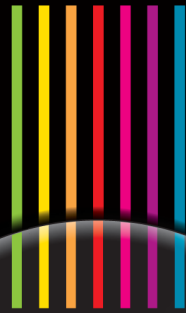


# MARKETING EXCELLENCE 2

Waitrose

Transforming performance through  
perceptive brand extension



MARKETING  
SOCIETY

AWARDS FOR  
**EXCELLENCE**

in association with  
**Marketing**

# About The Marketing Society



## **INSPIRING BOLDER MARKETING LEADERSHIP**

The Marketing Society is a not-for-profit organisation owned by its members, with over 2500 senior marketers. Over the past 50 years it has emerged as one of the most influential drivers of marketing in the UK business community.

The Society challenges its members to think differently and to be bolder marketing leaders by supporting the development of leading-edge thinking, and promoting the evidence of effective marketing. The Society does this through the Marketing Society Awards for Excellence; its publications Market Leader, Our Week and rich online Knowledge Zone; a national programme of world-class events; innovative professional development, such as the annual Marketing Leaders Programme; and extensive on-and-offline networking opportunities.

[www.marketing-society.org.uk](http://www.marketing-society.org.uk)

# Foreword

By Roisin Donnelly,  
President of The Marketing Society

## What is marketing excellence?



Roisin Donnelly  
President of  
The Marketing Society  
Corporate Marketing  
Director and Head of  
Marketing at Procter &  
Gamble UK and Ireland

Marketing excellence can drive breakthrough business results for the short and long term. Marketing excellence requires great strategic thinking, great creative thinking and perfect execution.

But how do we assess *marketing* excellence? First we choose brilliant industry judges who are all experienced and successful practitioners of excellence and we ask them to pick out the cases which they see as remarkable. We ask them to look for two key qualities from our winners: creativity and effectiveness.

But marketing continuously changes and evolves, as consumers become more sophisticated and demanding and the media for communicating with them ever more diverse. So the standards for marketing excellence change and in turn become more demanding.

We believe that The Marketing Society Awards for Excellence in association with *Marketing* set the standard of marketing excellence in the UK. They have established this reputation over a period of

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# Waitrose

## Transforming performance through perceptive brand extension

### Snapshot

The food retailer's new 'essential' brand saw Waitrose combine quality and value to deliver dramatic growth despite the recession.

### Key insights

- When the recession hit Waitrose realised that having its brand synonymous with quality food and ethical principles could be in danger of driving price-conscious shoppers away.
- Its new value range struck precisely the right note by offering Waitrose quality at affordable prices.
- Outdoor advertising had a key role to play in getting the message to the high street.

### Summary

Waitrose is the food retailing arm of the John Lewis Partnership, one of the UK's most successful and trusted companies. But the recession which began in 2009 presented a big challenge for the retailer because its brand was so closely associated with quality food and a strong ethical stance. The risk was that its stores would become an infrequent 'nice to do' visit rather than a vital 'need to do' because consumers were tightening their belts.

However, a new brand – essential Waitrose – found exactly the right tone for an upmarket supermarket's first value-led proposition. In spite of concern that a 'value' range from Waitrose would undermine its premium credentials, a bold marketing initiative, a strong product offering and a stylish brand identity delivered the most impressive results in Waitrose's history.

By the end of 2009 the 'essential' brand accounted for 16% of total sales, with sales of individual products running on average 17% ahead of previous levels. And, at a time when total grocery market growth was slowing, the launch spurred the business as a whole into growth.

## Recession begins to bite

At the start of 2008, Waitrose was thriving. Having for many years enjoyed a reputation as Britain's best quality supermarket, it had recently announced ambitions to double the size of the business within ten years. Opening its doors to a broader audience with marketing that proclaimed, 'Everyone deserves quality food', it promised to open up a world in which quality food was the norm and not the exception.

Then, in the autumn of 2008, recession arrived. Overnight, price became a priority. In a mature market, where growth was being driven by inflation rather than volume, retailers could not afford to lose shoppers to competitors. Discount and money-off became the dominant voice of the competition.

Consumers' attitudes changed too. The psychological impact of the recession stretched further than the direct financial impact. While only a minority of shoppers had seen a reduction in their income, almost all felt the need to rein in spending. The spirit of the age made being thrifty a priority and careful spending a must. Waitrose shoppers talked of responding by trying to maintain their premium spend at Waitrose, but switching their non-treats to lower-

priced alternatives by shopping around for deals on packaged staples and expanding their repertoire to include more discounters.

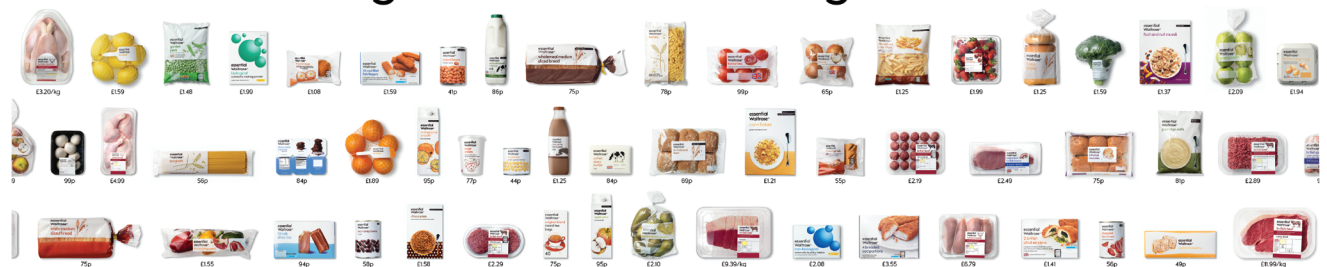
This new-found emphasis on thrift posed significant problems for Waitrose. Even when not suffering the effects of a recession, many believed that Waitrose was primarily for special occasions, not every-day shopping. They simply saw Waitrose as beyond their budget.

It was critical, therefore, to find a compelling way of 'marketing' value. But the business could not afford to compete on price alone. Indeed, brand devotees would be rankled if it did. So, a definition of accessible, affordable quality was required — and one that could be populated with a fresh brand which would not damage the 'genius' of Waitrose.

## A perfect storm of opportunity

In March 2009 the business launched essential Waitrose: a new brand with 1,400 staples such as meat, tinned tuna, eggs, jam, biscuits, milk and pasta, as well as household cleaning products, and all at affordable prices (Figure 1).

## Introducing the new essential range from Waitrose.



**essential**  
**Waitrose®** | Quality you'd expect at prices you wouldn't.

Figure 1. The new range

Given the timing of its launch, it was seen by many as a rapid response to recession. In truth, the idea of a quality-driven 'value' brand had been conceived some time earlier. Its inception was the result of business concern about how accepted Waitrose was for 'everyday shopping'. Tackling this misconception head on had been a live issue for many months previously. As a retailer intent on widening its appeal, Waitrose was aware that it did not have a clearly signposted, 'value-tier' offering. An affordable, accessible brand would be critical if commercial ambitions were to be realised and British shoppers to connect with the belief that: 'Everyone deserves quality food'.

By developing a consistent design for its own-brand goods, it sought to create a new brand offer that would be more easily recognised across the store.

Clearly, the recession injected a sense of urgency into this project. After all, such a brand could now offer recession-influenced shoppers a way of behaving more price-consciously. Business foresight, marketing authorship and recessionary context had thus delivered a perfect storm of opportunity. Nonetheless, the launch of essential Waitrose raised eyebrows across the industry and among consumers — would this work or, instead, be perceived as pretence?

## Assessing the risks

This brand launch came with risk attached, as is inevitable with all brand launches. But the risk was made more acute on the basis of first, the recession and secondly, the parent brand's premium association with loyal consumers. Specifically, Waitrose might be seen to be 'chasing the pack' and mirroring the discounter tactics of its rivals but being the last to do so. Its hard-won reputation for food leadership would be hard to regain if it was seen to be throwing it away with a knee-jerk reaction.

Further, research had shown that Waitrose customers liked their stores just as they were. They did not want to see the brand go downmarket or change. But the business realised how imperative a re-orienting of association would be if 'essential' was going to work and attract back lapsed or infrequent shoppers.

There was a risk, too, that introducing a 'value' range could damage Waitrose's impeccable quality record. A brand which only nine months previously had pronounced that it would never sell a 2p sausage could well be seen as compromising in order to compete. Marketing had to reassure people of the quality of the essential range and its commitment to strong ethical principles. This was critical. While the full brand range was competitively priced, pricing was not structured to compete with rivals' more basic economy ranges.

## Defining value

Despite these challenges, the competitive context offered the store an opportunity to talk differently about the concept of 'value'. Recession had ushered in wave after wave of price messaging in a marketing environment in which value brands spoke only about price. In contrast, essential Waitrose offered a more holistic definition: not cheap, in the traditional sense, where shoppers assume and accept a level of compromise on quality, or the classic value-for-money trade-off. Rather, Waitrose would present a values-for-money transaction where 'values' stood for affordable, accessible Waitrose.

The business believed that this definition would cut through the marketing clutter. For its broadest customer base, essential would appear not to — because it didn't — compromise. 'Quality' and 'affordability' could — feasibly — co-exist and succeed in recessionary Britain.

By designating the new brand as 'essential', and not 'value' or 'basics', Waitrose ensured that existing customers would feel at ease with the new venture. And, by building stylish quality cues into a packaging design that borrowed from the simple white visual vernacular of 'value', Waitrose ensured that customers understood that this was not the 'dumbing down' of a premium brand.

## A simple but elegant debut

The new brand was given a pared-back identity, with product packaging transparent wherever feasible. Design was kept pure and had an elegance to complement the parent brand's upscale association (Figure 2). Sophisticated and simple, essential Waitrose reached out beyond packaging and fixture to feature at natural touchpoints like the checkout as well as within the glossy confines of the magazine *Waitrose Food Illustrated*.



Figure 2. The new design

Effort was taken to cross-promote too, so that shoppers would appreciate that they could purchase from solely within the essential brand when they shopped at Waitrose for their usual products.

In keeping with the 'spare' spirit of this brand, above-the-line advertising was unashamedly straightforward and devoid of creative conceit so as not to obstruct this distinctive definition of value. All communication was underpinned by a simple statement of fact as an end-line: "Quality you'd expect at prices you wouldn't" (Figure 3).

Overall, marketing both within and outside the store, including online, sought to convey a sense of affordability and quality combined to announce the arrival of this universal, inclusive brand. These measures were vital if Waitrose was to compete within the realm of value-led grocery while not reneging on its high-street heritage or status. The desired response was that shopping at Waitrose could, once more, be the main grocery shop.

### Making media the message

Media planning was important in 'democratising' the brand. Outdoor media took it out onto the street, appearing in situations where 'everyday' food decisions were made, such as en route to supermarkets, during the commute, on high streets and so on. The new 'essential' brand invited a wider audience to experience Waitrose more often. And, by selecting high profile "impact" sites — backlit, premium-located and grand scale (including Europe's largest poster) — the brand was able to reinforce not just quality cues, but brand stature too.

Importantly, by using a channel rarely used by the grocery category (4% of spend in 2009), essential delivered the cut-through needed to rise above the

crowd. Meanwhile, TV gave Waitrose coverage among a core demographic of ABC1 housewives with children and was scheduled to influence people's 'end of week' shop.

Press showcased the new brand through a variety of 'media firsts' and innovative formats. Online investment also enabled this new brand to intercept consumers when they went looking for inspiration for meals.



## The essential breakfast.

essential Waitrose®  
orange juice smooth  
Smooth orange juice 95p

essential Waitrose®  
8 sausages made from prime cuts of outdoor bred British pork 99p

essential Waitrose®  
rashers of bacon from outdoor bred British pigs £2.49

essential Waitrose®  
9 free range eggs £1.94

essential Waitrose®  
Quality you'd expect at prices you wouldn't

Please contact all items at prices you wouldnt      waitrose.com/essential

## The essential fish and chips.

essential Waitrose®  
4 breaded cod portions from sustainable sources £3.55

essential Waitrose®  
Straight cut oven chips from British potatoes £1.25

essential Waitrose®  
British garden peas, frozen within 2 hours of picking £1.48

essential Waitrose®  
Zesty lemons £1.59

essential Waitrose®  
Quality you'd expect at prices you wouldn't

Please contact all items at prices you wouldnt      waitrose.com/essential

## The essential tea time.

essential Waitrose®  
8 tempting crumpets 60p

essential Waitrose®  
Salted dairy buffer from British cows 84p

essential Waitrose®  
2 pints of semi skimmed milk from carefully selected British dairy farms 86p

essential Waitrose®  
40 tea bags from an original blend of teas including Kenyan and Assam 75p

essential Waitrose®  
Quality you'd expect at prices you wouldn't

Please contact all items at prices you wouldnt      waitrose.com/essential

## The essential chilli con carne.

essential Waitrose®  
British minced beef from carefully selected farms £2.89

essential Waitrose®  
Chopped lined tomatoes from Puglia, Italy 56p

essential Waitrose®  
Plump red kidney beans 58p

essential Waitrose®  
Easy cook long grain rice 68p

Now with over 1000 everyday essentials in store.

essential Waitrose®  
Quality you'd expect at prices you wouldn't

Please contact all items at prices you wouldnt      waitrose.com/essential

## The essential roast dinner.

essential Waitrose®  
Whole British chicken reared to high welfare standards £3.20/kg

essential Waitrose®  
British garden peas frozen within 2 hours of picking £1.48

essential Waitrose®  
British potatoes £1.38

essential Waitrose®  
British carrots 89p

Now with over 1000 everyday essentials in store.

essential Waitrose®  
Quality you'd expect at prices you wouldn't

Please contact all items at prices you wouldnt      waitrose.com/essential

## The essential casserole.

essential Waitrose®  
British beef stewing steak from carefully selected farms £3.49

essential Waitrose®  
British carrots 89p

essential Waitrose®  
British parsnips £1.69

essential Waitrose®  
Tender green celery 78p

essential Waitrose®  
British onions 65p

Now with over 1000 everyday essentials in store.

essential Waitrose®  
Quality you'd expect at prices you wouldn't

Please contact all items at prices you wouldnt      waitrose.com/essential

Figure 3. Examples of advertising

## Getting the right result

Given the context, the launch of essential Waitrose produced the most impressive results Waitrose had ever seen.

First, it was one of the most talked-about initiatives of the year. *The Guardian* noted that Waitrose had “defied gloomy predictions that it would lose to cheaper rivals as the recession took hold”. *The Grocer* said that “The essentials strategy has clearly worked... consumer response has been overwhelmingly positive”, *Just Food* hailed Waitrose as ‘The Comeback Kid’ and, in December, *Marketing* magazine placed essential Waitrose at No.3 — the highest placed brand — in the Top 10 marketing moments of 2009.

The response from competitors was flattering too. Sainsbury’s, for example, produced an identikit campaign for its ‘basics’ range. When Marks & Spencer retaliated by comparing its own ‘value’ products with essential Waitrose, it “well and truly backfired”, according to *Management Today*.

Awareness of the new brand rose to 83%, while the correlation between ad awareness and trial saw consistent growth for all shopper types.

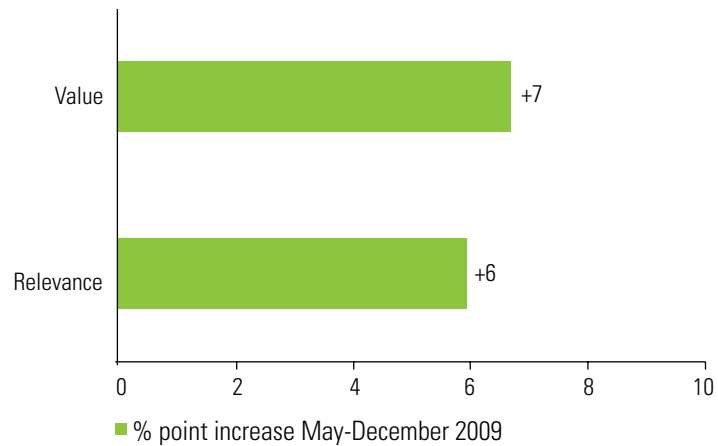


Figure 4

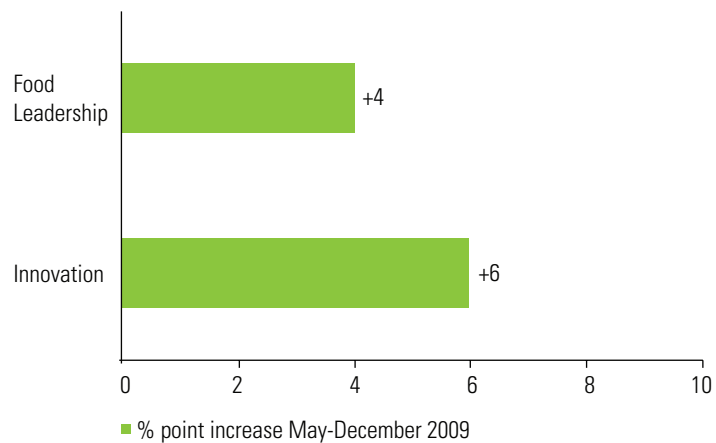


Figure 5

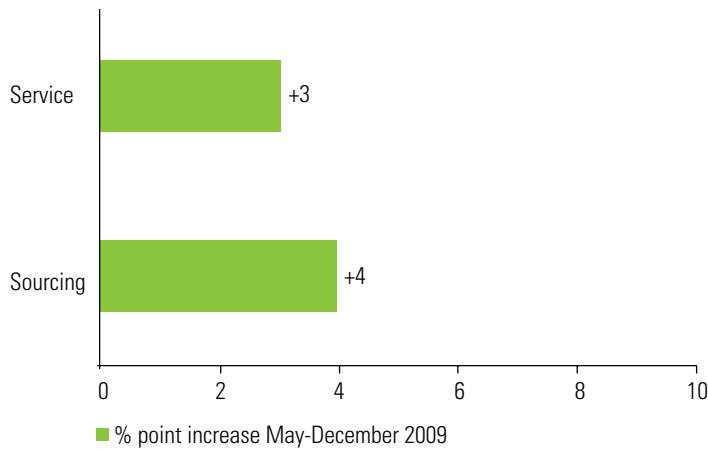


Figure 6



Figure 7. Waitrose growth has improved after launch of Essentials, whilst total market growth continues to slow down.  
Source: TNS

Purchase intention, too, strengthened with recognition of the advertising campaign, with 64% saying they are “more likely to purchase from Waitrose”. Levels of brand attribution — which had at times been lower for Waitrose in a category where it was outspent by competitors — were the highest ever seen, with 88% of those who recognised the advertising correctly identifying it as being for Waitrose.

Additionally, brand perceptions improved significantly with 69% of shoppers feeling ‘a little or much better about Waitrose’. Value perceptions also increased by 7%. Significantly, at a time when it had never been more threatened, Waitrose gained relevance too, as Figure 4 highlights.

Figure 5 shows that perceptions of food leadership and innovation increased demonstrably. Impact even filtered through to perceptions of service and sourcing, as Figure 6 illustrates. Most significantly, at a time when total grocery market growth was decelerating, the launch of essential drove the whole business into growth, with total sales up 14.6% by the end of November 2009 (Figure 7).

By the end of 2009 the brand accounted for 16% of total sales, with sales of products within the essential range running, on average, 17% ahead of previous levels. And, while some of this sales contribution came from existing shoppers ‘trading down’, nearly 60% came from new shoppers or from existing shoppers adding essential Waitrose products to their repertoire.

## Estimating the return

The launch of essential Waitrose saw the company enjoy its most successful year ever, increasing total sales by 14.6%, or nearly £600 million, and enjoying its best-ever Christmas.

Given that essential was the only initiative to flow through all marketing channels during this phase, it is fair to credit the brand with dramatic commercial effect. Annualized incremental sales of essential lines alone were £80 million, or £60 million after accounting for cannibalization. This equated to a 7% uplift.

Waitrose would expect an uplift of approximately 5% from pricing reductions. Its business could, therefore, credit 2/7 (28.6%) of the £60 million uplift to advertising alone—in other words, £16.8 million. Applying a standard FMCG industry ratio, the business estimated that its long-term gain (£16.8 x 2½ ) was £42 million.

In respect of payback (applying an industry average profit margin of 32%, which provided an incremental profit of £13.4 million minus the £4.7 million campaign media spend) a net profit of £8.7 million delivered £1.85 for every £ 1 invested. Given the total growth of the business, this figure, more than likely, underestimates the real contribution of essential Waitrose.

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# MARKETING EXCELLENCE 2

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