

Marquette University
e-Publications@Marquette

Economics Faculty Research and Publications

Economics, Department of

3-1-2012

Examining Megachurch Growth: Free Riding, Fit, and Faith

Joseph P. Daniels

Marquette University, joseph.daniels@marquette.edu

Marc von der Ruhr

St. Norbert College

Accepted version. *International Journal of Social Economics*, Vol. 39, No. 5 (March 2012): 357-372.

This article is © [2012] Emerald Group Publishing and permission has been granted for this version to appear here [[10.1108/03068291211214217](https://doi.org/10.1108/03068291211214217)]. Emerald does not grant permission for this article to be further copied/distributed or hosted elsewhere without the express permission from Emerald Group Publishing Limited.

Examining Megachurch Growth: Free Riding, Fit, And Faith

Marc von der Ruhr

*Department of Economics, St Norbert College
De Pere, WI*

Joseph P. Daniels

*Department of Economics, Marquette University
Milwaukee, WI*

Abstract:

Purpose – Megachurches are thriving in religious markets at a time when Americans are asserting their ability as consumers of religious products to engage in religious switching. The apparent success of megachurches, which often provide a low cost and low commitment path by which religious refugees may join the church, seems to challenge Iannocconne's theory that high commitment churches will thrive while low commitment churches will atrophy. This paper aims to investigate this issue.

Design/methodology/approach – This paper employs a signaling model to illustrate the strategy and organizational forms megachurches employ to indicate a match between what the church produces and the religious refugee wishes to consume in an effort to increase their membership. The model illustrates that megachurches expect little in regard to financial or time commitment of new attendees. However, once the attendees perceive a good fit with the church, the megachurch increases its expectation of commitment. Data from the FACT2000 survey provide evidence in support of the model's predictions.

Findings – Data from the FACT2000 survey provide evidence in support of the model's predictions.

Originality/value – The paper serves to illustrate the dynamic process by which megachurches attract new attendees and transform those that find a good fit between their needs and what the church offers into full members of the church.

Keywords: Megachurches, Quality signalling, Religion, Organizational analysis, United States of America

I. Introduction

Megachurches are thriving in religious markets at a time when Americans are asserting their ability as consumers of religious products to engage in religious switching. Survey results from the latest [Pew Forum on Religion and Public Life \(2008\)](#) study of the US religious landscape find that religious affiliation in the US is very diverse and extremely fluid. [Kosmin and Keysar \(2006\)](#) find that individuals are not only increasingly changing their church membership, but also their denominational affiliation, or deciding not to attend services at all.

The increased trend of religious switching allows some churches to gain attendees while others lose attendees. In the five years between 2000 and 2005, the number of megachurches in the US doubled, growing to 1,250. At the same time average attendance at megachurches grew 57 percent, from 2,279 to 3,585 ([Thumma et al., 2005](#)). Taken together, these facts suggest that megachurches are successfully competing with other churches to attract and retain members.

This paper examines the seeker-oriented megachurch which have recently grown in number and often come to mind when megachurches are discussed (e.g. Bill Hybels Willow Creek Community Church in Illinois or Rick Warren's Saddleback Church in Orange County, CA). Seeker-oriented megachurches typically target religious refugees, or seekers, in order to grow. These individuals either were never members of a church, or were members of a church but for a variety of reasons no longer actively affiliate with it. Some do not attend services or participate in other ways, but maintain an affiliation in name only, while others have switched to identifying with no religion at all. [Warren \(1995\)](#) deliberately built Saddleback by targeting seekers.

[Iannaccone \(1994\)](#) employs a club good model to describe the success of relatively strict denominations. He argues that the satisfaction an individual receives from participating in a religion is, in part, a function of how much other attendees also participate. He makes the case that strict churches (churches that require significant self sacrifice or stigmatization) enjoy a competitive advantage over liberal denominations by minimizing free riding. The logic being that those inclined to free riding would not attend a church that has such high expectations of active engagement with the church. As a result, strict churches will create incentives that promote full participation among its members, thereby raising everyone's utility.

The success of seeker-oriented megachurches, which typically have low commitment expectations for newcomers, raises the question of what strategy they employ to attract and retain these seekers while still fulfilling the needs of members who have a deeper connection to the church. This paper evaluates a potential strategy megachurches may pursue to signal the high quality experience they can provide to seekers. It suggests that the church requires little of seekers in terms of time, effort, and donations early in their affiliation with the church. This allows the seekers to attend services anonymously as free riders, providing them an opportunity to see if what the megachurch offers fits their needs. It also suggests that after the seeker consumes the church's religious product and discovers a good fit, the church can then increase its expectations and require more time, effort, and donations of the new attendee, thereby reducing on going free riding while still maintaining membership. Taken together, these suggest

that the megachurch deliberately accommodates the varying needs of an individual at different stages of their affiliation with the church. Using the FACT 2000 survey, we show that the model's outcomes are consistent with stylized facts suggested by the survey responses.

The remainder of the paper is organized as follows. Section II provides an overview of trends in religious switching in the US as well as a general overview of characteristics of megachurches. Section III presents a model of quality signaling to explain how megachurches successfully attract and retain seekers. Section IV evaluates the model's predictions in light of survey responses comparing megachurches to non-megachurches and Section V concludes.

II. Successful churches, religious trends in the US, and megachurches

[Thumma et al. \(2005\)](#), [Bird \(2007\)](#), and [Thumma and Travis \(2007\)](#) represent the most comprehensive surveys of megachurches and also allow for comparisons of megachurches to non-megachurches. [Thumma and Travis \(2007\)](#) estimate that there are 1,250 megachurches in a market of 335,000 congregations. This number represents a 100 percent growth between 2000 and 2005. Such growth is also continuing as they estimate that approximately 100 new megachurches are established each year.

This paper specifically focuses on the seeker-oriented megachurch. These have been on the rise since the 1990s and often come to mind when megachurches are discussed. Rick Warren's Saddleback Church is likely one of the best known examples of a seeker-oriented megachurch. These megachurches attempt to appeal to individuals previously turned off by organized religion, trying to connect with people who have abandoned or have remained outside of a traditional faith. They often downplay denominational affiliation and traditional religious services. Instead, they rely on a modern look (e.g. a mall or college campus), have music driven by drums and electric guitars, and frequently employ multimedia during a service.

Churches active in the market for followers will naturally compete with one another to gain members. Results from both the

[Pew study \(2008\)](#) of the US religious landscape and [Kosmin and Keysar's \(2006\)](#) study of the US religious marketplace find strong evidence that individuals are employing their rights as consumers to switch religious affiliation or even abandon religion altogether. The Pew study finds that 28 percent of American adults have left the faith in which they were raised for another faith or left religion altogether^[1]. Further, the survey finds that 16.1 percent of American adults are unaffiliated with any religion. This proportion is even larger for the younger demographic: for 18-29 years olds, a full 25 percent identify themselves as unaffiliated. Of all US adults claiming no affiliation, the split between those that are "religious unaffiliated" (people that say religion is somewhat or very important in their lives yet have no affiliation) and "secular unaffiliated" (people that say religion is not important in their lives) is nearly the same (5.8 percent vs 6.3 percent).

[Kosmin and Keysar \(2006\)](#) further note that there is a significant group of adults that identify with a church but do not affiliate. They estimate that 81 percent of American adults identify with a religious group, but just over one-half live in households in which someone is currently a member of a church. They also comment that 30 percent of those who affiliate with a religion have no tie to a congregation.

These surveys suggest that, in addition to those who declare themselves as not belonging to any religion, there are many adults who affiliate in name only, but have no ties to actually attending a particular service. Individuals belonging to these groups (religious unaffiliated and those having left a religion) are the key focus of seeker-oriented megachurches in their efforts to evangelize and grow.

Given the increased trend of religious switching and the pool of people who are less connected to a religion, [Thumma \(1996\)](#) suggests megachurches are well poised for growth. As churches exist in an increasingly dynamic religious environment of empowered consumers, the megachurch has formed itself as a flexible institution. [Thumma \(1996\)](#) argues that megachurches are different than other spiritual organizations in that they demonstrate a new pattern of congregational life that changes with American society. In addition to the characteristics mentioned before, megachurches typically offer

multiple services, employ different styles of services to target various interests in their congregation, and some even have multiple branches to serve their members. Megachurch leaders often employ business models and poll people to better understand what potential and actual members want. As a religious organization these practices allow them to excel at intentionally instituting procedures to help newcomers become integrated in the church while not alienating members who have deepened their affiliation with the church ([Thumma and Travis, 2007](#)).

While most are evangelical, many megachurches downplay their denomination affiliation, at least while hosting activities that are intended for new(er) attendees. As [Warren \(1995, p. 199\)](#) notes, Saddleback is doctrinally and financially affiliated with the Southern Baptist Convention (SBC). However, due to his concern that widespread misperceptions about the SBC would inhibit seekers from attending, he decided on a strategy to attract the seekers first and only later educate them about the SBC. His argument is that after seekers have found a good fit between their needs and what the church offers they will be open to be educated about the SBC. Unlike other churches, megachurches are organized to encourage growth by allowing the new attendee to participate as a "free rider" with very little or no expectation to tithe, volunteer time, or even learn about the church's doctrines. However, Warren is careful to note that the free riding cannot continue indefinitely. As he states, Saddleback Church requires, "[...] a major commitment from those who want to join our Church" (p. 54). Thus, once new attendees deepen their connection with the church, significant expectations are placed on their behavior in terms of tithing, volunteering, etc.

This approach provides an interesting case to consider in light of past work which emphasizes the need to restrict free riding in religious activities. Seeker-oriented megachurches are appropriate to study in this light since they intentionally vary their expectations of new attendees relative to members of the megachurch. In an effort to accommodate the perceived needs of seekers, they require very little of new attendees and strategically offer activities (often in secular based interests) to make it "easy" to attend. They do this while eliciting significant dedication and sacrifice among members of the church. As [Thumma \(1996\)](#) suggests, megachurches have directly

responded to changes in our culture and in a sense accommodate it with a distinct and deliberate response in terms of how they are organized, initiate programs, and influence member relations.

The approach taken by seeker-oriented megachurches to attract seekers often leads to a common misconception that megachurches are a "low commitment" religion where members join with limited contributions of time, effort, or money and that their level of commitment never grows. It is true that lower ascriptive loyalties combined with megachurches' efforts to provide a personalized religious message have allowed them to reach out to seekers in order to provide a church with low entry costs that speaks to individual needs. In fact, many seeker-oriented megachurches make significant efforts along these lines to become the path by which these individuals reconnect with God. However, though no commitment is initially expected, at some point the church increases its expectations of those who attend. It appears that this strategy ultimately works because many attendees eventually become members, leading to the megachurch growth discussed earlier. According to [Thumma et al. \(2005\)](#), megachurches are among the most successful churches today in attracting and retaining members, suggesting that they foster on-going commitment and involvement of their members.

If we consider the apparent strategy megachurches employ when requiring no commitment early, but more after the individual is connected to the church, it seems as though the megachurch is drawing new members in by charging a low price to experience the religious product, and then increasing the price after the individual recognizes the quality of the religious product and deepens their commitment to the church.

This process is clearly a different approach than that of traditional churches seeking to minimize free riding by requiring significant commitments from members throughout their association with the church. [Iannaccone \(1992, 1994\)](#) makes the case that strict churches are the ones most likely to grow and succeed in a competitive marketplace. He argues that participating in a religion is like a club good in that the utility an individual derives from participating is a function of, among other things, the degree to which others also participate. The public good aspect, however, of such an

activity can engender free riding. Thus, to minimize such behavior, a strict church will attract committed members and thereby minimize the free-riding problem. Consequently, strict churches will be successful while lax churches will weaken. [Kosmin and Keysar's \(2006\)](#) results find some support for Iannaccone's predictions. On the one hand, strict, or high cost, groups such as Born Again Christians and Pentecostals, have indeed seen significant growth. On the other hand, less strict or lower cost groups such as Presbyterians, United Churches of Christ, and Methodists have declining memberships. Megachurches, however, present an interesting case in that they seem to encourage free riding, at least early in a person's association with the church, and yet are growing.

III. A model of quality signaling to attract seekers

Given the above discussion, we view a seeker-oriented megachurch as a unique religious organization whose strategy is to market to the needs of religious refugees, or seekers, who are dissatisfied with their previous religious affiliation. To target these individuals, the seeker-oriented megachurch must find a way to signal their commitment to the quality, or fit, of their religious product in order to attract a seeker to the service. Only by bringing seekers into the megachurch, does the megachurch have the opportunity to demonstrate that it can be a high-quality fit with the seeker's tastes and preferences and begin the process of deepening that individual's relationship with the church.

It is precisely this challenge of signaling that provides our motivation for characterizing the apparent pricing strategy of the seeker-oriented megachurch within a quality signaling model (for extensive coverage of signaling, see [Kreps and Sobel \(1994\)](#)). Specifically, we adapt [Tirole's \(1995\)](#) two-period quality signaling model to illustrate how a megachurch might distinguish itself from non-megachurches in its ability to offer a high-quality fit experience that is dissimilar from that of a competing organization that offers a low-quality fit for the seeker.

We assume the seekers the megachurch hopes to attract are religious refugees. That is, individuals who either have no religious affiliation, or state an affiliation but do not attend religious services. In this sense, we are not making a comment on the actual quality of various churches or denominations. Instead, we use the notion of quality or fit in the model to suggest a match between the seeker's tastes and preferences and the religious product offered by a church (or producer). We identify two qualities of fit of a religious good. The high-quality fit closely matches and satisfies the tastes and preferences of some of these seekers while the low-quality fit is not a match for any of the seekers (of course the low-quality fit religious good may well satisfy the tastes and preferences of the non-seekers, but this is not the market segment we are examining).

The interaction between the church and the seeker is structured such that the church charges a price for an individual to consume the religious product in each period of the two-period game (p_1 and p_2). We interpret the "price" of a religious product along the lines of [Ekelund et al. \(2006\)](#) as the full price of religion. This includes the time required to attend, effort required to fulfill church expectations such as service to others, and donations and tithing expected by the church. The individual has the following utility function:

$$\begin{aligned} U &= as - pt \text{ if the individual attends the church, or} \\ &0 \text{ if the individual does not attend,} \end{aligned} \tag{1}$$

where $t=1, 2$, a is a taste parameter, s denotes the quality of fit, and p is the full price. The taste parameter a is distributed over the population of individuals with the cumulative distribution $f(a)$. The population is normalized at unity. For simplicity, we assume there are no new entrants of consumers or producers in period 2.

There are two incumbent producers of distinct religious products from which the seeker may choose. In this setting, the high-quality fit product, s_h , is a match for some seekers, while the low-quality fit product, s_l , not a match for any seeker. (We therefore implicitly set the value of s_l equal to zero.) The quality of fit of the religious product

offered by each producer is known to the producer but not known to the individual – prior to consuming the product in the first period – and can only be learned by attending a church service and determining if the religious good is a high-quality fit or low-quality fit. In this sense, the religious product is an experience good.

Let γ denote the a priori probability that either product is a match for the individual. Accordingly, γ is the proportion of repeats in the second period at the high-quality fit producer. Because the low-quality fit is not a match for any seeker, the low-quality fit producer does not have any individual that repeats in the second period. For simplicity, only those who attend in period 1 can attend in period 2. Thus, in the second period when quality is known to seekers, the high-quality fit producer will provide a service to a proportion, γ , of those who attend in period one, while the low-quality church will not. The high- and low-quality fit products are produced at different unit costs denoted as c_h and c_l , respectively. We make two assumptions on costs. First, it is assumed that the unit cost of producing the high-quality fit product is greater than that of the low-quality fit product, $c_h \geq c_l$. Second, it is economically efficient to produce that high quality good, and so $\alpha s_h \geq c_h$.

For simplicity, the church and the individual have the same discount rate, δ , which is used to discount the second-period “profits” of the high-quality fit producer. It follows that the total discounted profit of the high-quality fit producer is:

$$\Pi_h = (p_1 - c_h) + \gamma\delta(p_2 - c_h) \geq 0. \tag{2}$$

The discounted profit of the high-quality fit producer depends not only on costs of production and the discount rate, but also the prices charged in each period and the proportion of satisfied or repeat individuals. The first-period price is important because the seeker-oriented church needs to attract potential members in period one so they might learn about the quality of the product. It follows that if the low-quality fit producer mimics the first-period price strategy of the

high-quality fit producer and charges price p_1 , the low-quality fit producer's profit, which occurs in the first period only, is equal to:

$$\Pi_l = p_1 - c_l \geq 0. \tag{3}$$

Equation (3) represents the cost advantage to the low-quality fit producer. To ensure that the low-quality fit producer does not profit at the high-quality fit producer's expense, the high-quality producer would ensure in period 1 that $p_1 \leq c_l$. Subtracting equation (3) from equation (2) therefore yields the constraint faced by the high-quality fit producer:

$$\Pi_h = \gamma\delta(p_2 - c_h) - (c_h - c_l) \geq 0. \tag{4}$$

Two important points emerge from equation (4). First, in words, in order for the high-quality fit producer to use the first-period price as a signaling mechanism, it must be that the discounted profits from repeat individuals exceeds the cost differential[2]. Second, it follows that for the inequality to hold, it must be that the second-period full-information price that the profit-maximizing high-quality fit producer would charge, as_h , is greater than unit cost, c_h .

In light of the above constraints, the optimal strategy for the high quality church is to price the religious product it offers equal to the low quality church's cost in the first period. Under these circumstances, a low quality church would not mimic a high quality church because it could not earn a positive profit doing so. Thus, the high quality church can signal its commitment to offer a high-quality fit product and thereby separate itself from a low quality church by charging a low quality price in the first period ($p_1=c_l$).

The high quality church could recoup (at least) its first period loss in the second period by charging a sufficiently high price. In the second period, the profit-maximizer can charge a full-information price equal to as_h . The first component of equation (4), $\gamma\delta(p_2-c_h)$, implies $p_2=as_h \geq c_h \geq c_l = p_1$, and, therefore, period 2 price must be higher than

period 1 price. In other words, period 1 price is an introductory price as it is lower than the full-information price charged in the second period. Thus, the church will expect its attendees to pay more in the second period when the returning attendee has discovered that the church provides a good fit. This may take the form of higher expectations of monetary offerings, higher expectations of participation, and higher expectations of personal practices (e.g. behaving in a manner consistent with church teachings). Note that the quality of the product, s_h , is an important determinant of the price difference between period 1 and period 2 and, therefore, profit as well. Hence, the profit-maximizing producer does not scrimp on quality in the second period.

IV. Empirical evidence

The model suggests that megachurches succeed in attracting and retaining seekers by requiring little of them early in their association with the church, but after the high quality (good fit) of their services is experienced, the church can expect more of the attendees. Thus, the price a seeker-oriented megachurch charges is low initially, but then rises after the quality of the service is known [3].

Given that megachurches have only recently garnered significant attention among academics, empirical researchers have been hindered by a shortage of data. The data employed in this study come from the *Faith Communities Today 2000* (FACT 2000) survey. The data were made available by the Association of Religion Data archives, www.TheArda.com, and were collected by [Roozen \(2000\)](#) [4].

Given the importance of the FACT 2000 survey, we briefly describe the survey before we evaluate the empirical results. The FACT 2000 survey is the largest survey of congregations in the US. It is also allows for the first systematic study of megachurches. FACT 2000 allows researchers to investigate a variety of congregational characteristics including their number and style of services, programming efforts, and many aspects of congregational life. [Bird \(2007\)](#) notes that the survey measures 280 variables, and the responses represent 41 denominations and faith groups (approximately 90 percent of all US congregations and faiths). The

survey was mailed and averaged over a 50 percent return rate, resulting in approximately 14,000 returned surveys. The survey was completed by a "key informant". Each institution was free to choose who this person would be, but was in almost all cases the senior religious figure, or in their absence, the senior lay leader.

Our data analysis consists of comparing the responses of megachurches to non-megachurches on a number of issues related to our hypotheses on pricing. To conduct the analysis, we first separate megachurches from non-megachurches. We apply the definition of megachurches being Protestant churches with weekly attendees of 2,000 or more. FACT 2000 classifies denominations as belonging to one of the following categories: Liberal Protestant, Moderate Protestant, Evangelical Protestant, Historic Black, Catholic and Orthodox, or other. Our megachurch subset thus includes Liberal, Moderate, and Evangelical Protestant congregations with 2,000 or more attendees. The non-megachurch sample includes Catholic and Orthodox, Historic Black churches, and "other"[5]. Of these returns, the survey received 120 usable responses from megachurches and 13,259 usable responses from non-megachurches.

To examine the change in prices, it simplifies our analysis to know that megachurches essentially offer services to non-members at close to a zero price. [Warren \(1995\)](#) notes that as he established Saddleback, during offerings he stated that the offering was only expected of members of the church family. Non-members were and are not expected to give. Both [Warren \(1995\)](#) and [Thumma and Travis \(2007\)](#) mention that seeker-oriented megachurches understand seekers want anonymity and pastors wish to provide the required anonymity. Naturally, megachurches would then not make requirements of additional time and effort of seekers getting acquainted with the church early in their affiliation. Thus, what remains to add empirical content to our model is to consider the available data to investigate other measurable ways in which the megachurch can reduce the whole price of affiliation for new or non-members and then raise the price as a person's affiliation with the megachurch deepens.

As mentioned above, the FACT 2000 survey contains questions regarding many aspects of the congregation's life. Some areas

examined include the number of services offered at various times, the variety of styles of services, the types of group activities offered by the church, the effort required to get members to volunteer, and outreach programs that exist. Each of these series of questions may lend themselves to considering the price of affiliation via the time or effort that is required to participate. Thus, we will examine differences between responses from megachurches and non-megachurches to gain insight into whether the data support the model.

Evidence of low prices to attract seekers

FACT 2000 investigates three questions, in particular, that we argue reflect evidence of low prices to bring seekers in. The questions ask:

1. About the number of services offered at different times during a weekend.
2. The variety of styles of services.
3. The types of group activities that exist in which attendees may participate.

We maintain that a church that offers more services makes it cheaper for attendance since the potential member can find the time that is most accommodating to her schedule. In this way the full price of attendance is lowered by providing flexibility to the individual, thereby reducing the opportunity cost of attendance. The FACT 2000 questionnaire asks how many services are offered on Friday, Saturday, Sunday morning, and Sunday afternoon. We calculate difference of means tests to examine what the differences between megachurches and non-megachurches. The results are illustrated in [Table I](#).

	Friday	Saturday	Sunday am	Sunday pm	
Megachurch	0.248	0.714	2.645	0.787	Table I. Services offered by megachurches vs non-megachurches
Non-megachurch	0.187	0.222	1.221	0.559	
<i>p</i> -value	0.239	0.000	0.000	0.000	

The results show that for Saturday, Sunday morning, and Sunday afternoon, megachurches offer statistically significantly more services than non-megachurches. Thus, we conclude that for these three time spans, megachurches succeed in lowering the price of religious

participation and make it easier for seekers to join the megachurch than the non-megachurch.

Next, we suggest a church that varies the style of service also reduces the price of attendance as a potential member can seek out the style and social group for which they are most comfortable. We see both of these aspects as a reduction in the "price" of attendance along the lines of [Miller \(2002, p. 445\)](#), who analyses the strategies of various religions and concludes that if a church reduces the demands placed upon potential customers it can "ease a potential customer into a religious organization". He uses as Jewish Community Centers as an example of how an organization may secular activities as "non-threatening entry points" for disaffiliated Jews. Various styles of services and various secular-activity groups will appeal to different age groups, ethnicities, and lifestyles. Ease of entry points reduces the demands on potential members and thus reduces the price of attendance.

FACT 2000 asks a question for churches that hold more than one service per weekend, how varied or similar they are. The responses are coded as 1 being very similar, 2 being somewhat different, and 3 being a very different in style. [Table II](#) reports the comparison of results across churches.

	Megachurch	Non-megachurch	<i>p</i> -value	Table II. Styles of multiple services of megachurches vs non-megachurches
Style of services	1.743	1.094	0.000	

The results again suggest that megachurches are able to attract seekers through lower prices of attendance via a larger range of styles that are applied to the larger number of services offered.

Finally, the church that offers group activities centered around a larger variety of interests makes it cheaper to participate because the larger the variety, the easier it is for a potential member to link a hobby or personal interest to her church life. Moreover, the more of these groups that are centered on activities that are typically secular based, the lower the price of participation the seeker will perceive. For example, if a megachurch member organizes a running club and invites a seeker (assumed to be a person who enjoys running) to run,

the cost of continued affiliation seems relatively low since the seeker enjoys running anyhow. [Table III](#) illustrates the percent of churches that offer various types of groups that would typically be considered based in a secular interest.

Type of group	Megachurch (%)	Non-megachurch (%)	p-value
Community service	89	66	0.000
Parenting/marriage enrichment	88	29	0.000
Choir	90	58	0.000
Performing arts	90	45	0.000
Book discussion	71	30	0.000
Self-help	88	30	0.000
Fitness activities	77	18	0.000
Sports teams	83	26	0.000
Youth groups	91	68	0.000
Young adult activities	88	35	0.000

Table III.
Percent of megachurches vs non-megachurches providing secular-based group activities

We see that for each and every activity, a larger proportion of megachurches provide the group activity than non-megachurches, and that the difference is highly statistically significant. Further, the difference is arithmetically particularly large for secularly based activities such fitness activities (a 59 percent difference) and sports teams (a 57 percent difference).

An argument can be made that these groups are a function of a supply side effect suggesting a larger church can offer more groups than a small church, and that these differences are not an outgrowth of a deliberate strategy. To investigate this, we would ideally like to consider the number of groups that this sample of megachurches offered at times when they had fewer attendees (were not yet megachurches). Unfortunately, that is not possible. As a second best, we examined whether, in our sample, the megachurches were liberal, moderate, or evangelical. Our sample was comprised of 11 liberal, five moderate, and 104 evangelical megachurches. Since, as [Warren \(1995\)](#) makes very clear, groups were employed to draw religious refugees into the church and grow the church, we view the use of small groups as a process to help smaller churches grow into megachurches.

Given that 87 percent of our megachurches are evangelical in our sample, we make the assumption that the many of the smaller evangelical churches in our sample are using groups to grow their church. In an effort to test the supply side theory we compare evangelical churches to non-evangelical churches in four market sizes.

We define the “mini-market” as churches with a weekly attendance of 200 or fewer; “small market” as churches with attendance greater than 200 and up to and including 500; “medium market” as churches with attendance greater than 500 and up to and including 1,000; and “large market” as churches with attendance greater than 1,000 and up to 2,000.

When we compare the proportions of evangelical to non-evangelical churches offering these groups, the turning point comes at the small market. Once the church experiences attendance rates between 200 and 500 weekly attendees, the evangelical churches have clearly established the use of small groups, in particular groups based in secular interests as a priority. Thus, it seems as though the supply side argument is viable when comparing churches with 200 or fewer attendees to larger churches, but is not relevant to comparing megachurches to the churches with greater than 200 attendees.

Taken together, these data may suggest seeker-oriented megachurches have found a strategy to lower the full price of participation for new attendees. This may, in fact be one reason that many see megachurches are “religion-lite”, or a spectator religion. [Thumma and Travis \(2007\)](#), however, argue that this is not the case. They contend that members of megachurches actually pay a high full price for membership. Ease of entry remains for members, but the full price of participation may rise through other costs, requirements, and commitments.

Evidence of higher prices with deepened affiliation

The model outlined above predicts that, subsequent to a seeker discovering a good fit, the church will raise its price. Though data do not exist to make precise comparisons of prices and costs, FACT 2000 does lend itself to finding evidence of whether a megachurch does increase the full price of increased affiliation with the church. Specifically, the survey asks three questions that may be employed to test for higher prices of participation after time has passed and affiliation has deepened. The questions ask:

1. About the difficulty in getting people to volunteer.

2. About the expectations of members' personal practices outside of church and general strictness.
3. About the existence of community outreach programs.

Following [Bird \(2007\)](#), we argue that all these activities would be most relevant to attendees who are further in their process of affiliation, or in the context of our model, are individuals who already purchased the religious service at a “cheap” price, found a good fit, and are returning to the megachurch. As their affiliation continues, they become more involved and through time or effort and therefore pay a higher price for the religious good.

The first question asks the respondent to characterize the ease or difficulty in motivating individuals to take leadership roles. Possible responses are that their congregation does not have any problem getting people to accept volunteer leadership roles (coded 1), that recruiting volunteers is a continual challenge, but that they do eventually find enough people (response coded 2), or that they cannot find enough people to volunteer (response coded 3). [Table IV](#) provides the results.

	Megachurch	Non-megachurch	p-value	Table IV. Volunteer recruiting efforts of megachurches vs non-megachurches
Recruiting volunteers	1.740	1.930	0.000	

Given that a lower number corresponds to greater ease of recruitment, the megachurches are able to recruit volunteers easier than non-megachurches. Thus, the price of affiliation rises given the additional time the attendee volunteers.

The second question asks how much a congregation can expect of an individual's behavior outside of church services (i.e. in their home and personal practices). The five variables examined are personal prayer/scripture studies/devotions/other spiritual practices, family devotions, fasting, and abstaining from pre-marital sex. The scores range from 1, associated with “Not at all”, to 5, associated with “A Great deal”. [Table V](#) provides the results of the difference of means tests.

Table V. Megachurches compared to non-megachurches for emphasis on personal practices

Practice	Megachurch	Non-megachurch	p-value
Personal prayer, scripture study, etc.	4.65	4.14	0.000
Family devotions	3.96	3.44	0.000
Fasting	2.90	2.35	0.000
Abstaining from pre-marital sex	4.00	3.19	0.000

The results suggest that megachurches do have statistically significantly higher expectations of home and personal practices in each of these categories. As a result, it can be inferred that the church is again raising the price for its more deeply affiliated members by expecting more of their behavior outside of church.

Further, the questionnaire also asks which of the following statements best describes the congregation. The choices are:

- Our congregation has only implicit/vague expectations for members that are seldom, if ever, enforced (coded 1).
- Our congregation has fairly clear expectations for members, but the enforcement of these expectations is not very strict (coded 2).
- Our congregation has explicit/definite expectations for members that are strictly enforced (coded 3).

The mean for the megachurch is 1.97 vs 1.78 for the non-megachurch (p-value of 0.014). Thus, again, we see that megachurches do expect more of their members than non-megachurches.

Another manifestation of a higher price of membership may be to engage in group activities that act as an outreach to the community. For example, volunteering at a soup kitchen, providing home health services, or engaging in prison ministry. We contend that participation in such groups demonstrates an individual's willingness to pay a higher price for membership to the church. The survey collected information on whether the church itself, or in conjunction with another organization provided groups across 16 different outreach programs. The responses were coded "1" for "No program", and "2" for "Yes program". The results are provided in [Table VI](#).

	Megachurch	Non-megachurch	p-value
Food pastry/soup kitchen	1,982	1,829	0.000
Cash assistance	1,906	1,833	0.001
Thrift store	1,783	1,573	0.000
Housing support	1,743	1,356	0.000
Counseling services	1,935	1,451	0.000
Substance abuse programs	1,839	1,320	0.000
Day care	1,743	1,344	0.000
Tutoring programs	1,829	1,263	0.000
Voter registration/education	1,554	1,231	0.000
Social advocacy	1,561	1,309	0.000
Employment aid	1,576	1,213	0.000
Health education	1,685	1,304	0.000
Hospital/nursing home facilities	1,694	1,390	0.000
Senior care	1,818	1,395	0.000
Aid to migrants/immigrants	1,311	1,119	0.000
Prison/jail ministry	1,863	1,337	0.000

Table VI.
Percent of megachurches vs non-megachurches providing outreach-based group activities

The results indicate that across every outreach program, a larger proportion of megachurches provide the program than do non-megachurches. Consequently, we have additional evidence of increased price of membership after individuals discover a good fit between themselves and the megachurch.

Analysis of the FACT 2000 survey results suggests that megachurches are, in part, successfully growing by bringing seekers into the church via a low initial price. This low price takes many forms. The megachurch offers a variety of services both in number and style, making it easier for seekers to enter the church. Moreover, they offer church groups, many of which are based on otherwise secular interests. This, too, reduces the demands on a new attendee to discover whether the megachurch is a good fit. The data also show that for those that continue their affiliation having discovered a good fit, the megachurch demands more. The megachurch is able to demand more in terms of members taking on leadership roles, holding themselves to strict personal standards, and participating in community outreach groups[6].

V. Conclusion

Megachurches continue to grow in the marketplace of the US religion as Americans increasingly assert their ability to switch religions. Megachurches are significantly different from more established and traditional churches in that they often have a flexible and modern look, downplay denominational affiliation, and employ otherwise secular activities in their programming. They also encourage new attendees to enjoy their services without significant commitment early in their affiliation. Their growth, thus, seems to contradict a significant amount of the literature that characterizes strict and high

commitment religions as those that will be successful and low commitment religions as those that will atrophy.

This paper provides an economic model of pricing and quality signaling to explain the success of megachurches in attracting and retaining members. Megachurches employ a distinct strategy of reducing the full price of affiliation by providing different avenues that serve to ease a seeker's entry to the church, but then raise the full price after the seeker chooses to become a member. Survey results from FACT 2000 illustrate that megachurches provide more services and a greater variety of styles of services than non-megachurches, both of which serve to reduce the full price of attendance. They further ease the entry by offering more church organized activities associated with secular interests than non-megachurches do. The model demonstrates that as seekers respond to the lower full price of attendance, a portion of these seekers will find a good fit between their needs and what the megachurch offers. For those that continue their affiliation and become members, the megachurch can expect heightened participation and raise the full price of membership. The data show that, compared to members of non-megachurches, members of megachurches perceive a higher required expectation of personal practices at home which serve to raise the full price of membership. Moreover, a larger proportion of megachurch members participate in outreach programs than non-megachurch members. This also indicates an increased full price of membership. Last, megachurches have fewer difficulties of recruiting volunteers than non-megachurches, suggesting that the megachurch members are willing to spend more of their time involved with the church, and consequently pay a higher full price of membership. Taken together, the data reflect that megachurches initially reduce the full price of membership to bring seekers to the church, but are later able to increase the full price of membership for those that have found a good fit between their needs and what the megachurch offers.

Future work in this area would benefit from repeating surveys like the FACT survey with the same churches over time and allowing for panel analysis. Further, surveying both the key informant as well as members of the church would allow for a better understanding of church strategies for growth as well as members' perceived needs and how the two forces interact. Last, such survey work would also help

researches better understand which members become a part of the committed core of a church, as discussed in [Warren \(1995\)](#).

Notes

If we allow for a switch from one form of Protestantism to another, this statistic rises to 44 percent.

If $\Pi_h = \gamma\delta(p_2 - c_h) - (c_h - c_l) < 0$, the high-quality producer would have an incentive to produce the low-quality fit product, would always charge c_l and, therefore, could not use price as a signal of quality and commitment.

It would be ideal to test the model by comparing prices of different services to costs of providing services at megachurches and non-megachurches. Given that no such data are publicly available, we focus on data that allow us to infer relative prices of attending megachurches and non-megachurches.

We are indebted to Warren Bird whose 2007 PhD thesis made us aware of the data set and who also applied similar tests to some of these questions. Our results support and extend his results.

While it may be argued that Historic Black churches may be treated as Protestant, and thus potentially be included in our megachurch sub-sample, we follow [Coreno \(2002\)](#) and [Welch et al. \(2004\)](#), who argue for a separate classification for Black Protestant denominations because of the unique historical experience of black denominations.

It may also be of interest to compare megachurches to just other Protestant churches, as one review suggested. When we do so, the analysis presented in this section is fully supported with the following exceptions. In [Table I](#), compared to other Protestant churches, megachurches no longer offer more of services on Fridays or Sunday afternoons. Further, the increased style of services offered by megachurches, as referenced in [Table II](#), is no longer statistically significantly greater than those offered by other Protestant churches.

References

1. Bird, W. (2007), "*Megachurches as spectator religion: using social network theory and free-rider theory to understand the spiritual vitality of America's largest-attendance churches*", PhD thesis, Fordham University, New York, NY.
2. Coreno, T. (2002), "*Fundamentalism as a class culture*", *Sociology of Religion*, Vol. 63 No. 3, pp. 335-60.
3. Ekelund, R.B., Robert, F.H. and Robert, D.T. (2006), *The Marketplace of Christianity*, MIT Press, Cambridge, MA.
4. Iannaccone, L. (1992), "*Sacrifice and stigma: reducing free riding in cults, communes, and other collectives*", *The Journal of Political Economy*, Vol. 100 No. 2, pp. 271-91.
5. Iannaccone, L. (1994), "*Why strict churches are strong*", *American Journal of Sociology*, Vol. 99 No. 5, pp. 1180-211.
6. Kosmin, B.A. and Keysar, A. (2006), *Religion in a Free Market: Religious and Non-Religious Americans – Who, What, Why, and Where*, Paramount Books, Ithaca, NY.
7. Kreps, D.M. and Sobel, J. (1994), *Signalling. Handbook of Game Theory with Economic Applications*, Vol. II, Elsevier, New York, NY.
8. Miller, K. (2002), "*Competitive strategies of religious organization*", *Strategic Management Journal*, Vol. 23 No. 5, pp. 435-56.
9. Pew Forum on Religion and Public Life (2008), *US Religious Landscape Survey*, available at: <http://religions.pewforum.org/reports>.
10. Roozen, D. (2000), *Faith Communities Today*, Association of Religion Data Archives, available at: www.TheArda.com.
11. Thumma, S. (1996), "*Exploring the megachurch phenomena: their characteristics and cultural context*", Excerpt from PhD dissertation, Emory University, available at: http://hrr.hartsem.edu/bookshelf/thumma_article2.html.
12. Thumma, S. and Travis, D. (2007), *Beyond Megachurch Myths: What Can Be Learned from America's Largest Churches*.

13. Thumma, S., Travis, D. and Bird, W. (2005), "*Megachurches today 2005*", available at:
http://hrr.hartsem.edu/org/faith_megachurches_research.html#research.
14. Tirole, J. (1995), *The Theory of Industrial Organization*, Hamilton Printing, Castleton, NY.
15. Warren, R. (1995), *The Purpose Driven Church*, Zondervan, Grand Rapids, MI.
16. Welch, M.R., Sikkink, D., Sartain, E. and Bond, C. (2004), "*Trust in god and trust in man: the ambivalent role of religion in shaping dimensions of social trust*", *Journal for the Scientific Study of Religion*, Vol. 43 No. 3, pp. 317-44.