

## **The Intelligent Loss of Business**

***What we do well, and what we don't do at all, are two of the most important elements of strategy. Too often, we forget the latter...***

by Brian Woolf (October 13, 2014)

Sol Price opened his first Price Club in 1976, creating the Warehouse Club industry. Its different way of doing business (including membership fees, no advertising, and a limited number of items) exemplified his mantra “the intelligent loss of business.” He understood that differentiation (what we do well and what we don't do at all) is at the heart of strategy. Doing what everyone else does, is not. When you are different, you are noticed; when you are not, you are invisible.

The Price Club, and its offshoot, Costco, merged in 1993. Including Price Club's birth, in less than 40 years Costco has become the world's fourth largest retailer by intelligently losing business! Over the same period, other retailers have faded by trying to be all things to all people. Where does your business sit in this spectrum? Are you strengthening your strengths and jettisoning your weaknesses or are you trying to satisfy every customer need?

It is probably no coincidence that some other standout food retailers of recent decades share a similar high quality, low price, and narrow selection philosophy. Consider global giant, Aldi, with its limited selection of 1000-1300 items offered at low prices. Likewise, quirky Trader Joe's with its 400+ stores offering 4,000 eclectic items (basic, gourmet, healthy, surprise), everything at full price (no specials!), most items being private label (comprising 80% of sales), and one of the highest sales per square foot (\$1,750) in the food industry.

Of course, the above approaches are not the only way to intelligently lose business. Whole Foods does it with a wide variety of natural and organic foods, eschewing “non-healthy” items such as soda pop and white bread; its primary target is upscale foodies and health-conscious customers.

Prices are considered high, partly due to its selection of less common items and partly to its exceptionally knowledgeable, helpful and friendly employees.

Its approach is akin to the restaurant business. A Japanese, French, or Vegetarian restaurant, for example, announces to the world what it offers. If a person is in the mood for a large grilled steak, those restaurants have lost that customer that night. For none would run to a supermarket to buy and prepare a big steak should a customer ask for one. Such would destroy its clarity of offering and the internal infrastructure built to support that offering.

Clarity of offering is one way of describing “the intelligent loss of business”.

Retailers with a vast offering are usually the targets of those who practice the intelligent loss of business. Sears, in its heyday, advertised: *Sears has everything*. Having everything, however, didn't stand up against the “category killers” who chose a niche, such as toys, clothing, or electronics, offering even greater depth and variety supported by knowledgeable staff. The category killers didn't try to compete against Sears on everything; just one area. They abandoned the rest. There was no doubt about the clarity of their offering.

Now why is the issue of “the intelligent loss of business” and clarity of offering being raised? Two reasons: the structure of food retailing is changing and a lot of retailers seem caught in a competitive No Man's Land.

Recently, Sainsbury's marketing director, Sarah Warby was quoted in UK-based *Marketing Week*: “The way customers are shopping has shifted – they are less loyal, less likely to do big weekly shops, more likely to top up at convenience stores or order online.”

A similar trend is appearing in the US. Some studies show defection rates of food retailers, compared to a decade ago, are worsening. Customers are becoming “less loyal” to a food retailer in the traditional sense. It seems that customers are splitting their shopping more, partly due to the success of retailers who have intelligently lost business and increased their clarity of offering, and partly due to Walmart's price gap and to Amazon's low prices, wider range of items, flavors and varieties, and its easy ordering and payment system.

Customers today are more spoiled with choice than ever before. Being “in the business”, I take particular interest in where our friends do their food shopping. Not one of them is “loyal” to any particular food retailer: they are all split shoppers, shopping at different chains that offer specific items, quality, and/or value that appeal to them. Our friends' repertoire includes two traditional supermarket chains (Publix (no card) and BI-LO (card)), Costco, Whole Foods, Trader Joe's, Fresh Market, Walmart and Amazon. The retail gamut! Each friend has his or her own weighted mix of retailers, with the amount spent at each influenced by availability, quality

and price of their priority items. Their non-priority item purchases are usually bought when and where convenient.

Is it possible that traditional supermarkets are becoming the “carcass” that more focused retailers feed off? If so, what actions should they take? One obvious response is through the intelligent loss of business. Which of their departments, categories, or subcategories are weakest? Should they be jettisoned, in whole or in part, and the resources reassigned to strengthen stronger departments, strengthening their clarity of offering? Here’s a simple example. Most supermarkets have lost their paper products business to the nearest warehouse club; should this department be closed (customers are shopping elsewhere anyway) or minimalized (offer just 1-2 items of a private label offering)? Likewise with diapers: most customers now buy them at Amazon, Walmart, or a warehouse club. On the other hand, consider the Greeting Card Department: is it a dominant destination department? If not, should it be? Or should it give way to feature other store strengths?

### **The Bottom Line**

These are just beginning questions as a retailer reviews its competitive position. Fortunately, a clubcard retailer has a mass of data to help analyze and think through the options.

At the same time, another issue needs to be thoughtfully considered. Today, what does “loyalty” really mean? With split-shopping habits well established, customers feel positive about all the different retailers as they shop for certain items in each of them. Will we need to start thinking of item-based loyalty or Reasons to Return Loyalty? Certainly, a food retailer’s traditional idea of “loyalty”, providing all of a customer’s food needs, appears to be disappearing into the sunset.

Copyright © Brian Woolf

---

## **About the author...**

Brian Woolf is a global leader in loyalty marketing and has written three definitive works on the subject, *Measured Marketing: A Tool to Shape Food Store Strategy*, *Customer Specific Marketing*, and *Loyalty Marketing: The Second Act*. He devotes his time to helping retailers develop, critique and strengthen their loyalty programs.

---

## And there's more where this came from...

Visit us on the web for our complete collection of loyalty marketing articles, insights and practical advice, at

[www.brianwoolf.com](http://www.brianwoolf.com)

E: [brian@brianwoolf.com](mailto:brian@brianwoolf.com)

T: +1 864 458-8277

*Retail Strategy Center Inc.  
6 Parkins Lake Court,  
Greenville, SC,  
29607-3628  
USA*

***For more customer loyalty articles and research, we also recommend:***

**The Wise Marketer** - free loyalty marketing news & research - [TheWiseMarketer.com](http://TheWiseMarketer.com)

**The Loyalty Guide** - the complete guide to loyalty marketing - [TheLoyaltyGuide.com](http://TheLoyaltyGuide.com)

**Colloquy** - customer loyalty news and webinars - [Colloquy.com](http://Colloquy.com)

**Loyalty 360** - customer loyalty news and webinars - [Loyalty360.org](http://Loyalty360.org)