

## The L.E.K. Retailer Preference Index

Pinpointing exactly why consumers prefer specific retailers can be elusive, as there are multiple interlocking factors that impact how often they visit their favorite stores and how much they spend there. L.E.K. Consulting developed the L.E.K. Retailer Preference Index to better gauge why consumers favor particular retailers, and how retailers compare across critical selection criteria.

L.E.K. surveyed 3,000 U.S. consumers and weighed key factors that shape their shopping location decisions. The findings provide retailers with new insights into strategic positioning opportunities, and measure specific advantages and shortcomings that they have versus their rivals.

The L.E.K. Retailer Preference Index ranks retailers in 20 categories, and companies at the top of their respective segments include Apple, Brooks Brothers, Kohl's, H&M, L.L.Bean, Neiman Marcus and Target. Interestingly, the top-two retailers in nearly half of these categories are only separated by small margins, which illustrates that consumers in many retail sectors see little reason for loyalty, even with market leaders.

Digging deeper beneath the index scores, we have examined the factors that drive preference for one retailer vs. another. These factors included a variety of attributes such as perceived value for money, variety, quality of service, convenient location, fashion leadership and shoppability.

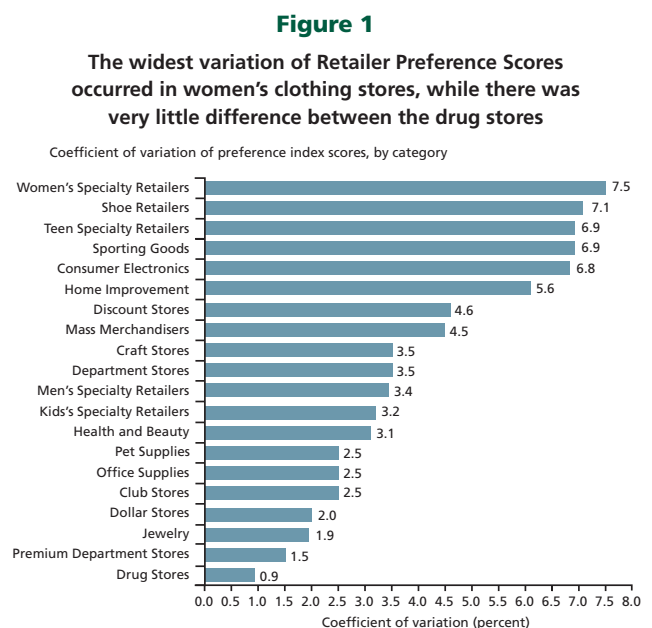
**Methodology:** The L.E.K. Retailer Preference Index was developed based on a nationally representative sample of 3,000 adults in the United States with a 1.8% margin of error at the 95% confidence level. The L.E.K. RPI is part of L.E.K.'s Consumer Sentiment Survey (CSS), which has tracked consumers' changing attitudes and spending behaviors semiannually since fall 2008.

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We found that the importance of these factors varies significantly by retailer category and the degree to which retailers differentiate on the key bases of competition itself varies.

### The Power of Preference in Retail

Figure 1 shows the variation in preferences that consumers have in a given category. Categories with a large variation reflect a significant dispersion of consumer preference among retailers, while those at the bottom of the list are categories where consumers are less able to differentiate meaningfully across numerous choices. Women's specialty and shoe categories have the greatest disparity in how consumers perceive them, while consumers felt that there was relatively little meaningful differentiation among the national drug stores.



The L.E.K. Retailer Preference Index identifies how retailers are perceived in the market, where consumers believe that they are strong and where there are opportunities for improvement. Retailers with high rankings can use the index to understand where they are succeeding and how to better communicate their key points of differentiation.

Brands that are lagging in a category can develop specific programs to change market perceptions. Alternately, companies in retail segments with little perceived differentiation should use the tool to help take corrective actions and better distinguish themselves.

## Spotlighting Select Retail Index Categories

The L.E.K. Retailer Preference Index is based on a 100-point system and is scored based on criteria such as preference relative to competitor stores within a specific category and other variables outlined in this document. By way of example, this report features three categories with different degrees of variation – craft stores, department stores and teen specialty retailers. Each segment includes the top retailers in each category, along with their rank, index number and associated consumer insights.

### Craft Stores

Retailer and Rank	Index Score	Key Store Findings
1. Hobby Lobby	73.6	Provides high-quality products at a good value, while also establishing a good shopping experience.
2. A.C. Moore	69.2	Consumers see this store as doing fine across a number of categories.
3. Jo-Ann Stores	68.0	Relatively good sales advice stands out for consumers, but not enough for the retailer to win the overall category preference crown.
4. Michaels	67.4	Shoppers rated it lower than the competition on quality of service and products.

### Department Stores

Retailer and Rank	Index Score	Key Store Findings
1. Kohl's	67.7	Performed well across the board and won hands-down on providing value for money.
2. JCPenney	65.5	Seen as doing better than average across all shopping dimensions, with no significant shortcomings or differentiators.
3. Macy's	65.2	Viewed as offering a better variety of brands, both overall and within specific product categories.
4. Dillard's	62.3	Received the highest marks for product quality, but the lowest in perceived value-for-money.
5. Sears	61.7	Consumers perceive as bottom of the group in all attributes except value.

### Teen Specialty Retailers

Retailer and Rank	Index Score	Key Store Findings
1. Charlotte Russe	70.7	Perceived as a well-rounded store with a "sweet spot" for offering the most exciting styles.
2. Forever 21	67.8	Consumers gave the store high marks for variety but slightly penalized it on perceived product quality.
3. Hollister	63.9	Scores well on fashions and styles carried, but loses some points on perceived value and shopping experience.
4. American Eagle	63.4	Viewed as pleasant to shop at, but is not well differentiated along a number of other variables.
5. Aeropostale	62.4	Middle of the pack overall, not as well perceived on offering "exciting styles."
6. rue21	62.3	No key areas particularly "spiked" positively or negatively for shoppers.
7. Wet Seal	61.5	Despite offering good value, the retailer was otherwise undifferentiated.
8. Hot Topic	59.4	Consumers felt the retailer fell short on offering the latest fashions.
9. Abercrombie & Fitch	54.6	Consumers scored this former market darling low across a variety of dimensions.

## Conclusion

Understanding the strengths and weaknesses of a company's brand relative to the competition is invaluable. In many cases, however, there is no clear category frontrunner. L.E.K. research finds that consumers only see a marginal difference among the top-tier retailers in many segments.

To that end, the L.E.K. Retailer Preference Index serves as a tool for gaining clarity into customers' shopping preferences today and understanding the attributes that will encourage them to spend more at specific stores in the future. This intelligence is pivotal to executing programs that will help a retailer establish a more distinct brand that addresses unmet market needs and positions the company to increase share in its category.

## Rankings of Additional Retail Sectors

The L.E.K. Retailer Preference Index includes 20 categories, which are divided into three primary segments:

- Multi Category: Retailers that offer a broad array of products
- Soft Goods: Clothing, drug and apparel stores
- Hard Goods: Durable goods

### Multi Category

#### Club Stores

Retailer	Index
1 Costco	69.9
2 Sam's Club	66.6
3 BJ's	66.1

#### Discount Stores

Retailer	Index
1 Ross Stores	69.3
2 T.J.Maxx	68.2
3 Marshalls	68.2
4 Burlington Coat Factory	64.5
5 Big Lots	61.1

#### Dollar Stores

Retailer	Index
1 Dollar Tree	67.1
2 Family Dollar	64.2
3 Dollar General	64.1
4 99 Cent Only Stores	64.0

### Mass Merchandisers

Retailer	Index
1 Target	68.1
2 Walmart	65.9
3 Kmart	61.1

### Soft Goods

#### Drug Stores

Retailer	Index
1 Rite Aid	64.4
2 Walgreens	63.7
3 CVS/pharmacy	63.1

#### Health and Beauty Stores

Retailer	Index
1 The Body Shop	71.5
2 GNC	69.6
3 Vitamin World	69.3
4 Bath & Body Works	69.0
5 The Vitamin Shoppe	68.0

#### Jewelry Retailers

Retailer	Index
1 Tiffany	63.4
2 Helzberg Diamonds	62.3
3 Zales	60.9
4 Jared	60.8
5 Kay's	60.0

#### Kid's Specialty Retailers

Retailer	Index
1 Carter's	66.3
2 The Children's Place	63.3
3 Gymboree	63.2
4 Gap Kids	62.1
5 OshKosh B'gosh	60.2

#### Men's Specialty Retailers

Retailer	Index
1 Brooks Brothers	73.2
2 Express Men	72.1
3 H&M	72.1
4 Casual Male	71.0
5 Banana Republic	70.9

**Premium Department Stores**

Retailer	Index
1 Neiman Marcus	67.5
2 Nordstrom	66.3
3 Saks Fifth Avenue	65.1
4 Bloomingdales	65.0

**Shoe Retailers**

Retailer	Index
1 DSW	70.2
2 Shoe Carnival	68.0
3 Payless	65.3
4 Famous Footwear	63.8
5 Foot Locker	62.7

**Women's Specialty Retailers**

Retailer	Index
1 H&M	68.7
2 Victoria's Secret	68.4
3 Old Navy	64.8
4 Ann Taylor LOFT	64.8
5 Limited	63.4

**Hard Goods****Consumer Electronics**

Retailer	Index
1 Apple Stores	76.5
2 Fry's Home Electronics	66.3
3 EB Games	65.7
4 Best Buy	64.8
5 Gamestop	64.8

**Home Improvement**

Retailer	Index
1 Lowe's	68.8
1 Home Depot	68.8
3 Menards	66.8
4 Ace Hardware	64.0
5 True Value	59.0

**Office Supplies**

Retailer	Index
1 Staples	65.5
2 Office Max	62.3
3 Office Depot	62.0

**Pet Supplies**

Retailer	Index
1 PetSmart	66.3
2 PETCO	63.0

**Sporting Goods**

Retailer	Index
1 L.L.Bean	70.0
2 Academy Sports	68.4
3 Cabela's	65.9
4 REI	65.7
5 Bass Pro Shops	63.6

L.E.K. Consulting is a global management consulting firm that uses deep industry expertise and analytical rigor to help clients solve their most critical business problems. Founded more than 25 years ago, L.E.K. employs more than 900 professionals in 20 offices across Europe, the Americas and Asia-Pacific. L.E.K. advises and supports global companies that are leaders in their industries – including the largest private and public sector organizations, private equity firms and emerging entrepreneurial businesses. L.E.K. helps business leaders consistently make better decisions, deliver improved business performance and create greater shareholder returns. For more information, go to [www.lek.com](http://www.lek.com).

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