



Case study: Waitrose

Private label strategy driving loyalty

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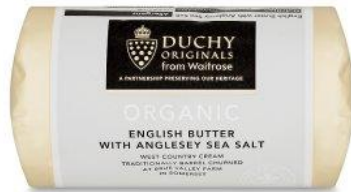
Agenda

- 1 The need to create a clearer architecture
- 2 Following food trends
- 3 Exposing the brand through channels



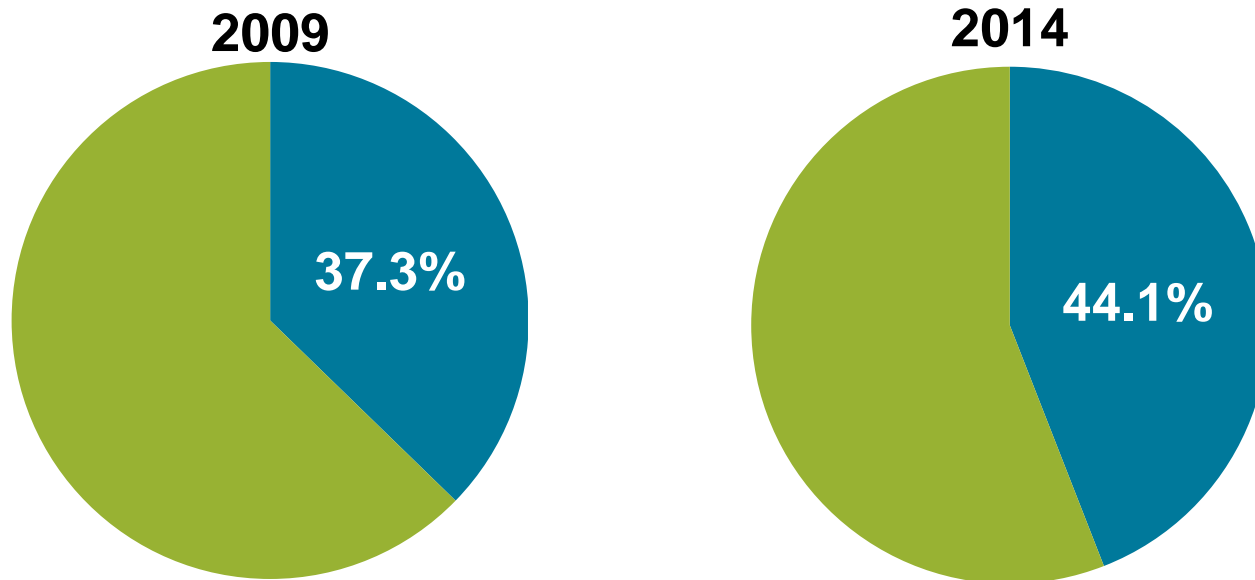


What does Waitrose sell?



Waitrose shoppers love its products

- Significant improvement over the past few years, but how?



"I shop at Waitrose over any other grocer because of its product range"

Source: Verdict Research

An essential rebranding



Where was Waitrose 5 years ago?

- Not in a terrible place
- 3.3% of a competitive market
- 5.4% operating margin
- Affluent and aspirational shoppers
- Strong recognisable brand



Where was Waitrose 5 years ago?

- But there was trouble brewing
- Shoppers habits continued to change
- Downturn continued with no end in sight
- Even the upmarket grocer was not immune



Launching Waitrose essentials

- A huge risk in introducing a lower tier grocery range
- Risk of devaluing the brand
- Competing closer with bigger players
- But Waitrose saw that the market was changing
- Vital to adapt in order to retain business



Launching Waitrose essentials

- March 2009
- 1,450 rebranded own-label products, 450 price cuts
- Strong marketing message supported the launch

Introducing the new essential range from Waitrose.



essential
Waitrose®

Quality you'd expect at prices you wouldn't.

Essentials aids a clear architecture

- Giving the shopper more choice
- Encouraging switching within the store
- Driving loyalty to the Waitrose brand



£3.09 per kg



£5.27 per kg



£5.27 per kg



£7.98 per kg



£9.97 per kg



£10.27 per kg

An essential re-branding

- Essential is not always a value range – though shoppers think it is
- Masterstroke from Waitrose in the face of the competition – now 18% of total sales



20% cheaper – exactly
the same product



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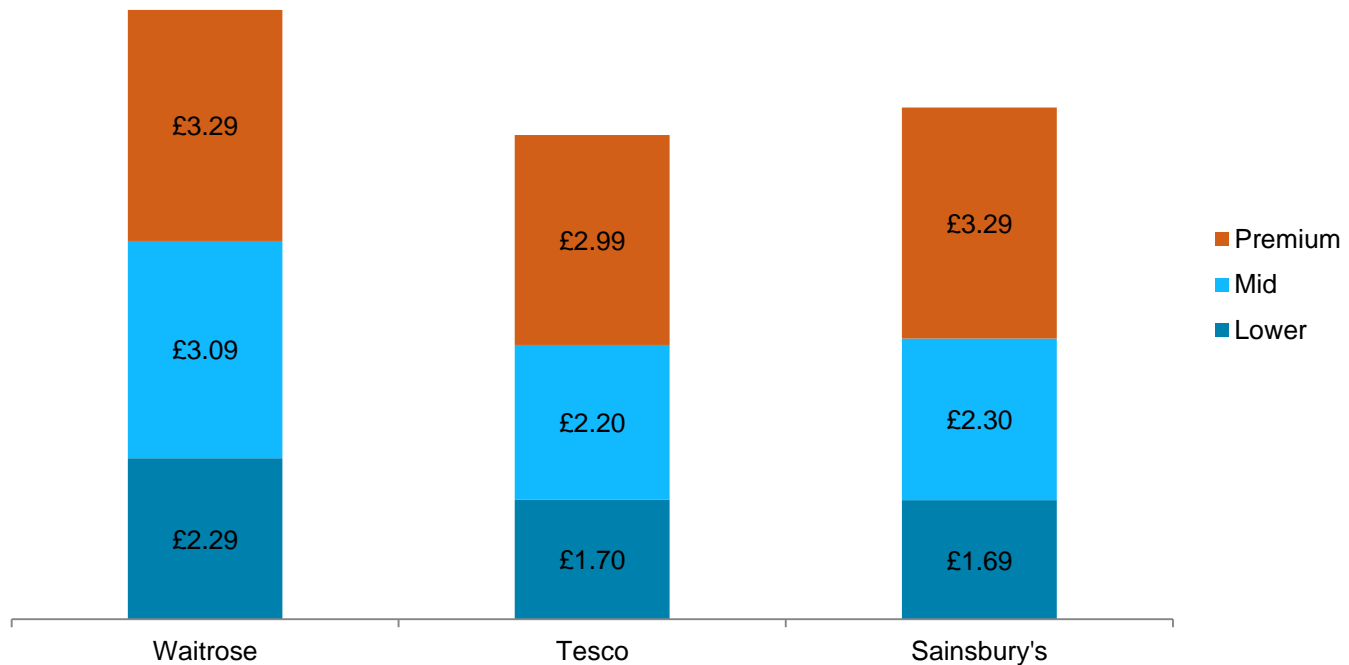


20% cheaper – no
need to trade down



An essential re-branding

- Price positioning still above that of the competition
- Roast and ground coffee...



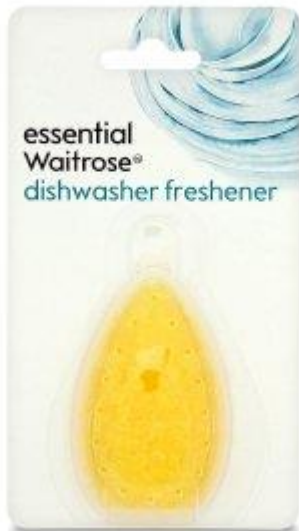
And the Big Four have had to react

- Value range re-launches from Sainsbury's, Tesco Morrisons and Asda



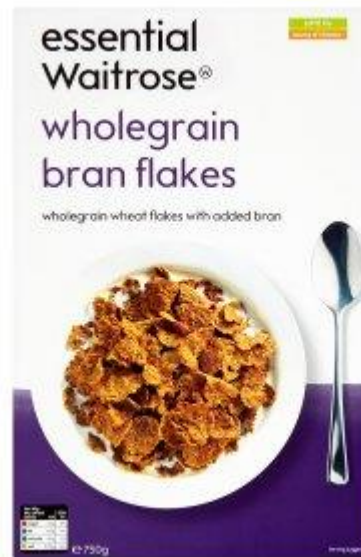
Some products are far from essential

- Not necessarily essential...



But most are everyday items

- **Everyday items that lend well to value**

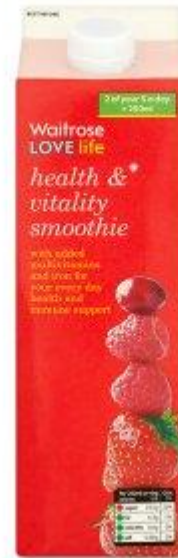


Has essentials worked?

- Now accounts for 18% of total sales
- Waitrose shoppers remain loyal to the retailer
- 44.1% of shoppers use Waitrose for its product range
- Every major competitor has reacted since launch



Following food trends



Following food trends

- **90% of UK consumers are interested in foods which improve general health and wellbeing**
- **45% of these are actively buying these products**
- **Love life has capitalised on this trend**
- **This significant importance placed on health by consumers has made it a success**



Love life adding value

- Embellishments and product enhancements add value for shoppers
- Added benefits and obscure ingredients justify price increases
- Brand extension possibilities...



Love life brand extension

- Appealing to dieters with You count...
- Affluent shoppers choosing Organic
- Dietary requirements fulfilled with Free from...
- Health & beauty crossover with supplements



Following food trends

- **62% of UK consumers enjoy cooking food at home**
- **65% enjoy making new things to eat at home**
- **On average 25% of people are eating out less often than they did previously**
- **Waitrose has followed this trend with Cooks**



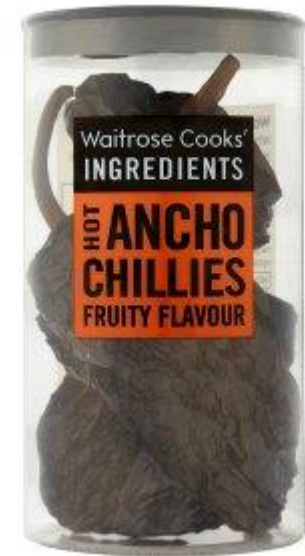
Cooks... following trends

- **Ingredients, homebaking, recipe kits**
- **Empowering shoppers to cook more**
- **Accessibility of obscure ingredients**
- **Capitalising on the scratch cooking trend**
- **Popularity of TV chefs and cooking helps**
- **Makes Waitrose the go to place for ...**



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- **Capitalising on the scratch cooking trend**
- **Popularity of TV chefs and cooking helps**
- **Makes Waitrose the go to place for ... Hot ancho chillies**



Cooks... following trends

- Allows further development and brand extension
- Range of innovative products can be updated regularly
- Flexible and adaptable to current cooking trends
- Innovative launches gain positive PR



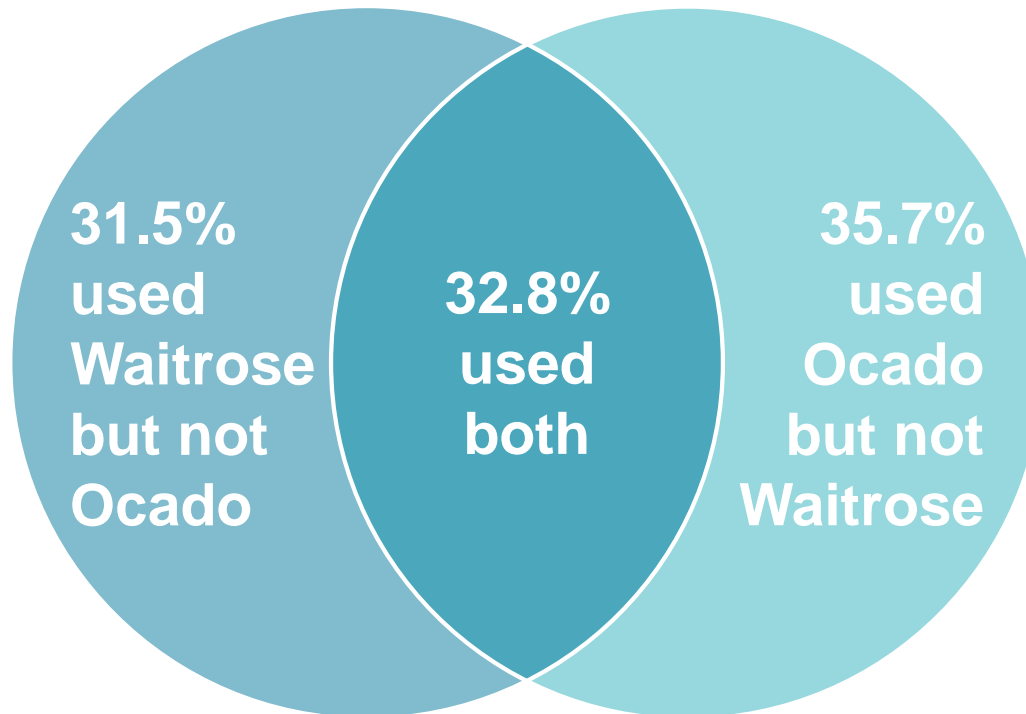
The brand through new channels



The Ocado effect

- Some stats...

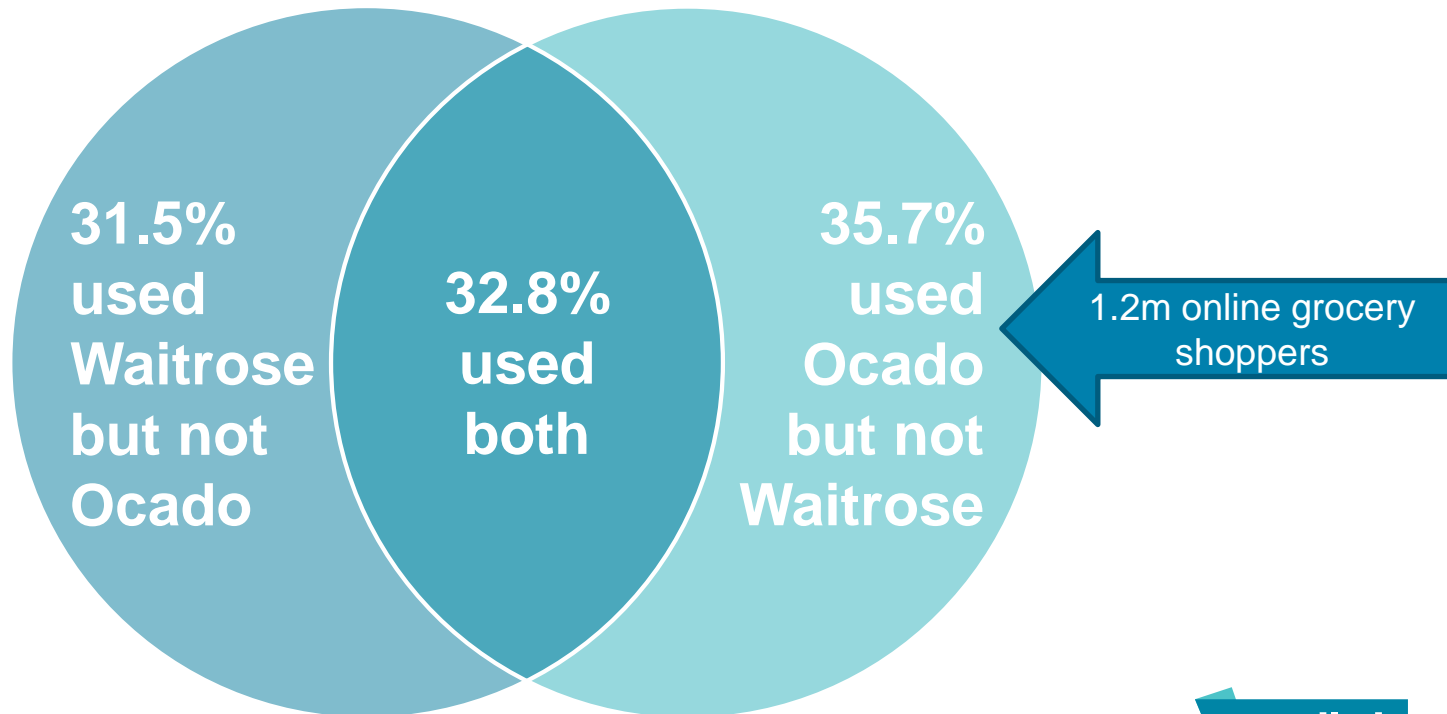
23.3% of all online grocery shoppers use either Waitrose or Ocado, of these:



The Ocado effect


- Some stats...

23.3% of all online grocery shoppers use either Waitrose or Ocado, of these:



The Ocado effect

- Excellent brand exposure with very little risk
- Healthy competition
- Growing loyalty without investing in expansion
- Another retailer's shoppers want your product, a great position to be in

<p>Offer</p>  <p>Life 5d+*</p> <p>Free Range Cumberland Sausages Waitrose 400g</p> <p>Mix & Match: Buy any 2 for £5.50</p> <p>Reviews ★★★★★</p> <p>Last bought: 04/09/13</p> <p>£3.19 Price per kg: £7.98</p> <p>Qty. 1 Add</p>	<p>Offer</p>  <p>Life 3d+*</p> <p>Lean Mince (Typically 10% Fat) Hereford Beef ... 400g</p> <p>Mix & Match: Buy any 3 for £10</p> <p>Reviews ★★★★★</p> <p>Last bought: 04/09/13</p> <p>£4.29 Price per kg: £10.73</p> <p>Qty. 1 Add</p>	<p>Life 4d*</p>  <p>Courgettes essential Waitrose 600g</p> <p>Reviews ★★★★★</p> <p>Last bought: 12/06/13</p> <p>£2.28 Price per kg: £3.80</p> <p>Qty. 1 Add</p>	<p>Life 4d+*</p>  <p>Fresh Sweetcorn essential Waitrose 2 per pack</p> <p>Reviews ★★★★★</p> <p>Last bought: 27/02/13</p> <p>£2.00 Price each: £1.00</p> <p>Qty. 1 Add</p>	<p>Life 3d+*</p>  <p>Free Range Egg Noodles Waitrose 300g</p> <p>Reviews ★★★★★</p> <p>Last bought: 23/07/13</p> <p>£1.00 Price per 100g: 33.3p</p> <p>Qty. 1 Add</p>	<p>Life 4d+*</p>  <p>Cordon Bleu Chicken Kiev Waitrose 320g</p> <p>Reviews ★★★☆☆</p> <p>Last bought: 04/09/13</p> <p>£4.69 Price per 100g: £1.47</p> <p>Qty. 1 Add</p>	<p>Offer</p>  <p>Life 3w+*</p> <p>essential Waitrose salted dairy butter</p> <p>Buy any 3 for £3.50</p> <p>Reviews ★★★★★</p> <p>Last bought: 04/09/13</p> <p>£1.32 Price per kg: £5.28</p> <p>Qty. 1 Add</p>	<p>Life 4d+*</p>  <p>Mixed Peppers essential Waitrose 3 per pack</p> <p>Reviews ★★★★★</p> <p>Last bought: 23/07/13</p> <p>£1.75 Price each: 58.3p</p> <p>Qty. 1 Add</p>
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International exposure

- Low risk strategy for expanding the brand
- Exposure to new customers, both domestic and foreign



International exposure

- Exporting products across the globe – 48 countries
- Stores in Channel Islands, Dubai, Bahrain, Abu Dhabi
- Reaching out to expat affluent shoppers
- Partnerships limit risk and reduce costs while simultaneously increasing scale
- Quality perception makes Waitrose an attractive partner for international retailers



International exposure

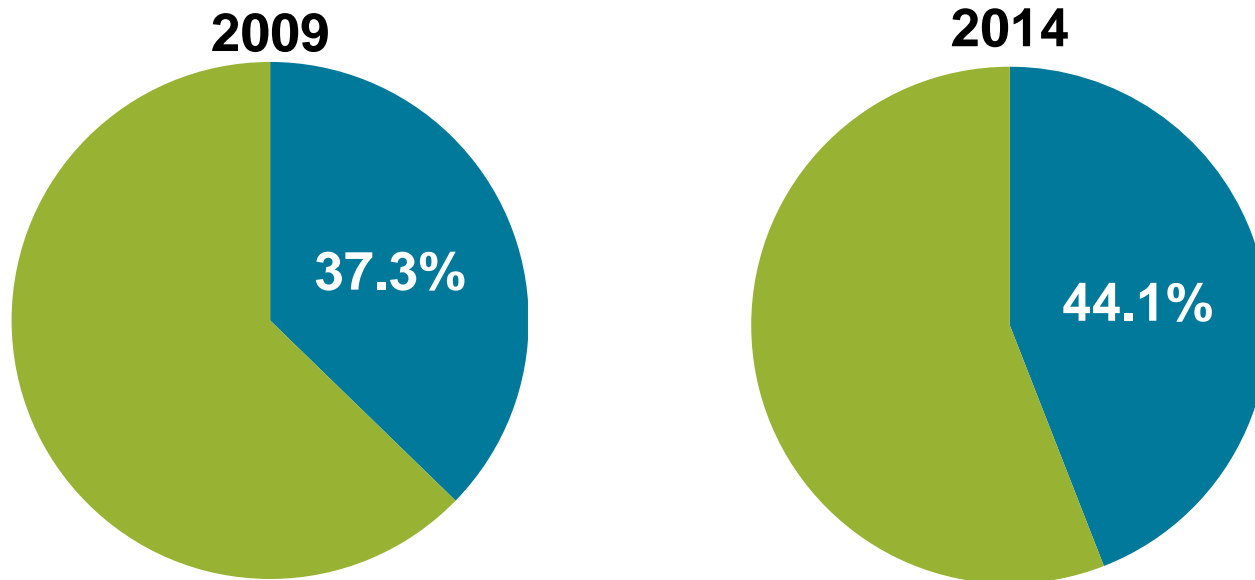
- **BREAKING NEWS!**
- **Waitrose announced this morning a partnership with Fruit & Veg city in South Africa**
- **Now exporting to 50 countries around the globe**
- **Presence on every continent**



FOOD LOVER'S MARKET

Summary – does it work?

- More people shop at Waitrose because of range now than they did in 2009



"I shop at Waitrose over any other grocer because of its product range"

Source: Verdict Research

Summary – does it work?

- More people shop at Waitrose because of range now than they did in 2009
- Essential now accounts for 18% of total sales



Summary – does it work?

- More people shop at Waitrose because of range now than they did in 2009
- Essential now accounts for 18% of total sales
- Lower tier groceries increasing loyalty
- Architecture allows shoppers to trade up and down
- Waitrose approach can react to current food trends
- Private labels encourage embellishment and diversification – justifying price increases
- Exposure through multiple channels raises profile





Thank you

If you have any questions regarding our research or would like more information on our service offering, please contact astevens@verdict.com

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