

At Waitrose, Enjoy Every Visit

Your two major competitors have 1% point programs; one has a slogan “Every little helps.” You are introducing a loyalty program: do you copy or differentiate?

by Brian Woolf (August 25, 2014)

Waitrose, the UK’s 6th largest supermarket chain, was confronted with this question as they mulled over the launch of their new loyalty program, *myWaitrose*.

The resultant program suggests they had studied the Uncola Strategy, a great marketing classic from a half-century ago. Then, small 7Up was seeking a way to compete effectively against the two industry giants, Coca-Cola and Pepsi-Cola. Both giants’ products were cola-based; 7Up, with no cola, was a refreshing alternative. So it positioned and advertised itself as the Uncola. It worked. Both recognition and sales grew as 7Up encouraged the market to choose between “them or us.”

Waitrose’s Uncola Strategy

Over the past 18 months Waitrose, an upscale retailer, has unfolded a similar strategy that has resulted in sales and market share gains in an increasingly competitive, price-sensitive marketplace. Rather than copy the two leaders’ (Tesco and J Sainsbury) 1% point rebate programs with their delayed rewards, Waitrose eschewed points altogether, focusing instead on instant gratification. This was achieved with two simple, appealing customer offers: a free cup of coffee (or tea) and/or a free newspaper every day a member shops.

Waitrose, like 7Up before them, helped position these changes in the market’s mind by building upon known existing strengths: 7Up’s Uncola built upon their refreshing alternative taste; Waitrose does it by telling customers, in effect, to “Enjoy every visit” (who wouldn’t with these offers!), an idea that expands upon their existing excellent service and quality. The coffee and newspaper offers also play to customers’ psychological preference for instant gratification. In addition, the newspaper gratification lasts more than a moment. As one astute observer noted: “You leave home to go shopping, come home a bit later, then sit and enjoy your reward for probably a few hours. A newspaper isn’t shelved for later, it’s enjoyed straight away, and for

more than a moment.” These two offers, coffee and a newspaper, are such that they encourage and reward visits to Waitrose. And the offers have proved popular. Indeed, the Telegraph reported (Aug 1, 2014) that Waitrose is now the second largest provider of coffee in the UK (after McDonalds)!

There is no spending requirement to enjoy a free cup of coffee or tea; simply present your myWaitrose card. A newspaper, although free in customers’ minds, requires a minimum purchase along with the presentation of one’s myWaitrose card. There is a £5 (US\$8.45) minimum spend on weekdays and £10 (US\$16.90) on weekends, when newspaper prices are higher. (The exchange rate currently is £1 =US\$1.69).

A third arrow in Waitrose’s loyalty-building quiver that augments these two frequency builders is a lottery with a free entry every time you shop. Each month, a myWaitrose member wins £5,000 (US \$8,450) of free groceries; 10 others receive £500 (US \$845) of groceries. Obviously, the more often you shop each month, the more entries you receive. This offer is another tiebreaker when deciding where to shop.

The coffee, newspaper and lottery offers, combined, provide memorable and practical reasons to increase your visits to Waitrose. Together, they all help customers “enjoy every visit.” There is also sound business acumen behind it: increased frequency leads, surprisingly, to an increase in the average customer’s spending per visit. And increased frequency and spend per visit grows sales! (For an explanation of the spend per visit phenomenon, [see here.](#))

Pricing

Pricing is always a challenge for upscale retailers because their high quality stores and service suggest high prices. This high-price perception appears to hold even if the retailer matches or undersells the shelf prices of competitors. To partly neutralize this perception various approaches are available. One is to offer memorable prices (eg, extremely low, price-image items) and/or benefits (eg, free newspapers).

Waitrose has done both. They now match Tesco’s prices of national brand grocery items (who, in turn, match those of the other major supermarket chains). Waitrose radically cut the prices of their two leading private label items, milk and butter, to the unforgettable price of £1 each. This was originally for members only but has recently been extended to every shopper.

For myWaitrose members, there is a storewide selection of items with a 10% (and sometimes 20%) reduction; members also receive a 10% discount off any Waitrose Cooking School class they attend.

Not only that, Waitrose has announced plans to alert members when some of their favorite items are promoted and to make individualized special price offers from time to time. Both these actions as they unfold will reinforce the reasons why customers will continue to favor the “Uncola” retailer. And, if that isn’t enough, Waitrose also offer competitions (with prizes) for members on its website.

The current myWaitrose benefits can be headlined as follows:

1. Free Tea or Coffee
2. Free Newspaper
3. Lottery each Month
4. 10% Discount off Selected Items
5. 10% Discount off Cooking School
6. Competitions (On-line)
7. Reminders when your favorites are on sale
8. Personalized offers from time to time

Downside to Program

The immediate observation is that the three free frequency builders (coffee, newspaper, lottery) appear to be egalitarian (ie, equal to all shoppers regardless of their total monthly spending). Usually, rewards are structured to be proportionate to spending or even skewed in favor of the higher spenders because they are the customers one most seeks to attract and retain.

The coffee offer is certainly egalitarian and has led to comments in the press about some customers feeling “uncomfortable” with “those just there for the coffee.”

The newspaper offer appears to be egalitarian, but isn't fully. UK newspapers and their prices partly reflect their readers' demographics. It comes as no surprise that the 6 free newspapers offered are those most frequently read by customers in the (top UK) ABC1 demographic group. Conversely, none of the newspapers most often read by the (bottom) C2DE group are included in the free offering. (These findings are drawn from a University of Leicester demographics research paper, 2010.) And even within the ABC1 group and the 6 newspapers offered, those customers who buy the more expensive newspapers (eg, the Telegraph at £1.40 (US\$2.37)) and who are likely to be bigger spenders, do receive a larger percentage discount than the typically lower-spending customers who buy the less-expensive newspapers (eg, the Daily Mail at £0.60 (US\$1.00)). Based on a minimum spend of £5, Telegraph readers receives a 28% discount versus a 12% discount for Daily Mail readers. (Calculation: $£1.40/£5.00 = 28\%$ vs $£0.60/£5.00 = 12\%$.)

The lottery is definitely egalitarian: one entry per transaction, regardless of the amount spent. A lottery based on spending, eg, one entry for every £10 spent in the month, would have been an alternative. But Waitrose was guided instead by the sage adage “simplicity trumps complexity” or perhaps it may have been lottery law constraints. Practically speaking, higher spending customers who are, typically, the most frequent customers anyway, will still end up with more entries; but just not as many proportionately if the lottery was based on customers' total spending.

Keep in mind, however, that these downsides are not major and not permanent. But they are measurable. Unlike a 1% point program, these benefits are structured so that they are readily adjustable or even reversible. The information Waitrose has already gained about the spending

behavior of their Coffee and Newspaper Customers is highly beneficial as they consider refining their array of benefits. For example, Waitrose will have already assessed which customers (and demographics) have taken undue advantage of the benefits without appropriate spending. If excessive, it could easily introduce a £5 (US\$8.45), minimum purchase for a free coffee. Alternatively, if thought appropriate, the free coffee could even be eliminated and its cost transferred to increase lottery prizes. The point is that Waitrose is now set up with a flexible program and supporting data to allow them to refine their program based on sound marketing and economic sense.

Bottom Line

The myWaitrose program is a wonderful example of an Uncola approach to launching a new Loyalty Program. It is:

- Simple
- Different
- Built on previous unique strengths
- Frequency focused, the single best sales builder
- Memorable and, in turn, owns part of the market's mind
- Flexible, allowing future changes without "breaking" commitments
- A well-conceived, emotion-tinged program that provides a solid base for the marketing challenges ahead
- A program that helps customers "Enjoy every visit."

If you wish to learn more of myWaitrose's Uncola approach, program details can be found at ...
<http://www.waitrose.com/home/mywaitrose/mywaitrose ts cs.html>

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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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