

Business is a Game

... once you understand the ways to win

by Brian Woolf (April 13, 2015)

My favorite board game when growing up was *Risk*. I learned over time which countries and regions were best to own and defend and which weren't. Winning became easier after that. *Monopoly*, as many of you know, has some property areas that are better to own than others. *Scrabble* also has similar ways to win as my daughter usually demonstrates when I play an occasional game with her. Business is no different. It, too, is a game and those who figure out the rules usually win.

The Basics of the Game

Years ago, I had the privilege of attending a conference where Bruce Henderson, the founder of the Boston Consulting Group, was the keynote speaker. He gave some profound business principles. One, in particular, has had impact:

For too many companies, life consists of working very hard to make small differences in performance produce small differences in profitability. But the really significant alternations in corporate fortunes depend on those relatively few and basic decisions that enable a company to fight corporate wars with its best weapons...not those of its competitors...and enable it to choose the time and place where competitive strength really counts.

Having spent my life in food retailing, that resonated. How do you break out of the crowd and excel? Recently (Mar 30), an NPR blog edited by Eliza Barclay pointed out that “traditional grocers are increasingly losing market share—some 15% in the past 10 years—to more nimble competitors ...” The losses are not new, but it reminded me again of Bruce Henderson’s description of those “*working very hard to make small differences in performance produce small differences in profitability.*”

Market share loss has been happening over the years. But how do you get off the treadmill trap?

Learning How to Win the Game

Henderson’s key point, akin to that of strategy guru Michael Porter, is that accentuating your differences—featuring what makes you unique—is what triggers the breakthrough in corporate fortunes. It isn’t just working hard and being the same as everyone else; it’s in providing customers a clear choice.

Where to Begin

Start with an assessment of the current competitive gaps between you and your major competitor.

Consider these 6 key customer draws:

- **Welcome:** How welcome and appreciated do customers feel?
- **Price:** What is the price gap? (And is our methodology sound?)
- **Offer:** What items are the same? Different?
- **Quality:** Where are we better? Worse?
- **Ambiance:** What's the "feel" of our stores?
- **Superior Service:** Is there a noticeable service gap between us?

Then summarize your strengths and weaknesses.

Also evaluate what Fredrick Herzberg might have described as retailing's Hygiene Factors, those conditions that customers expect and take for granted:

- Cleanliness
- Conditions
- In-stock

Action Plan

Given what we just learned about our competitive strengths and weaknesses, where do we focus on making bigger, more noticeable, differences? The 3R's of Retail provide a helpful framework:

1. **Reason to Return (RTR)**
Identify 3 reasons we offer why customers should return.
2. **Reason to Increase Visits (RIV)**
Identify 3 reasons why customers should increase their visits.
3. **3. Reason to Spend More (RSM)**
Identify 3 reasons why customers should spend more.

Here's how some retailers have successfully addressed these questions:

1. **Reason to Return (RTR)**
To be more than just a drop-by store, customers need clear reasons to return. The more compelling the reason, the more likely they are to return. Retailers often do this by choosing to excel in some of the 6 competitive draws (above). For example: superior quality Produce; customers are always made to feel welcome; or extremely low prices on selected items for regular customers.
2. **Reason to Increase Visits (RIV)**
Having provided customers with reasons to return, the next challenge is to encourage them to return often by providing reasons to increase their visits. One of retailing's most common methods is by offering weekly continuity programs. For example, one major regional retailer has for many years been offering 10 week continuities whereby

customers earned an appealing reward if they spend \$35 in one transaction in 8 of the 10 weeks. Bingo, where customers receive credits for shopping on certain days in the month is another effective approach I have seen. Another reason to increase visits I have seen is having unique shopping days imbedded in customers' minds. Two examples of this include quintuple points on customer spending on the 5th, 15th, and 25th of each month and featuring Wednesdays as Chef's Night Off by offering 75%-off Rotisserie Chicken.

3. Reason to Spend More (RSM)

Long-term promotions and annual "surprise" rewards are two of the most common approaches to encourage customers to spend more. One special promotion in the US covers Memorial Day (last Monday of May) to Labor Day (first Monday of September) which is approx. 100 days—thus its called 100 Days of Summer Festival where points and bonus points are earned on both products and spending at any time and in any amount during that 100-day period. Diverse rewards are offered (with better rewards for the higher spenders) amidst a lot of store hoopla and happiness. A second long-term approach envelopes "surprise" rewards. Each Thanksgiving, instead of requiring customers to "prove" their loyalty (yet again!) one retailer doesn't promote turkeys but sells them at their regular shelf price. However, he sends certificates to customers for turkeys that are free, \$25-off, \$20-off, \$15-off, or \$10-off, based upon the spending loyalty each customer has expressed in the previous 10 months. This program is never announced in advance but customers, year after year, look forward to their "surprise." This approach acts as a wonderful subconscious reminder to customers that loyalty is recognized and rewarded by the retailer but where the customer decides the size of her reward.

Closing Thoughts

Food retailing is not getting easier; it's getting more competitive. Food today is sold everywhere from Amazon to hardware stores. The basis rule for winning is to find (or develop) your strengths that make you different in customers' eyes—that provide them with clear reasons to return; to increase their visits to your stores and website; and to increase their spending. As in most board games, winning means doing some things differently.

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

E: 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

The Loyalty Guide - the complete guide to loyalty marketing - TheLoyaltyGuide.com

Colloquy - customer loyalty news and webinars - Colloquy.com

Loyalty 360 - customer loyalty news and webinars - Loyalty360.org