FROM EXCLUSIVES TO BRANDLESS:

Exploring Loyalty to Christian Bookstore Brands versus Other Retail Store Categories

GREY MATTER RESEARCH & CONSULTING
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INTRODUCTION

Collectively, retailers spend billions of dollars each year trying to establish their brand in the hearts and minds of consumers. From establishing brand awareness, to building brand preference, to eventually achieving brand loyalty and even brand advocacy, retailers seek to separate their brand from the competition.

How successful are they?

The answer depends on the individual brand, of course, but much of the answer also depends on the retail category. The loyalty and preference Americans show to different retail store brands is much different for religious book stores than for the grocery or home improvement categories, for instance.

Most brand managers and executives at individual companies have at least some idea about customer loyalty to their particular brand, and some also know how their own brand's loyalty figures compare to those of direct competitors within their own category. But there is often relatively little "big picture" awareness across different retail categories.

Over the years, Grey Matter Research & Consulting has had an opportunity to work with major brands across an array of categories: religious, automotive, entertainment, sports, financial services, and many others. Working in so many categories, rather than focusing on just one, has led us to a variety of anecdotal and observational comparisons of brand loyalty across retail categories.

But, like true researchers, for us anecdotal and observational evidence simply serves as the basis for developing theories that we then try to prove or disprove through research. The result of our desire for knowledge is this brief report on how brand loyalty to Christian/religious book stores compares to other major retail categories.

STUDY BACKGROUND AND DETAILS

This study was privately developed, conducted, and funded by Grey Matter Research & Consulting. In the research, we compared Americans' self-reported brand loyalty and consideration in 12 different major retail categories:

- Christian or religious book stores
- General interest book stores
- Home improvement stores
- Pet product stores
- Drug stores
- Department stores
- Furniture stores
- Convenience stores
- Grocery stores
- Clothing stores
- Consumer electronics stores
- Shoe stores

We used the following question:

> *Think about the brand names of different types of stores where you might shop. For instance, there are nationwide brands of toy stores such as Toys R Us and KB Toys, as well as local brands with only one or two stores. For each type of store listed below, which statement best describes how you choose where you shop?*

We provided the toy store example in the question for a few reasons. First, consumers don't always think of stores as "brands" – they are sometimes more comfortable with the idea of a brand being an actual product (such as Crest or Colgate in toothpaste), or a manufacturer (such as Nissan or Ford in vehicles). Second, we wanted to make sure they didn't just think of major national retailers as "brands," but included in their answer local retailers that may have a strong presence in their particular market. Third, we wanted to make sure respondents understood the question was asking about brands, and not store locations (e.g. a preference for shopping at KB Toys, not specifically the KB Toys store on 3rd and Main).

However, individual brands were not mentioned in relation to each category. In other words, the question did not ask about "Christian or religious book stores such as Family Christian Stores or LifeWay Christian Stores," since using examples could have biased respondents based on their reaction to those specific brands.

Unfortunately, it's impossible to include every retail category in a study such as this. Many consumers shop at more specialized retailers such as swimming pool supply stores, hobby stores, bakeries, party stores, and floor covering stores, among many others. However, we attempted to provide a broad spectrum of retail categories in which a majority of consumers shop at least occasionally.

Although it is arguable that Christian and religious book stores are more of a specialty category than a broadly popular one such as grocery stores, Grey Matter Research has substantial experience working with Christian organizations, and it was important to us to get a read on how brand loyalty within this retail category compares to other categories.

This study was conducted among a representative sample of 1,007 American adults, through a demographically balanced pre-recruited online panel. The final sample was further weighted by age, geography, race/ethnicity, and household income, to assure a completely representative sample.

The margin of error for the total sample size is ±3.0 percentage points at a 95% confidence interval with a 50% response distribution.

Within the study, we first determined whether respondents were users of each retail category. It's important to note that "users" was not defined as "regular users" or "frequent users." Essentially, people who said that they don't shop in a particular kind of retail outlet "at all" were eliminated from the brand loyalty measurement for that category. Some categories, such as grocery or drug stores, are likely to have many frequent users, while others, such as furniture or consumer electronic stores, are likely to see much less frequent use. But only the people who said they don't shop a particular category "at all" were excluded from that category's loyalty measurement.

This is important to remember, because all too often, repeat brand *use* is confused with actual brand *loyalty*. For instance, a consumer may stop at the same convenience store every morning for a cup of coffee, because it's the first such store she encounters on her way to work. This person has frequent *use* of that brand, and she may even be fully satisfied as a consumer. However, that doesn't mean she has any actual *loyalty* to that brand. She may not even be able to recall whether that particular store is a 7-Eleven, AM PM, or Circle K.

One poor experience with the product or service could drive her to another nearby convenience store. A competitor opening up even closer to her house could get her to switch brands. A great experience at a competitor store could do the same thing, as could something as simple as a change in her daily route to work. Our example consumer may be a regular user of the brand, but that doesn't mean she's brand loyal at all, or even has a particular preference for the brand she uses.

Because of the need to avoid confusing usage and loyalty, we did not include frequency of usage as part of the loyalty measurement. We simply asked people what is their general shopping preference for each retail category if they use that category at all, dividing category users into five unique groups:

THE EXCLUSIVES:

- Within a category, Exclusives have only one brand of store where they will consider shopping.
- Example: "I'll only shop at Kroger for groceries."

THE FAVORITES:

- Within a category, Favorites have a favorite brand of store, but will also shop at others.
- Example: "I prefer to shop at Kroger for groceries, but for various reasons sometimes I shop at Safeway or Publix."

THE SELECTIVES:

- Within a category, Selectives have a small number of brands where they will consider shopping, with no particular favorite among those.
- Example: "I divide my shopping among Kroger, Safeway, and Publix. Where I go on any given trip depends on what items I need and who has a good sale."

THE AVOIDERS:

- Avoiders have certain brands of stores they avoid, but no particular brands they prefer.
- Example: "I don't really have a favorite grocery store, but I will not shop at Publix or Kroger. Anywhere but those two."

THE BRANDLESS:

- True to their name, the Brandless don't really pay attention to the brand or name of the store when they shop within a particular category.
- Example: "I look at the ads and see what's on sale, then buy what I need wherever it's cheapest. I couldn't care less if I'm shopping at Safeway, Publix, or anywhere else."

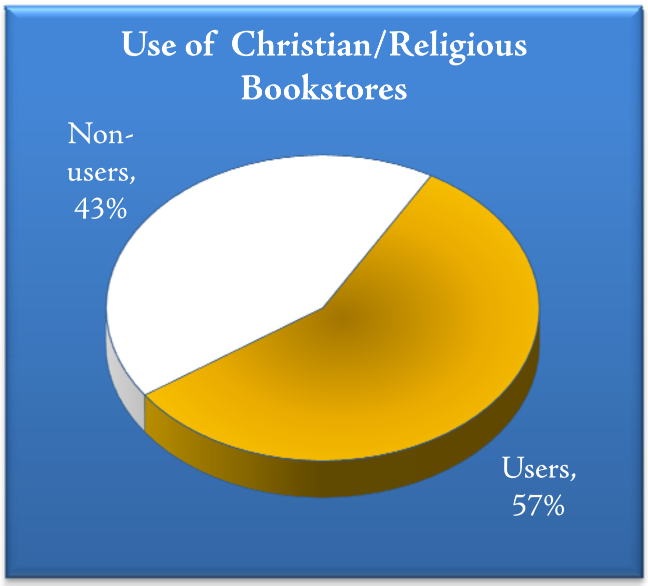
There are a couple of things to note about the terminology and definitions used in this report. First, we need to make it clear that in this report, a "store brand" means a brand of store; it is not any reference to a private label brand sold only in one store chain.

Second, keep in mind that the questionnaire was asking people about *brands*, not about *individual stores*. In other words, an Exclusive in the drug store category might have told us he would only shop at CVS when shopping in drug stores, not that he would only shop at the particular CVS located at 5th and Elm.

THE RELIGIOUS RETAILING CATEGORY

The first thing we learned is that 43% of all Americans said they are complete and total non-users of this category. Out of the 12 different retail categories included in this study, Christian and religious book stores by far had the highest non-use of any category.

This is obviously not a big surprise; while most people buy groceries or clothing or shoes, not everyone is in the market for the latest Max Lucado book or the new album from Third Day.



What may be somewhat of a surprise is how high the usage number actually was. But remember that this does not mean 57% of Americans regularly shop in Christian or religious book stores. What it means is that 57% of Americans either do shop there, have shopped there, or feel they may shop there in the future; therefore, they are unwilling to call themselves complete non-users of this category. This figure is not at all comparable to other studies that report what proportion of people shop in Christian book stores in a given time frame.

There were not dramatic demographic differences in what kinds of people are total non-users of the Christian/religious book store category. Adults who are currently not married were more likely to be non-users than were married adults (50% to 38%). Geographically, residents of the Northeast (50%) and the Midwest (48%) were more likely to be non-users than were residents of the South (38%) or the West (42%). But there were no statistically significant differences by age, gender, race/ethnicity, size of community, or household income.

Where substantial differences appeared was according to both political and religious worldview. Politically, 34% of Republicans were non-users, versus 38% of independents and 44% of Democrats. The difference was much more pronounced when political ideology was substituted for party affiliation: 33% of self-described political conservatives were total non-users of the category, compared to 44% of self-described moderates, and 55% of self-described liberals.

Not unexpected were major differences that appeared according to religious affiliation and activity. Twenty percent of people who attend religious worship services of some type at least once a month were total non-users of the category, compared to 68% of Americans who do not regularly attend religious worship.

Among those who attend religious services regularly, 13% of Protestants were total non-users, along with 26% of Roman Catholics, and 49% of those who attend other types of services (e.g. LDS, Jehovah's Witnesses, Orthodox, Jewish, Buddhist).

Among users of this category (both frequent and infrequent), there was relatively little brand loyalty to individual store brands. Just 6% of all category users qualified as Exclusives, meaning they have one and only one brand of Christian or religious book store where they will shop. Another 32% said they do have a favorite store brand, but they are willing to shop at other brands. This means fewer than four out of ten category users (38%) could identify one favorite store brand within this category.

Twenty-eight percent were Selectives – they have a small group of brands where they will shop, but no particular favorite. Thirteen percent were Avoiders, meaning while they have no particular favorite store brand, there is at least one they avoid using.

Finally, 22% of category users were truly Brandless. If they need something from a Christian or religious book store, they feel equally likely to walk into a Family Christian Store, a LifeWay Christian Store, a local independent religious bookseller, or any other brand within the category. They simply do not pay attention to the store brand at all.

Exclusives: will only shop in one store brand. **Favorites:** have a favorite brand, but will shop others. **Selectives:** have a small number of brands they will shop, with no particular favorite. **Avoiders:** no favorite, but certain brands they avoid. **Brandless:** don't pay attention to brands when choosing where to shop in this category.

Anything religious tends to get stereotyped as associated with women, and indeed women are more likely to be involved in religious services and activities. But that doesn't mean women are more brand loyal to Christian or religious book stores than are men – there were actually no differences in brand loyalty by gender. For that matter, there were also no discernable differences by race/ethnicity, income, or age.

There was some difference in loyalty by geography. The highest level of brand loyalty was in one of the least religious sections of the country – the Northeast. Fifty percent of Northeasterners who shop religious book stores were either Exclusives or Favorites, and just 11% were Brandless. Next was the Midwest, where 42% were Exclusives or Favorites, and 19% were Brandless.

Loyalty was lowest in the West (40% Exclusives or Favorites, with 26% Brandless) as well as in the most religious area, the South (just 30% Exclusives or Favorites, with 24% Brandless).

The Northeast may have the lowest proportion of category users, but among those who do use the category, it has the greatest level of brand loyalty. Conversely, the South has the highest proportion of category users, but the lowest brand loyalty. It is feasible that loyalty is driven at least in part by the fact that the Northeast is one of the least religious regions of the nation, meaning there may be more selection of stores available to people in more highly religious areas such as the South.

As might be expected, there were some differences in brand loyalty according to religious beliefs. For one thing, 44% of those who attend worship regularly were Exclusives or Favorites, compared to just 22% of those who don't attend worship.

There was no difference in brand loyalty between Protestant and Roman Catholic users of this category. This may be quite surprising, given the assumption made by many that Catholics would tend to shop in Catholic book stores, while Protestants would be free to shop in a wider variety of Christian stores.

Projected onto the entire U.S. adult population, there are approximately 8,163,000 Americans who at least occasionally shop at Christian or religious book stores and are completely loyal to one brand – they won't shop anywhere else. Another 40,816,000 do have a preferred store brand, but will shop at others. There are also 36,022,000 Selectives, with 16,715,000 Avoiders, and 27,859,000 who are truly Brandless – they'll shop at any Christian or religious book store without selecting based on the brand. Again, these figures do not show regular or frequent shoppers, but people who do not say they are complete non-users of this category.

COMPARISON WITH OTHER CATEGORIES

Brand loyalty to religious book stores was among the lowest for any of the 12 retail categories included in this study. Only furniture stores and convenience stores had consistently lower positive loyalty, and only furniture stores had more shoppers who were either Avoiders or Brandless – people who couldn't identify any favorite brands at all.

Overall, by far the highest level of brand loyalty was to grocery stores, a category for which 69% of all category users could identify one favorite store brand. This was followed by home improvement stores (56% had one favorite brand) and drug stores (55%).

Next in line were pet stores (47% had a favorite brand), consumer electronics stores (45%), clothing stores (43%), department stores (41%), and general interest book stores (41%).

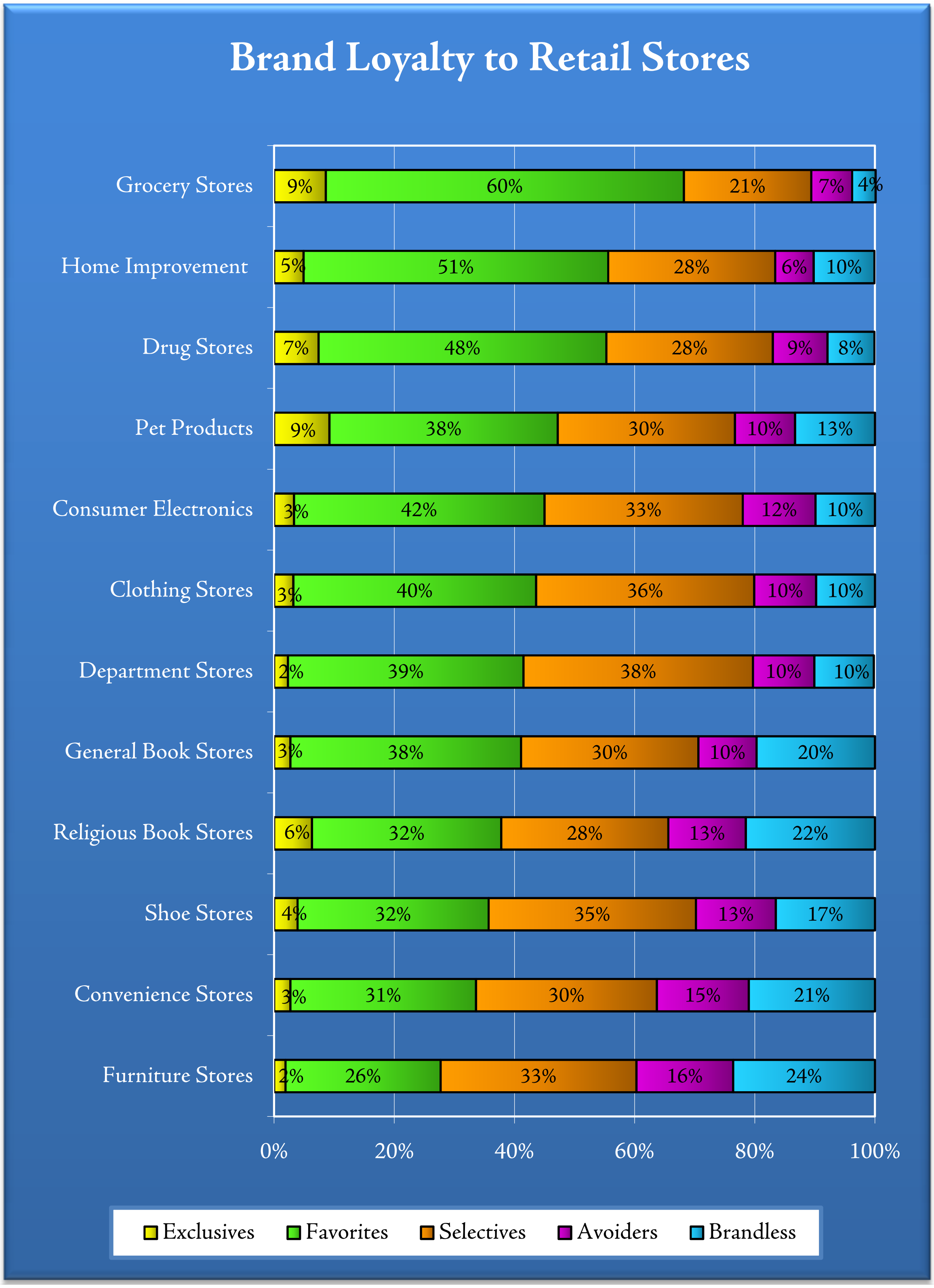
Just 38% of users of the Christian/religious book store category could identify one favorite brand of store that they either use exclusively or they prefer to use. In this, the category was very close to shoe stores (36%), slightly above convenience stores (34%), and considerably above furniture stores (28%).

Very few consumers were Exclusives within any of these retail categories; however, Christian or religious book stores did have among the highest Exclusive numbers, at 6%. Only grocery stores and pet product stores (9% each) were higher, while drug stores (7%) and home improvement stores (5%) were similar.

Unfortunately, given that Exclusives are such a small proportion of any category's users, the fact that Christian book stores had a relatively high proportion of Exclusives did little to enhance overall brand loyalty numbers within the category. The fact remains that 62% could not identify one brand they prefer over others, and 35% could not identify *any* brands for which they have a preference. Both of these figures were among the highest in the study.

An interesting comparison is Christian/religious book stores against general interest book stores. While at first glance it might seem that the religious element of the Christian book store category plays a significant part in the lack of brand loyalty, note that general interest book stores also had relatively low brand loyalty numbers – and that actually, the numbers between these two categories were almost indistinguishable.

In fact, we can directly compare levels of brand loyalty to Christian/religious book stores and general interest book stores among people who use both categories. Sixty-two percent of those who use both categories have the same level of brand loyalty within both categories (they're Avoiders in both, Exclusives in both, etc.). Twenty-one percent have a stronger level of brand loyalty to a general interest store brand than to a Christian store brand, while 17% have a stronger level of loyalty to a Christian store brand than to any general interest store brand. It appears that the religious aspect of the category has relatively little impact, but that book store brands of both kinds have not been overly successful in establishing brand loyalty among users.


Brand Loyalty to Retail Stores
Grocery Stores
9%
60%
21%
7%
4%
Home Improvement
5%
51%
28%
6%
10%
Drug Stores
7%
48%
28%
9%
8%
Pet Products
9%
38%
30%
10%
13%
Consumer Electronics
3%
42%
33%
12%
10%
Clothing Stores
3%
40%
36%
10%
10%
Department Stores
2%
39%
38%
10%
10%
General Book Stores
3%
38%
30%
10%
20%
Religious Book Stores
6%
32%
28%
13%
22%
Shoe Stores
4%
32%
35%
13%
17%
Convenience Stores
3%
31%
30%
15%
21%
Furniture Stores
2%
26%
33%
16%
24%
0%
20%
40%
60%
80%
100%
Exclusives
Favorites
Selectives
Avoiders
Brandless

BRAND LOYALTY AMONG CONSUMERS

Brand loyalty can vary widely from brand to brand and from category to category, but there are some common traits we can evaluate through this research. Although this study does not encompass every possible retail category, it does cover 12 different categories that are commonly used by American consumers.

To test across categories, Grey Matter Research used a regression model that evaluated a total of 10,801 observations across the 12 retail categories.

When we look beyond the findings for individual retail categories and search for common themes about brand loyalty to retail categories among U.S. consumers, one of the most notable findings is that there are few notable findings.

What we mean is that when brand loyalty is viewed across all 12 retail categories (among users of each category), there are not strong differences in levels of loyalty according to things such as age, gender, household income, race/ethnicity, marital status, or geography.

For years, marketers have been looking for some sort of "Holy Grail" of loyalty. They've tried to find a particular type of person who has a high propensity for brand loyalty. Consultants who specialize in reaching certain segments of the population often like to tout how, if you just spend money reaching the segment they specialize in, that segment will be especially loyal (or how, since the segment they specialize in is rarely loyal to brands, you need their help to reach that segment effectively). You've probably heard generalizations such as, "Older consumers tend to be very brand loyal, while younger consumers have little loyalty." Or maybe, "Latino consumers form much stronger loyalties to brands than do other types of consumers."

Unfortunately, at least when it comes to these 12 retail categories, there was very little differentiation in brand loyalty likelihood among various demographic segments. Actually, there was *no* overall tendency to be more loyal or less loyal to store brands according to either age or race/ethnicity. And while there were differences according to gender, household income, region of the country, and education, these differences were relatively small.

In the regression model, the dependent variable (or outcome variable) in this case is ordered categories. An Exclusive in the grocery store category, for example, was given the highest possible score (5), while a Brandless grocery store shopper was given the lowest possible score (1). This same process was used to create the dependent variable, from all respondents across all of the tested retail categories. An ordered logit model was used to predict the outcome of the dependent variable (level of loyalty) given the range of independent variables (e.g. demographics, geography) in the model. In addition to the independent variables, each of the tested retail categories was controlled for in the model.

This type of regression analysis allows for the prediction of probabilities, meaning the chances of someone exhibiting greater levels of brand loyalty across categories, based on the independent variables in the model. Of all the independent variables, five were found to be statistically significant. They were gender, educational attainment, household income, geographic region, and whether the respondent regularly attends religious worship services.

Everything else equal, women were slightly more likely to be brand loyal than were men. Individuals with lower levels of education were more likely to be brand loyal than were people with higher levels of education. People with higher household incomes were more likely to be brand loyal than were those with lower household incomes. And respondents living in the Northeast and South were more likely to be brand loyal than were residents of the West or Midwest.

The following table captures the probability that a respondent will be an Exclusive or a Favorite across the 12 retail categories, when all other independent variables are held constant at their respective means or medians.

Cross-category Brand Loyalty			
Variable	**Chances of Being Exclusives/Favorites**		**Net Difference**
Gender	**Women** **46%**	**Men** **41%**	**5 points or 12%**
Education	**No High School Degree** **38%**	**Graduate Degree** **43%**	**5 points or 13%**
Household Income	**Under $20K** **45%**	**More than $149K** **39%**	**6 points or 15%**
Region	**Northeast Region** **49%**	**Non-Northeast Region** **41%**	**8 points or 20%**
Region	**Southern Region** **45%**	**Non-Southern Region** **41%**	**4 points or 10%**
Worship Services	**Attends Services** **41%**	**Does Not Attend Services** **37%**	**4 points or 11%**

The data shows there are differences. But it also shows that these differences are relatively minor. For instance, women are 12% more likely than men to show loyalty to brands within these 12 tested categories. That is a statistically significant figure, but probably not enough of a difference on a practical level to make a dramatic change in most companies' branding plans.

The data is *not* suggesting that if an individual brand makes a targeted, concerted effort to reach a particular population segment that this effort will not be rewarded with greater brand loyalty. The branding process is full of anecdotal evidence that a determined effort to reach and speak relevantly to a particular population segment is often rewarded. The study is also not saying that there are no demographic differences in loyalty toward individual brands.

What the data *is* saying is that there are no demographic segments of the population that already tend toward dramatically greater levels of loyalty regardless of the retail category or brand. This study helps explode the myth that older adults are naturally more brand loyal than younger adults, or that certain racial or ethnic groups tend towards greater levels of brand loyalty in general, or that higher-income consumers have very different levels of brand loyalty in general than do lower-income consumers – at least when it comes to retail categories.

There are a few demographic differences when we examine the big picture, but these differences are modest and have a relatively soft impact on the likelihood of brand loyalty within individual retail categories. In essence, if younger adults or African-Americans or any other demographic group is highly loyal to Family Christian Stores, it's not because of their natural tendency toward brand loyalty – it's because of their connection to that brand specifically.

For Christian bookstore brands specifically, this says a couple of things. First, the lack of substantial demographic differences shown for Christian/religious bookstores is not unique to this category, but is common across the different categories tested in this study.

The second thing this regression model does is confirm that there are not that many individuals who are "brand loyal" or "not brand loyal" overall – loyalty depends largely on specific store brands, as well as on particular retail categories. It was not at all uncommon for a specific consumer to be an Avoider on home improvement stores, an Exclusive on general interest book stores, a Favorite on grocery stores, and a total non-user on pet product stores, for example. Because someone has a high level of brand loyalty to CVS, Kroger, and Barnes & Noble (for instance) does not mean they'll necessarily have any loyalty whatsoever to LifeWay Christian Stores.

ALL ABOUT GREY MATTER

Since 1996, Grey Matter Research & Consulting has been conducting both qualitative and quantitative research for a wide variety of clients, including numerous Fortune 500 companies, directly and in partnership with their marketing or branding agencies. We have worked with many clients inside the Christian community as well as in the general business world. Although our clients are highly diverse and our work is very broad-based (publishing, financial services, retail, automotive, sports, etc.), one of the areas in which we have specialized is research related to religion.

CLIENTS WE HAVE SERVED INCLUDE:

- General Motors
- LifeWay Christian Stores
- Coca-Cola
- National Association of Evangelicals
- Suzuki
- United Methodist Publishing
- BMW
- Macy's Department Stores
- American Red Cross
- World Vision
- Dove Chocolates
- Compassion International
- Crown Financial Ministries
- Goodwill
- Electronic Retailing Association
- Navistar
- Inspiration Networks
- National Christian Radio Alliance
- Pulte Homes
- B&H Publishing
- Audi
- Focus on the Family

We have also conducted numerous studies at our own expense to understand the American mindset more thoroughly, often on topics related to religion and society.

Results from these studies have been covered in the international media, such as *USA Today*, *The Financial Times of London*, Associated Press, MSNBC, *Los Angeles Times*, USA Radio Network, *Dallas Morning News*, *Clergy Journal*, Salem Radio Network, *Christianity Today*, and many other outlets in the USA, China, England, Canada, Russia, New Zealand, Norway, Korea, Sweden, Hungary, the Philippines, Australia, and other parts of the world.

Grey Matter Research is available to serve for-profit companies and non-profit organizations through privately commissioned research studies such as brand awareness, customer satisfaction, concept testing, and customer loyalty.

More information on the company is available at www.greymatterresearch.com.