience, formation, and outcomes (Fournier 1998; Oliver 1999).

The research reported here is grounded in recent conceptual and empirical papers that have introduced perspectives drawn from consumer experiences and that offer insights for understanding the meaning and formation of customer loyalty. In doing so, this paper will present an empirical exploration of a conceptual model that posits brand loyalty is influenced by both satisfaction and brand community and that the relative contribution of satisfaction and brand community is impacted by the customer usage experience.

LOYALTY: ANTECEDENTS AND OUTCOMES

Satisfaction as a Driver of Loyalty

The most commonly applied conceptual models of loyalty begin from the well-established notion that customers who have satisfying experiences with products will buy those products or will intend to buy them again (Jacoby and Kyner 1973; Szymanski and Henard 2001). Since marketers have understood that satisfaction contributes in important ways to customer loyalty, it is not surprising that they have looked to satisfaction as a means of extending the bonds of loyalty. In an often-cited paper, for example, Jones and Sasser (1995) contend that “rock solid loyalty” comes from “complete satisfaction.”

Recent conceptual and empirical work has increased our understanding of the development of loyalty in ways that indicate that it is richer and more complex than reflected in the common “satisfaction builds loyalty” models (Chaudhuri and Holbrook 2001; Fournier 1998; Oliver 1999). Marketers have, for example, begun to account for the ways in which the experience of consumption might impact the loyalty equation (Licata et al. 2001; Mittal et al. 1998; Mittal et al. 1999). As customers repurchase and use products, new and unanticipated benefits (and costs) that have an impact on both satisfaction and loyalty may reveal themselves. Ownership and/or use may lead to interactions with the product, marketers, and other customers that influence impressions of functionality and yield important personal and social meanings that can bear upon satisfaction and the nature and strength of loyalty (Fournier 1998; Fournier and Mick 1999; Price, Arnould and Tierney 1995; Schouten and McAlexander 1995; Oliver 1997; Oliver 1999). For example, in their provocative research, Garbarino and Johnson (1999) find that, among relationally-oriented customers, overall satisfaction has no significant influence on future intentions. In the place of satisfaction, they find that building trust and commitment are the loyalty imperatives. They posit that the management of satisfaction is most effective for developing loyalty among the less “relationally oriented”

customers. Garbarino and Johnson's (1999) work is important to both our theoretical understanding of loyalty and for marketing managers as they work to devise strategies and programs to build long-term loyalty.

Oliver (1999) provides a thought-provoking means for understanding loyalty that appears to accommodate these recent findings. Oliver views loyalty as a process in which satisfaction transforms into the distinctively different concept of loyalty. Oliver views satisfaction as particularly influential in stimulating repeat purchases but that satisfaction alone cannot create "ultimate loyalty." Ultimate loyalty, Oliver contends, comes from a "convergence of product, personal, and social forces" (Oliver 1999, p. 42). Oliver's conceptualization resonates with research that indicates that satisfaction may not be the singular driver of loyalty across the purchase and ownership lifecycle.

Brand Community: Influences on Satisfaction and Loyalty

Recent scholarly research has begun to reveal how the convergence of forces cited by Oliver may influence satisfaction and build ultimate loyalty. Holding particular promise is research that has explored and examined a variety of consumer collectives (Holt 1995; Kozinets 2001; Muniz and O'Guinn 2001; Schouten and McAlexander 1995; Thompson and Troester 2002). A term that has been used recently to describe broadly these brand-related social affiliations is brand community (Muniz and O'Guinn 2001; McAlexander, Schouten, and Koenig 2002). Muniz and O'Guinn (2001, p. 412) define brand community as "a specialized, non-geographically bound community, based on a structured set of social relationships among users of a brand." Of special interest to the current research is a recent conceptualization of brand community offered by McAlexander, et al. (2002). Their conceptualization reveals brand community as a consumer-centric convergence of relationships that come from the various points of contact that can result from a customer's experience with ownership and/or use of a brand. They describe the key relationships that converge to become brand community as: customer- to-brand, customer-to-product, customer-to-customer, and customer-to-company.

The work of McAlexander and his colleagues (2002) emphasizes the importance of consumption experience to the development of customer integration in the brand community. They note that it is through product experience that the existence and benefits of brand community relationships unfold. Sometimes unanticipated, these relationships can develop synergistically and strengthen interpersonal ties and enhance appreciation for the product, the brand, and the facilitating marketers. As consumers become integrated into the brand community, they form the emotional and behavioral attachments that can influence satisfaction and build long-term loyalty or commitment to the brand.

CONCEPTUAL FRAMEWORK AND HYPOTHESES

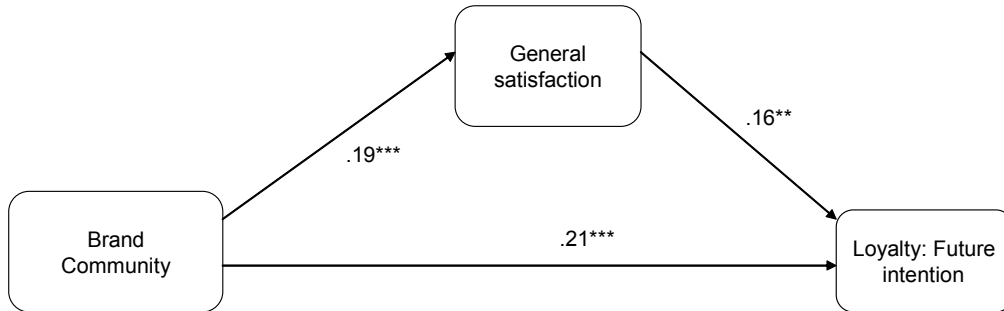
As recent literature indicates, there are important questions regarding the antecedents of loyalty. Our point of departure is to accept the premise that the development and nature of satisfaction and loyalty evolve over the consumption horizon (Fournier and Mick 1999; Oliver 1999). We then add to that premise the understanding that the impact of satisfaction specifically as a driver of loyalty may be supplanted by other forces as customers gain experience and adopt relational-orientations (Garbarino and Johnson 1999). The research examining brand community would indicate that membership in brand community may be one of the forces that supplant satisfaction and drive long-term loyalty.

We seek to extend prior research in several ways. First, unlike Garbarino and Johnson (1999) who studied the roles of trust, commitment, and satisfaction on loyalty, we will examine the relative parts played by brand community and satisfaction on loyalty. Second, unlike the prior work that has explored the impact of relational orientations on the loyalty equation, we will examine the impact of the frequency and intensity of consumption experiences among relationally-oriented consumers¹. We suspect that since feelings of community unfold with consumption experience, identification of membership alone is likely to be an insufficient gauge of the impact of the brand community on loyalty; it is important to account for the consumer's consumption experiences. Figure 1 displays the conceptual framework from which our hypotheses are developed.

¹ In Garbarino and Johnson's (1999) work, relational orientation has an implicit link to consumption experiences. They did not, however, explicitly examine the effect of accumulated experiences.

Figure 1
A. Less Experienced Group

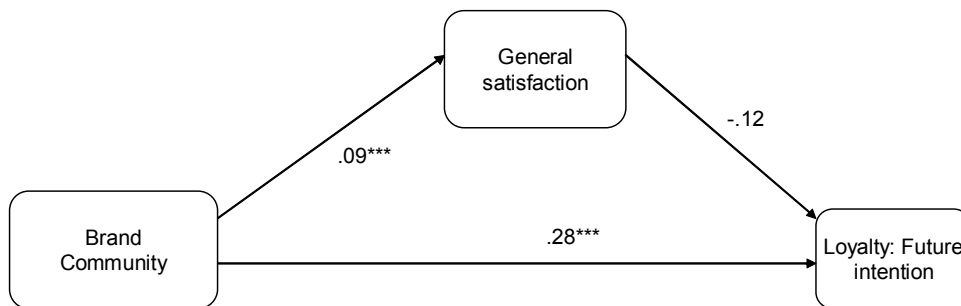
Brand Community on future intention: total effect: .24*** → (a) direct effect: .21***; (b) indirect effect: .03**



*: $p < .10$; **: $p < .05$; ***: $p < .01$

B. More Experienced Group

Brand Community on future intention: total effect: .27*** → (a) direct effect: .28***; (b) indirect effect: -.01



*: $p < .10$; **: $p < .05$; ***: $p < .01$

The issues presented in our conceptual model have not been previously examined empirically. In examining these issues, we test the following hypotheses:

H_{1a}: Customer loyalty is associated positively with general satisfaction for less experienced relational consumers.

H_{1b}: Customer loyalty is not associated with general satisfaction for the more experienced relational consumers.

H_{1a} and **H_{1b}** reexamine Garbarino and Johnson's (1999) work that challenges the contribution of satisfaction to loyalty for relationally-oriented consumers. Further, prior research (McAlexander et al. 2002; Oliver 1999) indicates that community and its benefits emerge with consumption experience: community does not happen immediately. Such work would suggest that to truly understand the impact of membership in community as a loyalty antecedent we must account for the influence of experience.

H_{2a}: Brand community is associated positively with satisfaction for less experienced relational consumers.

H_{2b}: Brand community is associated positively with satisfaction for more experienced relational consumers.

H_{3a}: Loyalty is associated positively with brand community for less experienced relational consumers.

H_{3b}: Loyalty is associated positively with brand community for more experienced relational consumers.

In addition to our expectation that brand community may become a key driver of long-term loyalty among relationally-oriented consumers, we anticipate that brand community will be positively related to satisfaction. This hypothesis comes from the observation that those who enroll in relational programs may anticipate benefits related to brand community. For that reason, as indicated by the large body of work in the comparison standards paradigm commonly applied in satisfaction-related research (Fournier and Mick 1999; Oliver 1997), the degree to which an expectation of community-related benefits is successfully achieved should have a bearing upon overall satisfaction.

Indirect effect of brand community on customer loyalty through satisfaction. We propose in H₁ that the effect of satisfaction on customer loyalty differs between the less experienced group (significant effect) and the more experienced group (insignificant effect). We also maintain in H₂ that brand community is related positively to satisfaction for both the less experienced group and the more experienced group. By looking at H₁ and H₂ together, we suggest that brand community has both a direct effect and indirect effects through satisfaction on customer loyalty for the less experienced group, but that the indirect effect through satisfaction wanes with the accumulation of additional experience. For that reason, we expect that it is only the main effect of brand community that drives customer loyalty for the more experienced group. Therefore, we anticipate that:

Corollary_{1a}: Satisfaction mediates the effect of brand community on customer loyalty for the less experienced relational consumers.

Corollary_{1b}: Satisfaction does not mediate the effect of brand community on customer loyalty for the more experienced relational consumers.

METHOD

The empirical test of the model consists of qualitative and quantitative research using the gaming industry as the focal point. Previous work on brand community has emphasized the importance of understanding community as experienced by the consumer. Specifically, qualitative work affords the opportunity to explore the nature of relevant relationships and the basis of their formation. We ground our quantitative work in the qualitative research experience.

Empirical Study Context

The data for this report were gathered as part of a larger research project conducted for a medium-size casino located in a small city (the community has a population of about 25,000) in the Western United States. The nearest larger metropolitan area (population of about 150,000) is a little more than an hour away. Gamers from that metropolitan area have several equally distant or nearer casino alternatives. Gaming operations in the U.S., whether run by states (e.g., lotteries), private business, or Native Americans, have shown tremendous growth in the last decade (Ferber and Chon 1994; King and McIntire 1998; Lew 1998). Prior research on brand community has suggested that brand community is particularly influential for experiential goods. As a research venue, casinos afford us both the opportunity to explore the impact of brand community on loyalty and to extend the brand community research into the services sector.

Qualitative Research

Qualitative work included participant observation and depth interviews. Participant observation research consisted of three full days (one weekday and one weekend) spent by a two-person research team in the casino. The research team participated in all of the games offered (e.g., blackjack, poker, bingo, and slots), ate meals in all of the restaurants and the bar, and attended a scheduled concert. While participating in casino activities the team unobtrusively observed others in the environment and opportunistically engaged in conversations about the casino experience with fellow gamers. At various times during the research, the researchers shared experiences and observations with each other as themes emerged. Through these experiences an empathetic understanding of the consumer experience in this casino was developed.

Participant observation research was supplemented with depth interviews with twelve casino patrons. Informants were selected conveniently, based upon a desire to interview sample that was diverse with regard to games played, gender, and age. These interviews were videotaped. These interviews were used to explore and challenge the findings from the participant observation work. The qualitative work provided important insights into the nature of brand community at the casino that provided input into the subsequent survey.

The qualitative work provided us a contextually rich understanding of the consumer's experience in the casino. We found the casino to be a very socially-oriented environment for many of the gamers. That it is located in a small town, we noted, for example, that there were many "regulars" at the casino who knew each other from the local community and were familiar with the casino staff. We found that some of the games, like bingo, blackjack, and poker, are especially conducive to social exchange.

The qualitative work emphasized for us the importance of gauging the impact of experience on the development of community and loyalty. We found that enrollment in the loyalty program includes people who intend to experience the casino often and also some informants who enroll in response to specific short-term inducements (i.e. meal discounts). We found that the relevant dimensions of the customer-company component of community were a product of the friendliness of employees, feelings that the employees treat customers fairly, and a sense that the employees add to the casino experience. Our qualitative work also helped to identify what the gamers felt were the key brand values of this casino: a welcoming environment, a comfortable place to be, and an entertaining and exciting experience. The qualitative research also helped us to identify salient dimensions of the customer-product (gaming) relationship.

Measure Development

Our qualitative research was important to the development of the survey measures that we used for hypothesis testing. Multi-item measures were developed for each construct as indicated from interviews with casino managers, employees, and players. Our measures were also informed by prior academic empirical studies and trade publications.

Customer loyalty. Customer loyalty is defined as the extent to which a customer's behavioral intention is to maintain an ongoing relationship with a service provider (Singh and Sirdeshmukh 2000). It is operationalized as a respondent's intention to return to the casino in the future. *Customer satisfaction.* Defined as a respondent's overall evaluation of the experience with the casino. It is operationalized as the extent to which the respondent is happy with the overall casino experience and whether the experience exceeds his/her expectations. *Brand community.* Following the lead of McAlexander, Schouten, and Koenig (2002), we conceptualized brand community as a multi-component construct: a customer's relationship with brand, product (casino services in this case), company (casino), and other customers. Multi-item measures were developed for each component of brand community. The brand component taps into the extent to which the respondent feels welcomed and comfortable at the casino, the product component is operationalized as a customer's attribute-based experience with the casino services, the company component is operationalized as a customer's perception of staff and employees at the casino, the other customer component is concerned with the extent to which a customer enjoys the company of other customers at the casino (see Appendix for scales).

Sampling and Data Collection

The sampling frame was a list of players who enrolled in the casino's loyalty program. A random sample of 1000 players was selected from the list. Data collection began with a letter to the chosen players that introduced the research project. A few days later, the first wave of questionnaires was sent with a cover letter. The cover letter offered an incentive of a free dinner for two in appreciation for survey participation. A follow-up questionnaire was sent three weeks later to those that had not responded to the original questionnaire. The final response rate was

41.5% (415 out of 1000 sent). After eliminating some of the returned questionnaires because of such things as incomplete information, 372 responses were used for analysis.

Nonresponse bias check. Nonresponse bias was assessed in two ways. First, according to Armstrong and Overton's (1977) procedure, no significant differences were found ($p > .10$) between the early respondent group and the late respondent group for any of the constructs in the model. In addition, the response group was compared with the nonresponse group on demographic characteristics such as age and income. No significant differences were found between the two groups. These results offer evidence that nonresponse bias is not a significant problem for this study.

Measure Validation

The measurement items were first examined in terms of their item-to-total correlations. For the four components of brand community, all inter-component correlations are larger than .31 and significant at .001. Therefore, four components are summated to develop a brand community score for each respondent. The correlational matrix between brand community, customer satisfaction, and customer loyalty suggest that brand community and general satisfaction are highly correlated ($\gamma = .72, p < .001$), but the correlation is still significantly different from unity.

Reliability of each measurement scale is also examined and reported in the Appendix. Coefficient alpha for every scale except for those single-item scales is above .70, which is the cutoff point. A detailed report of the scale properties and Pearson correlations is provided in Table 1.

Table 1

	Mean	S.D.	Brand Community	General Satisfaction	Customer Loyalty
Brand community	4.15	.70	1.00		
General Satisfaction	3.71	.83	.72	1.00	
Customer Loyalty	4.69	.63	.54	.40	1.00

Validity check. The convergent validity of the measurement scales was tested by checking correlation between measurement scales and convergent items. For example, the customer loyalty measure is correlated with an item (“I will recommend that my friends visit the casino”) and the correlation is .33 ($p < .001$). For customer satisfaction, the measure is correlated with a convergent item (“I am happy with the services I have experienced at the casino”) and the correlation is .70 ($p < .001$). For brand community, the measure is correlated with a convergent item (“The casino makes a positive contribution to the local community”) and the correlation is .45 ($p < .001$). These results support the convergent validity of the measurement scale items. The discriminant validity of the measurement scales was checked through exploratory factor analysis of the scales.

ANALYSIS AND RESULTS

The proposed model was estimated by the path analysis option of LISREL 8 with a covariance matrix as an input matrix. The respondents were divided into two groups the “more experienced relational consumers” and “less experienced relational consumers” on the basis of frequency of patronage for the last three months (i.e., median value of 8 was used because of skewed distribution of responses). The hypothesized model was estimated for two groups. The estimation results are reported in Table 2.

Table 2

	Less Experienced Relational Consumers	More Experienced Relational Consumers
H ₁ : General Satisfaction → Customer Loyalty	.16 ^a (.08)	-.12 (.11)
H ₂ : Brand Community → General Satisfaction	.19 ^a (.02)	.09 ^a (.01)
H ₃ : Brand Community → Customer Loyalty	.21 ^a (.02)	.28 ^a (.02)

^a: $p < .01$

Effect of customer satisfaction on customer loyalty. We hypothesized that customer loyalty should increase as customer satisfaction increases for the less experienced group (H_{1a}), but not for the more experienced group (H_{1b}). The estimation result suggests that customer satisfaction has a positive effect on customer loyalty ($b = .16, p < .05$) in the less experienced group, but its effect in the more experienced group is marginally negative ($b = -.12, n.s.$). Therefore, H_{1a} and H_{1b} are supported.

Effects of brand community on satisfaction. We hypothesized that customer satisfaction should increase as brand community goes up for both groups (H_{2a} and H_{2b}). The estimation results indicate that satisfaction is associated positively with brand community for both the less experienced ($b = .19, p < .01$) and more experienced ($b = .09, p < .01$) groups, in support of H_{2a} and H_{2b} .

Effect of brand community on loyalty. We hypothesized that customer loyalty should go up as brand community increases for both the less experienced group and the more experienced group. The model estimation results suggest that brand community is associated positively with customer loyalty for both the less experienced ($b = .21, p < .01$) and more experienced ($b = .28, p < .01$) group as was hypothesized. Thus, H_{3a} and H_{3b} are supported and the direct effect of brand community on customer loyalty is positive for both groups.

Indirect effect of brand community on customer loyalty through satisfaction. The total effect of brand community on customer loyalty was calculated to unravel the indirect effect from the direct effect. The total effect of brand community on customer loyalty was .24 ($p < .01$) for the less experienced group and .27 ($p < .01$) for the more experienced group. Out of these total effects, the direct effect is .21 ($p < .01$) and the indirect effect is .03 ($p < .05$) for the less experienced group. Therefore, our corollary that brand community has both a direct effect and an indirect effect through satisfaction on customer loyalty for the less experienced group is supported. For the more experienced group, the total effect is .27, direct effect is .28 ($p < .01$) and indirect effect is -.01 (n.s.). Therefore, our corollary that brand community does not have an indirect effect and only has a direct effect on customer loyalty for the more experienced group is also supported.

DISCUSSION

Implications for Theory and Marketing Practice

Our findings contribute to marketing theory and have implications for marketing practice. With regard to theory, we provide additional evidence that the accumulation of consumption experience among relational customers leads to a shift wherein other forces, in this case brand community, become more powerful forces in building long-term loyalty than does overall satisfaction. This evidence in combination with prior research provides a strong challenge to conventional understandings regarding the antecedents of loyalty.

Our findings with respect to the part that experience plays among relational customers also contribute to marketing theory. We learn from the current work, that formal membership in an association or club is an inadequate marker of being “relational.” An orientation or desire toward relationships would seem to make people prone to develop such relationships. It takes experience to discover whether a relationship partner is suitable and for the relationship to grow or evolve. Our research would indicate, consequently, that models seeking to examine issues pertinent to relational customers should also include gauges of the duration or impact of consumption experience.

Finally, our paper provides additional empirical evidence, in a service setting, of the powerful part Brand Community can play in the development of customer loyalty. Further, our research indicates that Brand Community contributes strongly to overall satisfaction for customers who indicate an inclination towards engaging in relationships with marketing institutions.

With regard to marketing practice, our findings provide marketing managers a deeper appreciation for the complexity of what loyalty means and how it is strengthened. Clearly, loyalty is more than the outcome of a one-time event, such as a satisfying service encounter. Loyalty is built over time through additional purchases and interactions. Loyalty creation is an ongoing process, and includes satisfactory employee exchanges (company-consumer), product and service offerings that meet and exceed expectations (product-consumer), a company brand that comes to evoke pleasant familiarity and credibility (brand-consumer), and creating an environment that encourages positive interaction among the consumers themselves (consumer-consumer). These various “fits” for the customer build an attractive brand community that affects satisfaction and their intentions to return and desire to experience its benefits over time.

Importantly, a brand community relationship means more than just being a member, season ticket holder, or frequent flyer. In our ethnographic work at the casino, it became apparent that, with experience, the consumers in the brand community build strong connections to those forces that are essential elements of the community. As a

marketing challenge, managing a brand community requires broad attention to the holistic consumption experience. The conceptualization of brand community provides marketers a model from which they can identify the relevant elements of brand community and gauge success in fostering those relationships.

Limitations and Directions for Future Research

The work reported here suffers from the limitations typical of empirical survey research. We have, for example, examined only one casino, and therefore it is suspect to generalize our findings to other casinos or settings. The measures, while derived from the qualitative work and suitable for this type of exploratory research, need refinement. The multiple research objectives associated with this survey constrained our latitude to more fully develop measurement items. To date, scale development in the realm of brand community research is still in its infancy. Significant opportunities exist to extend and refine appropriate measures. There are other important opportunities to extend this work. We next discuss some of those.

An obvious extension of this work is that the findings be tested in other marketing settings. Research is necessary to establish the boundaries that may relate to the brand community conceptualization. It would be interesting, for example, to examine retail settings with frequent buyer programs. For example, how cohesive does a community have to be in order for it to increase loyalty? If a consumer saves Subway sandwich stamps do they feel a part of some group, leading to more loyalty to Subway? A challenge facing marketers is how to encourage or create and support brand communities around their offerings. Future research should explore the kinds of community that can be replicated credibly in different settings. Also, important research could also assist in identifying the existence and implications of such possible pitfalls of cohesive communities as the communication of rumors or the orchestration of boycotts.

Another issue worthy of examination is to identify the characteristics of consumers that prompt them to seek brand community or avoid it. Clubs and other consumer communities do not work for everyone. Who stays outside and why? What needs are consumers fulfilling when communities are successful? Are consumer communities a substitute for family or other, more "naturally-occurring" communities? Putnam reports a general trend in the U.S. against joining or participating in organizations and communities such as political parties, bowling leagues, and social clubs, such as the Elks (Putnam 2000). Does this social trend of "bowling alone" bode well or ill for marketers attempts to build community?

APPENDIX
MEASUREMENT ITEMS

I. Brand community

1. brand: (coefficient alpha = .78) (1: disagree strongly – 5: agree strongly)

I feel welcome at the casino

I feel comfortable at the casino

I find the casino's atmosphere exciting

2. product: Please provide your overall evaluation of the services you have experienced while at the casino and the resort (1: poor – 5: outstanding)^a

a. Restaurant

b. Bingo

c. Slots

d. Blackjack

e. Poker

f. Hotel Package

g. Motorcoach Trip

h. Sandwich Shop

i. Concert & Events

j. Weekend Dancing

k. Loyalty Club

l. Bar

3. Company (coefficient alpha = .71): (1: disagree strongly – 5: agree strongly)

The staff at the casino is friendly.

The people who work at the casino add to the experience.

I am treated fairly at the casino.

4. Company of others: (1: disagree strongly – 5: agree strongly)

I enjoy company of others at the casino.

The casino is too crowded.^b

II. General Satisfaction (coefficient alpha = .77) (1: disagree strongly – 5: agree strongly)

1. The casino exceeded my expectations.

2. I am generally satisfied with the casino.

III. Loyalty: (1: disagree strongly – 5: agree strongly)

I will return to the casino.

^a: product component of brand community is a formative scale and c-alpha is not calculated.

^b: This item is dropped in the model estimation.

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