

## **Waitrose 'The Uncola' Differentiates Again**

### ***Differentiation in a Price-Obsessed Marketplace...***

by Brian Woolf (June 21, 2015)

Waitrose, an upscale UK retailer, last week announced a unique new feature in their myWaitrose card scheme: *Pick Your Own Offers!* Members will now receive a 20% discount on up to 10 items each time they shop. The selection is made from 900-1,000 across-the-board items listed on its website. The program is highlighted as an extra customer benefit; weekly promotions will continue unchanged. From a customer's perspective, it's a pleasant addition that acts as both a reason to return and a reason to increase visits.

#### **The Offer**

Members, existing and new, must visit the myWaitrose website to register for the program and choose up to 10 items on which they would like their everyday 20% discounts. The items listed are clearly and attractively set out, each with a photo and item details, followed by the regular price and the 20%-off price, eg, WAS £3.29, NOW £2.63. The opening screen told me there were 931 items to choose from in these departments: Fresh (317), Food Cupboard (189), Fruit & Veg (113), Dairy & Eggs (98), Drinks (95), Household & Pet (69), Frozen (18), Bread & Cakes (15), Baby (10), and Beauty (7). The offers comprised single, prepackaged (including bags of salad items and chicken breast pieces) and bunched (eg, beetroot) items. Random weight items did not appear, meaning that meat offers were limited (ie, packaged only). The offer range was comprehensive and appeared to include at least one item from all basic categories; it included several sizes of the more popular items (eg, cereals); it offered a choice of Evian, Perrier and Pellegrino; and even beer was there, but no wine. Coca Cola and Pepsi did not appear on the list.

Overall, it was a list that most customers will have trouble choosing their Top Ten. Initial selection making is a slow process: customers will spend 15-30 minutes, and more, making and tweaking their lists. For some, choosing between frequently purchased items (that may be regularly promoted) and slower-moving, higher-priced items may delay decision-making further. Current plans appear to have customers reviewing their lists quarterly.

## **Being Different**

Strategy guru Michael Porter preaches being different trumps being best. In the UK context that means that standing out in the marketplace (unique pricing) as opposed to price-matching, which is what Waitrose's four major competitors (Tesco, Sainsbury's, Asda and Morrison's) are doing in their efforts to be best. Matching one another's prices encourages customers to think there is little difference amongst them on such a major competitive variable.

Waitrose has very cleverly side-stepped that minefield while the others keep lowering prices and, so far, their profits. The price-matchers cannot respond to Waitrose's offer because they don't know which customers are taking advantage of which 20%-off items on an every day basis.

The *Pick Your Own Offer* follows the "Uncola" differentiation begun with the launch of myWaitrose three years ago when, rather than mimicking the typical UK food retailer point-based loyalty program, it offered members' free coffee and a free newspaper (with a modest minimum purchase). It set Waitrose apart; and this new pricing approach does likewise by letting customers choose ten of their own regular specials any time they shop.

## **Risks**

CEO Mark Price indicated this program's objective is to retain and reward loyal customers and persuade them to shop more often and buy more items. Attracting new customers was not mentioned as a primary goal. Although they will be welcomed, that is probably realistic, given the nature of the offer and the nature of Waitrose's overall offer. Price also stated this program is a "gamble" in that they don't know what it will cost but Waitrose thought it to be a risk worth taking given the continuous competitive price cutting by the marketplace majors.

On the positive side, this new program certainly appears as a reward for regular customers and should lessen their inclination to increase their split shopping. It's unclear whether it will encourage low frequency customers to shop more often, unless it is to come in for their chosen "specials" on their way to do the rest of their shopping elsewhere. I could see nothing in the "fine print" about there was a minimum purchase requirement when taking advantage of one's selected 10 discounted items; nor could I find any limitations on how many 20%-off items a member can buy in a transaction, apart from a £250 maximum discount on any order! (Does that mean that a local restaurant owner or cake store can buy eggs for 20%-off without limit, even if it is their only purchase?)

A sales increase obviously is critical to offset the program's expected reduced profit margin.

## **Upside**

One real positive of this unique program is its emotional customer engagement: the involvement of each member choosing which are to be her ten personal discounted prices, memorizing those items (letting Waitrose "own" a part of the customer's "mental real estate"), and her ongoing discussions with friends as what 10 items yield the best value.

A second benefit is the database of members who elected to sign up for the program. Understanding their price sensitivities, spending levels and weekly visits will help refine targeting and pricing opportunities as well as possible segmented enrichment of the program; likewise, the database of higher spending (less price sensitive?) customers who choose not to sign up opens up complementary opportunities.

The third major positive is flexibility. The base of the program has been set but it can, over time, be altered in a number of different directions to reward its regular customers more, its low-spending customers less, and improve overall company economics.

For example, if the program is found to be costing too much (too many low-spending customers taking advantage of it without increasing their total sales noticeably, the list of items could be raised (say, to 12) but offset by a minimum purchase requirement (as is already in place with their free coffee and newspaper). That requirement could be as simple as discounts being available only with a £10 minimum purchase. Alternatively, the number of 20% discounts could be a function of total spending, eg, one available with every £10 spent, with the bottom of the register tape showing how many discounts are unexercised. Pricing refinements are another obvious consideration.

As the best choice of Waitrose's best customers of their promotional preferences are disclosed in this program they become semi-permanent specials and therefore do not have to be in their "weekly special" program. This would open the opportunity for other items to be negotiated for "specials". Or the weekly special offer range could be reduced so that selected members could be electronically offered even deeper discounts (eg, 5 at 20%, 5 at 25% off), based upon their spending levels or other marketing criteria. This would be an additional act of appreciation just to those who provide the company's sales and profit.

Additional options can easily be explored as I suspect were in the planning for this program. The key point is the program has few in-built rigidities and is thus positioned well for the changes and refinements that inevitably lie ahead.

### **End Note**

I hope this new customer-centric, reward-based pricing paradigm will succeed. It could provide the path to more head-to-head pricing differentiation based upon the spending and frequency of each customer and, because of the competitively unknown individual arrangements, push retailers back into competing more on quality, service, choice, and cleanliness. It is a bold experiment that will be well watched around the world.

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## 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.

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