

Strategic Analysis of Whole Foods

Company Facts

Whole Foods Market, Inc. is a natural and organic foods supermarket chain that competes with local, regional, national, and international conventional and specialty supermarkets, natural food stores, farmers' markets, and restaurants. The company operates in one segment which is the natural and organic foods supermarket segment. Their top competitors include Safeway, Winn-Dixie Stores, Wal-Mart, The Kroger Co., and Trader Joe's ("Whole Foods Market, Inc."). The key competitive advantage Whole Foods has in the market landscape is that they offer a broad selection of perishable foods for consumers and their dietary needs.

Whole Foods currently operates in the U.S., Canada and the UK and is headquartered in Austin, Texas. According to "Whole Foods Market, Inc.," the company operated 399 retail stores, 381 of which were located in the 42 U.S. states and the District of Columbia, nine in Canada, and nine in the UK as of 2014. They have 11 regional distribution centers which mainly distribute a full range of perishable products to its stores across the U.S., Canada and the UK. Also, the company has three regional commissary kitchens (which they use to store equipment and necessities) and five bakehouse facilities, all of which distribute products to the company's stores ("Whole Foods Market, Inc.").

The company incorporates more than 2,600 natural and organic products under its store brands which include Whole Foods Market, 365 Everyday Value, Allegro Coffee, Whole Paws and Whole Catch ("Whole Foods Market, Inc."). They purchase their products from local, regional, national, and international wholesale suppliers. They own one produce procurement center, they operate three seafood processing and distribution facilities, and they operate a specialty coffee and tea procurement and roasting operations ("Whole Foods Market, Inc.").

Strategic Focus and Plan

Mission Statement

“With great courage, integrity and love – we embrace our responsibility to co-create a world where each of us, our communities and our planet can flourish. All the while, celebrating the sheer love and joy of food” (“Our Core Values”). Whole Foods is a mission-driven company that aims to set the standards of excellence for food retailers. Along with their mission statement, they have several core values that include selling the highest quality natural and organic products available, satisfying the customers, and serving and supporting local and global communities.

Vision Statement

Whole Foods has a vision of future sustainability, and it goes beyond just organic foods. They promote and encourage shoppers to reduce waste, reuse packaging, and recycle every day which means that they have a vision of a sustainable future that will benefit future generations in that they will be living in a world that values “human creativity, diversity, and individual choice” (“Our Core Values”).

Core Competency and Competitive Advantage

“The core competency of Whole Foods is, put very simply, food” (Kowitt 77). Unlike most supermarkets who try to carry everything anyone could possibly want, Whole Foods puts its focus on natural and organic foods that have no artificial colors, flavors, or preservatives and this is where the store has a competitive advantage over its competitors. Its competitive stores like Wal-Mart are wired for only distribution, warehouse and logistics and not so much on customers or a vision for healthy food. Their management team has organized the company to stock only the best and healthy items in their store that appeal to the many consumers who are demanding organic products. “Today Whole Foods has a list of 78 banned ingredients” (Kowitt 77). Their management team even demands that its suppliers list on their packaging all the ingredients, even though the federal law doesn’t mandate it.

Key Officers

Position	Name	Key Responsibilities	Educational and Work Experience	Comp.	Skills
Co.CEO	John P. Mackey	-Determine and communicate the organization's strategic direction. -Oversee and deliver the company's performance.	-University of Texas and Trinity University -Co-founder of Whole Foods (Arlidge).		-Technical -Interpersonal -Conceptual -Diagnostic -Communication -Decision-Making -Time Management
Co.CEO	Walter Robb	-Build and observe the culture of the company. -Provide the proper resources for the company.	-Entrepreneurial history in natural foods (<i>Whole Foods Market</i>). -Currently serves as a Director at The Container Store.	2,742,520 USD	-Technical -Interpersonal -Conceptual -Diagnostic -Communication -Decision-Making -Time Management
COO	A.C. Gallo	-Responsible for the daily operations of the company.	-Held positions at Bread & Circus (Arlidge). -Been a COO since 2010.	2,790,806 USD	-Technical -Diagnostic -Communication -Time Management
CFO	Glenda Flanagan	-Facilitating all organizational parts to reach common performance objectives.	-Member of the board of directors for Whole Foods Market's 3 foundations (Arlidge).	2,017,947 USD	-Technical -Interpersonal -Diagnostic -Decision-Making

SWOT Analysis

Internal Environment	Strengths	Weaknesses
Marketing and Sales	Broad product offerings	Product recalls
Operational Efficiency	Focused growth strategy	Weak international presence
Financial Performance		Increasing rental expenses
External Environment	Opportunities	Threats
Competitors	Increasing demand for organic products	Intense competition
Regulators	Increasing popularity of private labels	Stringent regulations
Customers	Growing pet spending in the U.S.	

External Environment

Over the years, there has been a rising awareness about the importance of organic and natural foods and the growth is expected to continue. With this in mind, Whole Foods must focus on the external components of its competitors, regulators, and most importantly its consumers in order to sustain success. These three factors are the most critical to the company because they determine how well the company will function in

the long-run and if ignored, then other stores will emerge and take sales away from the company. For instance, more and more consumers are demanding organic products and if not enough attention is placed on those products, then key competitors like Kroger will step in and take their customers away. Also, private food label sales have increased by 3% in 2014, but Whole Foods needs to constantly be aware of regulations because its stores and products are subject to several laws and regulations that could result in penalties if the company fails to comply (“Whole Foods Market, Inc.”).

Whole Foods’s management team is addressing their opportunities remarkably. They offer natural and organic foods for special dietary needs in the U.S.; they offer more than 2,600 products under its store brands and in 2014 they accounted for 18% of its non-perishable sales and 13% of its total retail sales; and they provide a variety of choices to pet owners regarding different feeding habits like gluten-free and grain-free (“Whole Foods Market, Inc.”). However, they are not addressing their threats as well as their opportunities. Some of their competitors have greater financial and marketing resources than the company and as a result companies like Safeway have generated more revenue than Whole Foods.

Internal Environment

Whole Foods’s internal strengths and weaknesses deal with their marketing and sales, operational efficiencies, and financial performance. The company is the largest seller of natural and organic foods in the U.S. and the seventh largest public food retailer (“Whole Foods Market, Inc.”). They offer differentiated products with a strong emphasis on perishable foods and they focus on expansion through new store openings in existing trade areas and well as new areas. These strengths are very attractive to millennials and as demand is growing for more organic products, Whole Foods will become a common store for many in the future.

However, there are weaknesses that the company needs to be addressing. They have recalled products like raw macadamia nuts, cumin spice, peaches along with others (“Whole Foods Market, Inc.”). These product recalls affect the image of Whole Foods and as a long-term consequence, this will lead to low customer satisfaction and low brand loyalty which could have a huge effect on their margins in the future. Along with product recalls, the majority of Whole Foods’ revenues come from the U.S. and not so

much from Canada and the UK. The U.S. accounted for 96.7% of revenues whereas Canada and the UK accounted for only 3.3% (“Whole Foods Market, Inc.”).

Competition is high in this industry and if Whole Foods want to sustain its success in the future, they need to start focusing on international presence.

Goals and Objectives

- Invest in a comprehensive customer-tracking technology to boost sales.

Compared to its competitors, Whole Foods has a relatively low revenue of \$14,194 million than its rivals like Safeway that generated revenues of \$36,330.2 million in 2014 (“Whole Foods Market, Inc.”). The prices to attain Whole Foods’s products are a bit higher than their competitors, however, it’s not the price of the products that matter, but it’s the brand. Shoppers pay for the price of the name and the quality of Whole Foods’s products. In order to boost sales then, Whole Foods needs to invest in a program that tracks what products customers buy the most and supply more of those and find what products customers buy the least and supply less of those. This will reduce the cost of supplying least popular items and increase sales from the most popular ones. Not only that, but managers will be able to get a better understanding of what products satisfy their customers the most.

- Expand and open up more stores, not just in the U.S., but also in Canada, the UK and other international areas.

Whole Foods was once the only name in organics but now heightened competition is making it harder for the company to have high sales growth. Rivals like Kroger and Trader Joe’s have come in and are growing fast. Whole Foods is still in the growth stage in their life cycle and in order to keep up and remain as the highest known organic and natural supermarket, Whole Foods need to increase their footprint and run more than 399 stores. A goal of 1,000 stores by 2020 should be implemented. The additional stores will have a high cost to attain them, but the long-term sales will create a high return-on-investment for the company since demand for organic products will continue to grow. Also, the new stores will provide more natural and organic products to the local, regional, and the national community.

- Increase the brand awareness, image, and loyalty through various forms of public relations.

One of Whole Food’s weakness is that they’ve had some product recalls in the past that have deterred the image of Whole Foods from previous loyal customers. In order to convince

those customers to buy more of their high quality products and also gain new customers from their competitors, the company needs to start advertising the many great products they sell as well as communicate to the community how socially responsible they are in the process. They can implement simple things like using billboard ads or hold T.V. commercials or, an even better success for the company, would be to sponsor health related events around the community. Not only are they promoting Whole Foods stores, but they're promoting organic foods in general to the public. Whole Foods already holds a strong position in the market, and by increasing the awareness and demand for organic foods they will increase their brand image through their community and enhance brand loyalty. Advertising does come with a cost that could affect their bottom line; however, just like increasing their stores, the long-run economic effect will pay off for them.

Ethical Standards and Behavior and Social Responsibility

When it comes to being socially responsible, Whole Foods is doing it right. They make sure their products they stock are natural and organic, they serve and support local communities, and most importantly their long-term vision is set on sustainability, not profits. John Mackey, Co. CEO, explains in his blog how important social responsibility is to the company's success. He says that business success isn't about maximizing profits, but "customer happiness is an end in itself, and will be pursued with greater interest, passion, and empathy than the profit-centered business is capable of" ("John Mackey's Blog"). Whole Foods wasn't created solely to maximize profits for its investors, but to create value for all of its stakeholders.



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