

Creating Sustained Competitive Advantage

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COMPANY DESCRIPTION

Battery World is a retail franchise network that sells car batteries and other portable power devices in Australia. Its parent company, Century Yuasa, is an affiliate of GS Yuasa International Ltd, which is listed on the Tokyo Stock Exchange. This case study is based on a strategy developed by the Townsville franchise owner and its subsequent scaling up across the entire network



THE OPPORTUNITY

The Townsville store had been closed for four months when the franchise was acquired by Greg Leslie and reopened in July 2005. There were at least ten stores selling car batteries, all clustered in the same auto strip. Greg initially tried conventional marketing approaches to increase the awareness of his business and sales, however the market was so competitive that he found it difficult to differentiate his offering from others. He sensed that a recycling program might hold the answer.

- How could Greg differentiate his business and create a stronger value proposition than his competitors?
- Even if he were to do this successfully, could he create a sustained advantage in his market?

THE STRATEGY

Car batteries are 99% recyclable and carry a positive value in the recycling market, whereas depleted household batteries are a liability because there is a cost associated with accredited disposal. Greg sensed that his community wanted to increase its recycling rate but lacked a means for doing it. His research suggested schools would be a good engagement point.

- Household battery recycling bins were placed both in his store and in the schools that agreed to be part of the program
- Greg spoke at school assemblies and provided educational materials to complement their science curricula
- The program helped engage and empower school children to recycle batteries, and they advocated for the Battery World brand
- Combined with a raft of positive media, foot traffic increased markedly through his store

The foot traffic converted into sales, more than offsetting the disposal cost of the household batteries. The strategy worked by improving productivity in the value chain - because Greg was able to enhance the positioning of his brand and increase sales. The extra revenue outweighed the costs incurred.

RESULTS – VALUE FOR BUSINESS AND SOCIETY

Within two and a half years of acquiring the franchise, Greg's store became the top performer out of 70 stores in the country. The managers of the franchise network took a keen interest in his approach as it coincided with their desire to show greater product stewardship.

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It led to the implementation of a minimum in-store recycling requirement and several options for establishing their own school engagement initiatives. Beyond the minimum or entry-level requirement of having a bin in-store and promoting the curricula tools, the storeowner has an intermediate option of putting collection bins in schools and running an education program; and a higher level option that includes a competition with prizes for battery collection per head of capita.

Social outcomes:

- The local government benefits from lower levels of contaminated waste and recovery management costs
- Battery World stores, in total, engaged with 224 schools nationally in 2014
- In the 2012/13 financial year, battery recycling across the entire network amounted to 36 tonnes of household batteries and 1,880 tons of car batteries
- As a result, metal recovery is higher and there are emissions savings because recycling is much less energy intensive than primary production

Business outcomes:

- Foot traffic increased in Greg's store from the time he launched the initiative
- His store recorded 20% rolling annual sales growth for two years after the launch date
- Direct competitors have not responded with any competing initiatives involving household batteries
- The strategy has been successfully scaled up across the network and the brand is recognized as a steward of the products it sells
- Forty percent (40%) of stores are engaged at some level with one or several schools

LESSONS LEARNED, CHALLENGES AND OUTLOOK

Since scaling up, Battery World has partnered with MobileMuster - the Australian mobile phone industry's official stewardship program - to expand recycling and school engagement initiatives.

It should be noted that Greg and Battery World did not consciously formulate their strategy with shared value principles in mind - it emanated from a desire to improve business performance. The fact that it happened to embody the shared value concept is perhaps no coincidence.

Being a hindsight review, there were data limitations with respect to understanding the full extent of social and business benefits. This is a challenge for the entire small-medium business sector - the cost of establishing baseline data would often be prohibitive.

In recent years, the Battery World franchise network has won national awards for business innovation and social responsibility due to its battery-recycling program. There were several learning points both for Greg and the franchise network management along the way:

- Schools were a natural and productive engagement point because there was no conflict of interest to manage
- Smaller stores may find it harder to take on and implement the full recycling program, as they have less manpower available to them to build and manage relationships with schools
- New franchise operators are advised to roll out their programs slowly and assess ongoing performance before increasing their reach, because there is always risk that recycling costs exceed the margin on the sales growth achieved

A competing, but limited, household battery recycling initiative has since been launched by a supermarket chain and, to date, is collecting lower volumes than Battery World.