

Waitrose Delivery

Revenue Management & Pricing Optimization

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Waitrose Delivery

1. Company Overview and Challenges

Waitrose is a British supermarket retail chain that operates 329 supermarkets as of 2023 (Statista, 2023). Waitrose is known to cater to a more affluent customer base and has a relatively small market share in the UK grocery industry. It faces stiff competition from major players, including discount retailers, who have a significantly larger presence in the market. As a result, Waitrose is currently lagging in the competition. Although the brand has its strong points, it has not been able to secure a spot in the top 10 retailers in the UK (*Appendix 1*), and its e-commerce revenues are approximately 5 times less than that of Tesco (*Appendix 2*), with a declining number of shoppers on a yearly basis (*Appendix 3*). These statistics emphasize the importance of enhancing the brand's visibility.

In addressing this challenge, improving the Waitrose app and website delivery services emerges as a strategic move. This shift can significantly boost brand recognition and foster customer loyalty, thereby contributing to a notable increase in revenues. Supporting this strategy, a recent 2022 Spryker survey found that 60% of UK consumers buy some groceries online, with 16% doing most food shopping online (Morell, 2022; PYMNTS, 2023).

2. Current Delivery Solutions

Waitrose currently offers delivery options that vary by location, with a 1-hour delivery window for £3-£4 and a more flexible 4-hour delivery window (Saver slots) for £2 that is applicable to particular locations (*Appendix 4*), with the minimum order value for online deliveries is £40 (Waitrose, 2023). Waitrose food can also be ordered through Deliveroo and Uber Eats for the corresponding platform services and delivery fees.

Waitrose offers a membership program called MyWaitrose, which provides benefits such as exclusive offers and discounts, and dry-cleaning services (Waitrose, 2023). However, these benefits do not apply to delivery fees.

3. Competitor Analysis

We conducted a comprehensive analysis of Waitrose main competitors, focusing on their delivery pricing strategies. Tesco, Sainsbury's and Morrisons, a part of retailer group known as the 'big four' in the grocery retail sector, were included in our study based on their dominant market presence (Statista, 2023). In addition, Marks & Spencer became a suitable competitor for analysis due to its direct competition with Waitrose, which is primarily due to similarities in market positioning and customer segmentation (Financial Times, 2022). An important note about Marks

& Spencer is that the company operates its grocery deliveries through the online grocery platform, Ocado, of which M&S has been a joint owner since 2019.

The tables below (Table 1) show the delivery packages offered by Tesco, Sainsbury's, Morrisons, and Marks & Spencer, each consisting of two options: standard delivery and delivery passes. Starting with Morrisons, the standard delivery prices vary depending on the chosen time slot — morning, afternoon, or evening. Meanwhile, Sainsbury's standard delivery prices are based on both the order cost and the available time slots. Similarly, M&S Food charges a minimum fee of £2.99 and a maximum of £6.99 for orders less than £75. Moreover, M&S (Ocado) offers a 25% discount on the first £60 spent and free deliveries for 3 months. In the case of Tesco, the standard delivery cost ranges between £3 and £7, based on the customer's location.

Morrisons	6:00am – 12:30pm	£3.5- £6.5
	12:00pm – 6:30pm	£2- £6
	6 pm- 11:30 pm	£1.5 - £3.5
Sainsbury's	Orders <£40	£7
	Orders >£40	£1 -£5.50
Marks & Spencer	Orders< £75	£2.99- £6.99
Tesco	Standard Delivery	£3- £7

Morrisons			
	1 month	6 months	12 months
Anytime (7 day) Pass	£8	£45	£70
Midweek (Tuesday - Thursday) Pass	£5	£25	£40
Sainsbury's			
Anytime (7 day) Pass	£7.5	£43	£80
Midweek (Tuesday - Thursday) Pass	£4	n/a	£40
Marks & Spencer / Ocado			
Anytime (7 day) Pass	£8.99	£49.99	£89.99
Midweek (Tuesday - Thursday) Pass	£3.99	£22.49	£39.99
Tesco			
Anytime (7 day) Pass	£7.99	£47.94	£83.88

Table 1: Competitor's Standard Deliver Pricing (top) and Delivery Pass Pricing (bottom)

In addition to standard delivery costs, a minimum order price is also a consideration. At Sainsbury's, the minimum basket requirement is £40. Additionally, customers have the option to select '£1 Saver Slots' for a 4-hour delivery window, with costs ranging from £1 to £3. At Tesco, the minimum order is £50, and there is an additional £5 charge for delivery orders for the baskets

below £50. Morrisons and M&S both have a minimum basket requirement of £40, offering a one-hour time slot for delivery. Competitor's Delivery Pass offers are as follows in Table 2.

4. Improved Strategy to Enhance Waitrose Grocery Deliveries

Based on conducted analysis, we recommend implementing a revised pricing strategy for Waitrose's grocery deliveries with the aim of maximizing revenue and increasing brand recognition. We propose implementing a dynamic pricing strategy to align with varying demand patterns throughout the day. This entails establishing non-peak and peak prices that resonate with customer demand and their willingness to pay. Additionally, we introduce the MyWaitrose Delivery Pass initiative, designed to cater to customers' diverse grocery delivery preferences. Two types of passes are offered: MyWaitrose Delivery Anytime and MyWaitrose Delivery Midweek. 'Anytime' enables customers to receive one delivery per day at any time of the day for all seven days of the week and is classified as a peak-demand product, providing customers with flexibility. 'Midweek' pass allows the same but only on Tuesdays, Wednesdays, and Thursdays. It is considered a non-peak-demand pass. Both offer three time periods, namely, 1 month, 6 months, and 12 months.

5. Price Optimisation Initiative

5.1. Methodology

Our study employed a utility-based choice model to simulate consumer behaviour for Waitrose's home delivery service, considering willingness-to-pay (WTP) during peak and non-peak hours across weekdays and weekends. We generated a sample of 1000 consumers, assuming their WTPs follow a normal distribution to bypass the lack of real-world data. We then constructed a nonlinear demand function incorporating the mean and standard deviation of the WTP data to illustrate the relationship between price and demand. Next, through iterative computation, we identified the price points that maximize daily revenue. To extrapolate our findings to Waitrose's online delivery customer base of 1.918 mln (14% Waitrose share of deliveries, total of 13.7 mln customers) (John Lewis, 2023; Statista, 2023), we applied a scaling factor, providing an estimate of Waitrose's potential daily gross revenue.

5.2. Results

The analysis of Waitrose's simulated delivery data revealed distinct willingness-to-pay (WTP) distributions for weekdays and weekends (Figure 1). As outlined in Table 3, the optimal pricing strategy suggests setting the non-peak delivery price at £3 and the peak price at £4.8 on weekdays, leading to an estimated sample revenue of £7,656.11. For weekends, the suggested optimal non-peak and peak prices are £3.5 and £5.8, respectively, with a sample revenue of £9,193.51.

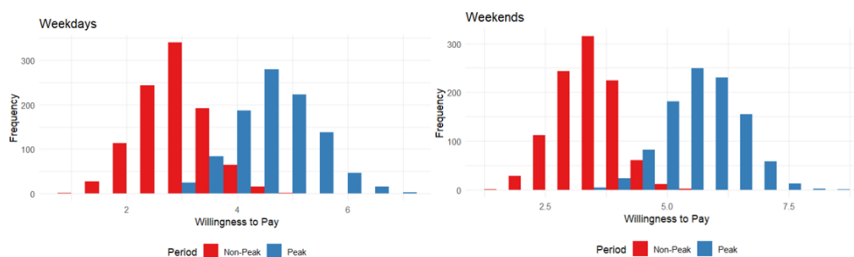


Figure 1: Histogram of WTPs for Weekdays and Weekends

When scaled to the entire population, assuming 70% of customers utilise non-pass delivery options and online channel accounted for 14% of sales in 2023 (Appendix 5), the projected daily revenues from deliveries are roughly £5.14 mln for weekdays and £6.18 mln for weekends (Table 2). The current pricing strategy with the flat price of £3 for the customer base of 1.918 mln (14% of 13.7 mln customers) yields £21.32 mln for the entire week (total 2023 sales 7310 mln converted to weekly and multiplied by online sales share) (John Lewis, 2023; Statista, 2023).

Segment	Optimal Non-Peak Price	Optimal Peak Price	Sample Daily Revenue	Population Daily Revenue
Weekdays	£3	£4.8	£7,656.11	£5.14 mln
Weekends	£3.5	£5.8	£9,193.51	£6.18 mln
Weekly				£38.06 mln

Table 2: Optimal Delivery Pricing and Revenue Estimates

6. MyWaitrose Delivery Pass Initiative

6.1. Methodology

We applied a simultaneous pricing strategy with the objective of identifying optimal prices for delivery passes. WTP values range from 1 to 1.5 times of market average, considering the premium positioning of Waitrose. We then constructed linear regressions to identify the effect of incremental price changes on demand and introduced the constraints, including the requirement of prices taking value rounded to .99. Next, through iterative computation separately for each time period, we identified the price points that maximize the revenue for the sample.

MyWaitrose Delivery Pass			
	1 month	6 months	12 months
Anytime	£8.99	£53.99	£75.99
Midweek	£4.99	£22.99	£39.99

Table 3: MyWaitrose Delivery Pass Pricing

6.2. Results

For Anytime Passes, the suggested optimal 1-month, 6-month, and annual prices are £8.99, £53.99, and £75.99, respectively; for Midweek Passes – £4.99, £22.99, and £39.99, respectively. When scaling to the entire population, we assume that 30% of online delivery customers utilise

passes, with 50% of those choosing monthly passes, 25% – bi-annual, and 25% – annual (Table 3). Thus, we get the following projected weekly revenues derived from the initiative: roughly £0.64 mln for monthly passes, £0.32 mln – for 6 months, and £0.23 mln – for annual. Hence, the MyWaitrose Delivery Pass initiative adds £1.19 mln to weekly revenues from online deliveries while considering various time periods to suit any customer (Table 4).

Segment	Weekly Revenue 1-month Pass, million	Weekly Revenue 6-month Pass, million	Weekly Revenue Annual Pass, million	Weekly Revenue from All Passes, million
MyWaitrose Delivery Pass	£0.64	£0.32	£0.23	£1.19mln

Table 4: Optimal Delivery Pricing and Revenue Estimates

7. Recommendations

We recommend that Waitrose implement dynamic pricing for delivery services, differentiating between peak hours (5 to 8.30 am, 6 to 10 pm) and off-peak hours (8:30 am to 6 pm, 10 pm to 5 am), with separate pricing structures for weekdays and weekends. Moreover, we propose My Waitrose Delivery Pass initiative, offering 2 types of passes with 3 time periods each. This approach can better align delivery charges with customers' willingness to pay, potentially increasing revenue, while leveraging consumer behaviour insights to refine Waitrose's delivery pricing and revenue generation, aligning with market demand and customer value perception, and bringing £39.25 mln in revenues weekly as compared to £21.32 mln that the current product and pricing strategy delivers. We can observe a substantial increase when employing a new strategy, underscoring the potential profitability of dynamic pricing models for delivery services tailored to demand fluctuations.

8. Limitations and Further Improvements

We have obtained and compared revenues for Waitrose's online delivery services based on simulated data that might not depict Waitrose business accurately. Our study also assumes that the consumer WTP is normally distributed, but there may be deviations in the real world. For future research, the limitations of the demand interdependence between prices and the potential nonlinear price sensitivity suggest the need for more refined models, such as machine learning, as well as real-world data utilisation. In extending our findings, we assume that the behaviour of the entire population is consistent, ignoring market segmentation, location dependence, and saturation effects. Further research should segment consumers to tailor pricing more accurately and validate against larger, more diverse data sets to ensure external effectiveness and mitigate the risk of sub-optimal pricing decisions due to unconsidered market dynamics. Finally, the proposed strategy implies future real-time adjustments in response to market changes.

9. References

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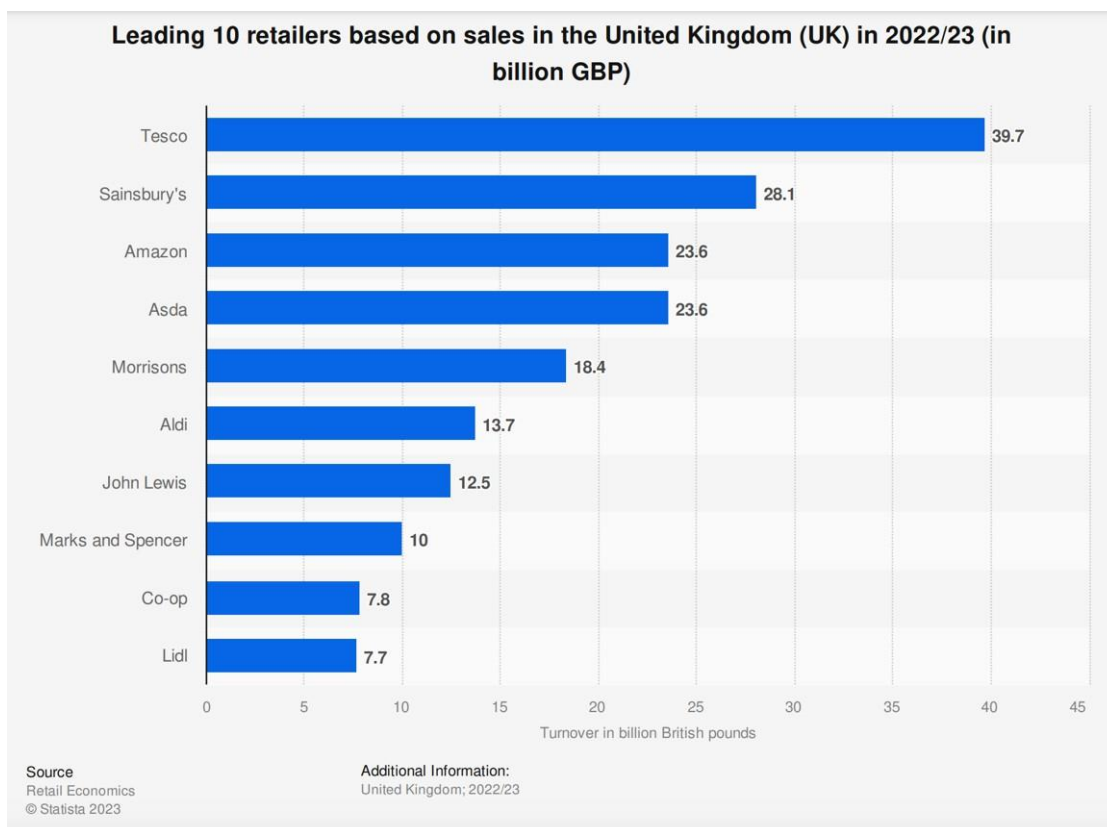
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10. Appendices

Appendix 1. Leading UK Food Retailers

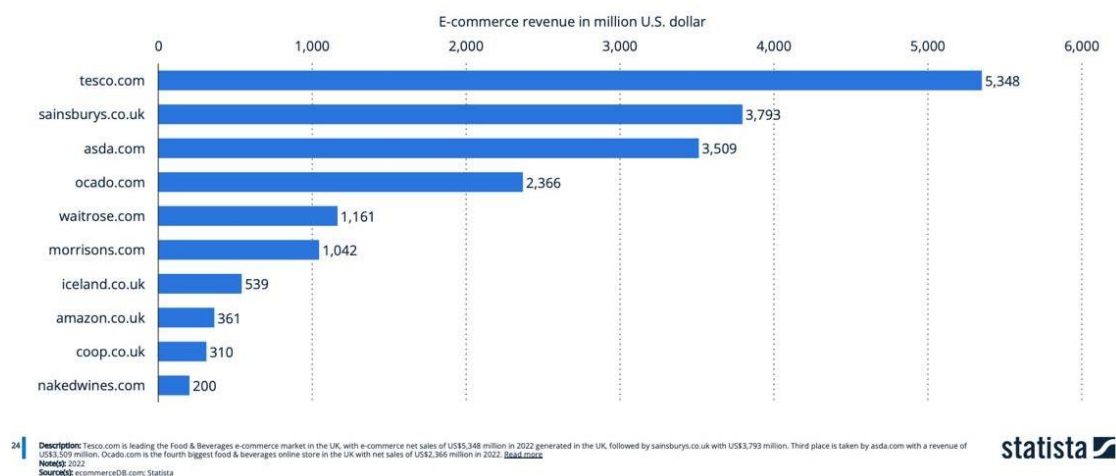


Source: Statista (2023).

Appendix 2. Leading UK Food Online Retailers

Leading food & beverage online stores in the United Kingdom in 2022, by e-commerce net sales (in million U.S. dollars)

United Kingdom: Top 10 food & beverages online stores 2022

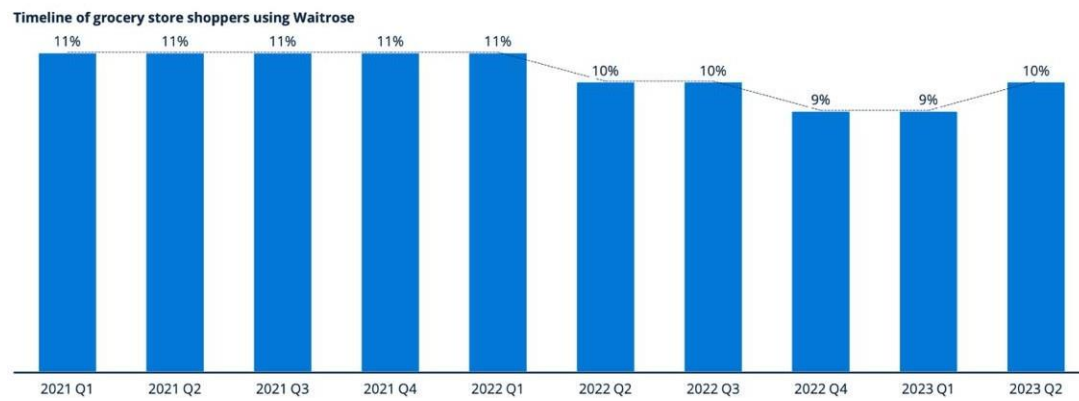


Source: Statista (2023).

Appendix 3. Waitrose Market Share

The share of grocery store shoppers using Waitrose declined by 1 percentage point since Q1 of 2021

Management summary: brand usage timeline



Source: Statista (2023).

Appendix 4. Current Pricing Strategy of Waitrose Delivery

Choose your slot

1 hour Christmas Saver New

Perfect if you need delivery within a 1 hour window. On the day, we'll text you when the driver is close

Previous View calendar Next

	Wed 29 Nov	Thu 30 Nov	Fri 1 Dec	Sat 2 Dec	Sun 3 Dec
5 - 6am	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable
6 - 7am	Fully booked	Fully booked	Fully booked	Fully booked	Fully booked
7 - 8am	Fully booked	£4	£4	£4	£4
8 - 9am	£4	£4	£4	£4	£4
9 - 10am	£4	£4	£4	£4	£4
10 - 11am	£4	£4	£4	£4	£4
11 - 12pm	£4	£4	£4	£4	£4
12 - 1pm	£4	£4	£4	£4	£4
1 - 2pm	£4	£4	£4	£4	£4
2 - 3pm	£4	£4	£4	£4	£4

Choose your slot

1 hour Christmas Saver New

Great value if you can be more flexible. On the day, we'll text you an estimated delivery time

Previous View calendar Next

	Wed 29 Nov	Thu 30 Nov	Fri 1 Dec	Sat 2 Dec	Sun 3 Dec
5 - 6am	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable
6 - 7am	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable
7 - 8am	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable
8 - 9am					
9 - 10am	£2 8am - 12pm	£2 8am - 12pm	£2 8am - 12pm	£2 8am - 12pm	£2 8am - 12pm
10 - 11am					
11 - 12pm					
12 - 1pm					
1 - 2pm	£2 12pm - 4pm	£2 12pm - 4pm	£2 12pm - 4pm	£2 12pm - 4pm	£2 12pm - 4pm
2 - 3pm					

Choose your slot

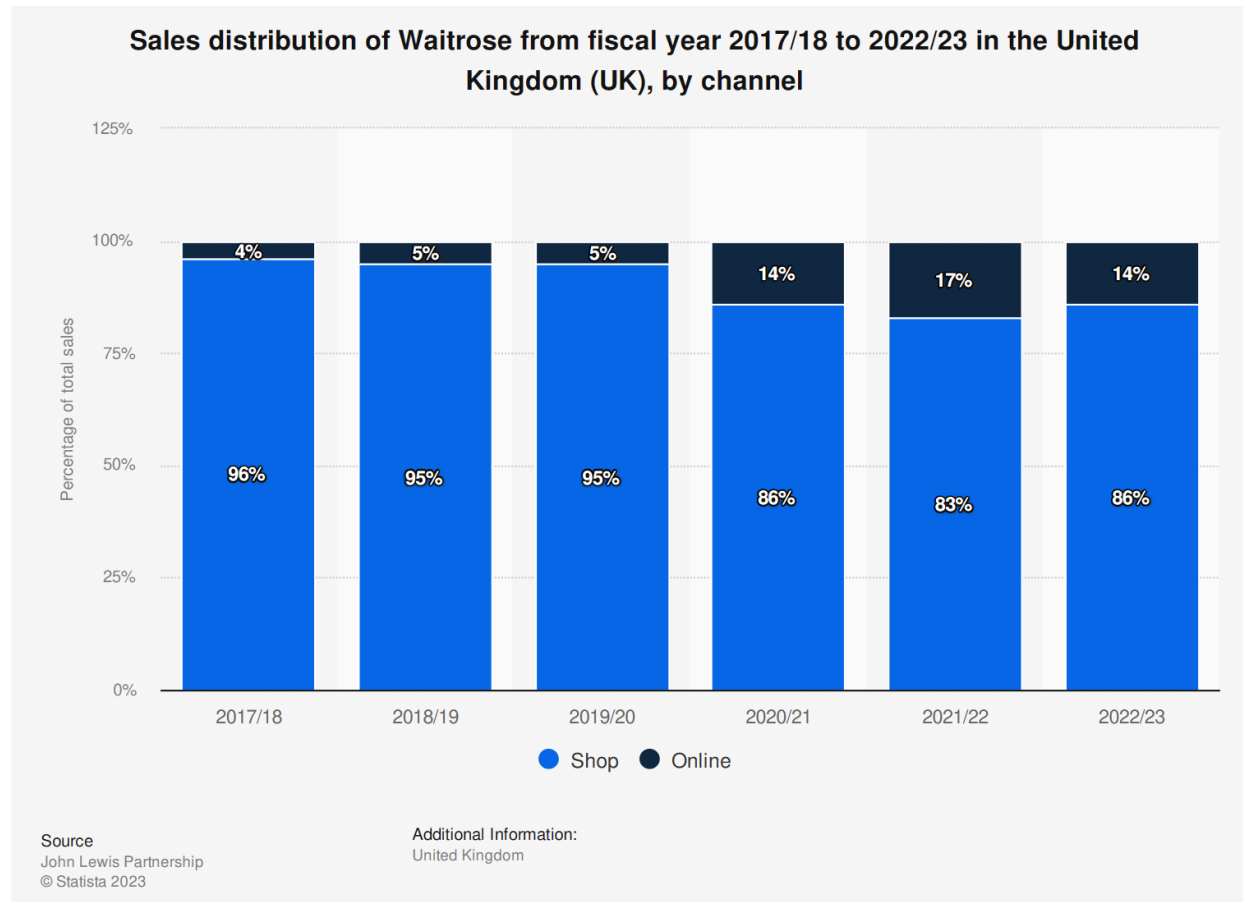
1 hour Christmas

Previous View calendar Next

	Fri 8 Dec	Sat 9 Dec	Sun 10 Dec	Mon 11 Dec	Tue 12 Dec
5 - 6am	Fully booked	Fully booked	Fully booked	Fully booked	Fully booked
6 - 7am	Fully booked	£3	£3	£3	£3
7 - 8am	£3	£3	£3	£3	£3
8 - 9am	£3	£3	£3	£3	£3
9 - 10am	£3	£3	£3	£3	£3
10 - 11am	£3	£3	£3	£3	£3
11 - 12pm	£3	£3	£3	£3	£3
12 - 1pm	£3	£3	£3	£3	£3
1 - 2pm	£3	£3	£3	£3	£3
2 - 3pm	£3	£3	£3	£3	£3
3 - 4pm	£3	£3	£3	£3	£3
4 - 5pm	£3	£3	£3	£3	£3
5 - 6pm	£3	£3	£3	£3	£3
6 - 7pm	£3	£3	£3	£3	£3
7 - 8pm	£3	£3	£3	£3	£3
8 - 9pm	£3	£3	£3	£3	£3
9 - 10pm	£3	£3	£3	£3	£3
10 - 11pm	Fully booked	Fully booked	Fully booked	Fully booked	Fully booked

Source: Statista (2023).

Appendix 5. Waitrose Sales Distribution by Channel



Source: Statista (2023).