



Brief case 30

THE SPELL CAST BY LA BRUJA DE ORO LOTTERY OFFICE

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La Bruja de Oro (The Golden Witch) is a lottery office that distributes and sells tickets for the different national lotteries organised in Spain. Spain's national lottery organisation, *La Sociedad Estatal de Loterías y Apuestas del Estado*, is the sole entity authorised to manage this business. In 2020, it had a commercial network of 55 regional delegations and more than 10,500 points of sale nationwide (over 4,000 offices dedicated exclusively to the sale of lottery and assorted draw-games – referred to as the Basic Network – and more than 6,500 affiliated establishments – the Complementary Network).

La Bruja de Oro's core business involves the distribution and sale of Lottery "participaciones", which are shares of a ticket, usually one-tenth. This product is seasonal, and is largely concentrated around the Christmas campaign, when the year's two biggest draws, "El Gordo" (The Fat One, on 22 December) and "El Niño" (The Child, on 6 January) are held. A lottery ticket is a product with two significant features that affect its marketing: standardisation and strict regulation of its terms and conditions of sale. Firstly, the product is uniform; each ticket or "participación" sold through outlets or online is identical, except for the actual number, and has the same chances of winning. Furthermore, each ticket costs the same, and the government sets the price. These features restrict a lottery vendor's ability to define a competitive strategy, as, in principle, it cannot pursue price leadership or product differentiation.

The lottery office called La Bruja de Oro is in Catalonia, specifically in Sort, which means "Luck" in Spanish. It is a small town of 2,154 people in the province of Lérida in the Pyrenees. In 1986, the year the current owner, Xavier Gabriel, was granted his official licence, annual lottery sales in the district of Sort amounted to 59,000 euros. Thirteen years later, in 1999, La Bruja de Oro's sales had reached 21.03 million euros, making it the highest-grossing office in Spain and surpassing the popular Doña Manolita office near the Puerta del Sol in Madrid. It has held this position of leadership since then, and its annual lottery sales in 2015 amounted to 61.1 million euros, representing 0.7% of Spain's total.

There are two reasons for this transformation: first, since 1994, it has distributed over 3,207 million euros in winnings, including thirty large prizes, which include three "jackpots" in the Christmas Lottery and four first prizes in the "Niño" draw on 6th January. The second has been the owner's development and ongoing tweaking of a skilful commercial and communication strategy, which has led to a spectacular increase in sales, making a name for itself both at home and abroad. These circumstances have meant that punters now associate this establishment with luck.

In terms of its commercial strategy, this involves the goals of making, maintaining and consolidating La Bruja de Oro as the "number one office in Spain". Its stamp appears on all the tickets, the "décimos", the office sells, which are delivered in bright, attractive individual envelopes bearing the office's address and contact details.

Besides this approach involving the product itself, the strategy also includes other aspects: firstly, the use of multiple sales channels specifically based on new technologies: in 1995, it became the first to sell lottery over the internet, accounting for 86,7% of its turnover in 2016. It also has an active presence on social media, with profiles on Twitter, Facebook, and Instagram – and in September 2013 became the first to sell lottery tickets through Twitter and since the end of 2012 it has had an app for smartphones for





the purchase of lottery; secondly the specific design and provision of Christmas lottery tickets for companies; thirdly, the product's customisation for specific groups ("Gay Luck" gay lottery, "Culé" lottery for Barcelona F.C., lottery for "the Theatre") and the personalisation of numbers for specific customer profiles (postcode, car registration numbers, etc.); fourthly, involvement in prestige brand advertising with a major market presence (La Caixa, Gas Natural, etc.); finally, the commercial exploitation of La Bruja de Oro's own brand and designs is heading in the same direction and seeks to increase the offer of exclusive products in food and fashion through the "*Despensa de la Bruja de Oro*" (La Bruja de Oro Larder) and "*El armario de la Bruja de Oro*" (La Bruja de Oro Wardrobe) sold through its website and a franchise called Nyam!, which opened its first outlet in Madrid in November 2013.

This commercial approach is combined with a powerful strategy in advertising, communication and public relations, which is mainly channelled through the appearances made by Xavier Gabriel in the press, radio and television and the generation of the business's "free" promotion in the media (Gabriel as the first Spanish "space tourist", sponsorship of the Spanish first division basketball team "La Bruixa d'Or Manresa" (2013-2015), and the introduction in November 2013 of a "Guinness" type record for people invoking luck in 2013).

Thanks to this commercial strategy and a helping hand from "luck", Xavier Gabriel has managed to cast a spell on the lottery his office sells. This strategic asset is intangible, differential, and extremely valuable, arousing positive, gratifying individual and collective emotions. This asset has generated a significant competitive advantage by associating luck with the sale of lottery tickets from his office. This means that in the minds of the office's millions of customers, La Bruja de Oro has become a "privileged intermediary" between them and the prizes.

Whereby driven by the hope of winning, thousands of people buy "their lottery" over the internet, and so strong is the stimulus they experience that there are hundreds who actually make the journey to Sort -more than 300,000 in 2012-, drawn by this "spell" its owner has managed to cast. They thus show, through the trip they make to the town, queuing up and the amount they spend on buying a "product" that objectively is the same as the one they could buy at another lottery office, their willingness to purchase something more than a few tickets (décimos) or increase their chances of winning. They take away a source of excitement that will make them feel enchanted at having played the lottery through the "Lotería de la Bruja de Oro" and raised their hopes of living the dream.

In recent years, Xavier Gabriel and *La Bruja de Oro* have been in the news for their opposition to the Catalan independence movement, prompting the company to move its corporate headquarters and investments to Navarre and its fiscal domicile to Madrid in October 2017. With regard to its commercial strategy, over-the-counter sales have suffered as a result of the restrictions imposed by the COVID-19 pandemic, so the office has reinforced its presence on the internet, where besides updating the website to provide new services, it has revamped its mobile app, adapting it to smartphones and increasing its functionality, and is now looking to attract a younger customer profile to ensure its continuity in the future.

Question: Analyse the resources and capabilities behind La Bruja de Oro, its competitive advantage, and the possibility of upholding that advantage over time.

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