

Strategic Review: Whole Foods Market

Student Name

Institutional Affiliation

Strategic Review: Whole Foods Market

Introduction

The global food and retail industry is one of the most dynamic commercial segments in the global economy. All over the world, both small- and large-scale commercial enterprises operate in this industry; however, the last few years have seen a steady rise in the number of operators. Traditionally, the global food industry was reserved for companies that primarily engaged in production; today, players include producers, marketers, aggregators, and even logistics companies among others. This robust growth in the sector is attributed to the changing dynamics of the global economy premised on the globalization phenomenon. As a result of this growth, organizations that intend to remain at the top of their game must, as a matter of priority, strategize on growth and profitability. The United States remains the home of the most significant players in the global food and retail industry. This paper provides a strategic review of one of these companies, Whole Foods Market. The paper undertakes a review of the company's competition through a competitive analysis and the remote and external environments through a PESTEL analysis. Additionally, through a SWOT analysis, this paper looks at the strengths, weaknesses, opportunities, and threats facing Whole Foods Market.

Company Overview

Four businessmen founded Whole Foods Market in Austin, Texas. The founders understood that the natural foods industry was a competitive force that could be capitalized on on a large scale. In this light, they decided to launch the first supermarket of natural foods in 1980 with the official opening of the first Whole Foods Market store with only 19 employees (Whole Foods Market, 2017b). Today, after years of growth, the company has revolutionized the U.S.

foods and retail industry as far as natural and organic foods are concerned. In reality, they have been at the forefront of the U.S. natural and organic foods industry for nearly four decades.

Currently, Whole Foods Market occupies the first position as the largest natural and organic foods operator in the U.S. food and retail industry, the fifth position in the publicly traded food retail business, and the tenth position in the overall U.S. food retail industry. As of Sept. 25, 2016, the company had approximately 460 stores in three of its traditional markets, namely the U.S., Canada, and the United Kingdom. The average customer visits in these three global markets stood at around eight million per week. Typically, each Whole Foods Market store is 40,000 square feet in size. The operational model of the company is hinged on the company's distribution model that incorporates the global headquarters, regional offices, and distribution centers. However, to ensure timely delivery of products and services to its customers, the company has developed a widespread distribution model that includes seafood processing centers, commissary kitchens, bakery centers, produce procurement centers and beverage (coffee and tea) procurement operations.

The strategic mission and vision of Whole Foods Market is to define the standards of excellence in the global food retailing industry. In this respect, the company's motto, Whole Foods, Whole People, Whole Planet, underscores the vision of being not just a food retailer, but one of delivering customer satisfaction, return on capital investment, team excellence and happiness, and commitment to the environment and local community (Whole Foods Market, 2017). The values that the company promotes include: trading in the highest quality natural and organic products; satisfying, delighting, and nourishing its customers; and supporting team member excellence and happiness (Whole Foods Market, 2017). Additionally, the company is committed to creating wealth through growth and profitability, serving and supporting local and

global communities, practicing environmental stewardship, creating win-win partnerships with stakeholders, and promoting health through education (Whole Foods Market, 2017a).

The PESTEL Analysis

Political

The operation of the whole foods industry is subject to political factors both in domestic and foreign markets. Indeed, the natural and organic foods industry presents a shift in conventional food retail. One of the hot debates in the global food market is genetically modified organic foods (GMOs), which has seen political controversies. As the leading player in the natural and organic food industry in the United States, Canada, and the United Kingdom, Whole Foods Market is bound to experience a rough ride dealing with political pundits and the politics of the GMO technology (Whole Foods Market, 2016). Even though the company does not retail foods produced through GMO technology, the company cannot escape the political impacts associated with the GMO controversy, especially where Congress and other political outfits use the legislative framework to develop policy.

Economic

The global economy has been in a slump since the 2007-2008 global financial meltdown; and the global food and retail industry seems to have suffered the most due to the drop in consumer spending. An overview of the industry reveals a stifled look as major retail centers, conventional supermarkets, and warehouse grocery stores, continue to record low sales. However, the unpredictability of the global economic climate is responsible for frequent fluctuations in sales at these commercial centers. For example, in 2015, the U.S. food retail industry recorded approximately \$650 billion in sales, which was a slight improvement (two percent) from the previous year's figures (Whole Foods Market, 2016). However, the natural and

organic foods sector recorded impressive growth, nine percent from previous year's figures, with 2015 sales reaching approximately \$108 billion. Ordinarily, the growth of the natural foods and organic market is premised on several socioeconomic factors to include a growing awareness of the importance of healthy eating for long-term wellness, a rise in a better-educated citizenry with an annually increasing median age, and the growth in an influential youth generation that values sustainability, health, local, and ethical commerce (Whole Foods Market, 2016). Also, the growing consumer concern over where and how foods are produced and marketed, including concerns over the environment, is driving the natural and organic foods industry.

Sociocultural

One of the social issues that have an impact on global organizations is public image; naturally, the brand equity of a particular product or company is premised on the favorable perception that the masses hold toward the product or company. Over the years, many corporations have either grown or gone defunct on the basis of these perceptions. Media publicity, especially during controversial events, such as a major company or industry scandal, is enough to destroy a company's brand equity, and with it, the prospects of winning in the marketplace (Whole Foods Market, 2016). Therefore, Whole Foods Market must tactically address all of its internal processes and external operations to make sure that no loopholes exist that might expose the company to negative media publicity.

Technology

There is no doubt that the global food and retail industry is affected by emerging technologies, especially electronic commerce. The rise of the well-educated, technologically savvy consumer has seen store visits drop for many major outlets, including Whole Foods Market. This trend is attributable to the growth of the online commerce, where most people

prefer to shop for the convenience it provides. To remain relevant and competitive, food retailers, including Whole Foods Market, as a matter of strategy developed an online presence. Ordinarily, this will help the outlets deliver an end-to-end customer experience that is necessary in the current digital world. On technology, the Whole Foods Market has launched digital coupons, where its national digital sales flyer leads the way as the first food retail app in the country. Additionally, the company has partnered with Infor to launch a cloud-based product platform to enhance customer buying experience (Whole Foods Market, 2016). Undoubtedly, emerging technologies within the global digital world are bound to impact the operation of the Whole Foods Market, including its growth, profitability, and competitiveness substantially.

Legal

The natural and organic foods industry is subject to local, state, and federal laws and regulations; this extends even to the international legal framework for Whole Foods Market. In this respect, the company has little choice but to comply with these legal frameworks that include: health and sanitation standards; food labeling; weights and measures; minimum wage; equal employment; and licensing among others (Whole Foods Market, 2016). Fundamentally, these legal frameworks can either facilitate or obstruct the operation of Whole Foods Market in the various market jurisdictions. For example, delays in licensing can negatively impact the prospects of the company in a new market, region, or country.

Competitive Analysis

As already mentioned, both the U.S. and the global food retail industries are highly competitive and highly dynamic. Even though Whole Foods Market enjoys the leading role in the natural and organic foods market, the company faces stiff competition from other players. Primarily, the company's competition comes from local, regional, national, and even

international traditional and specialty supermarkets. Other strong competitors include natural food outlets, e-commerce stores, farmers' markets, warehouse membership clubs, and home deliveries. Ideally, competition between Whole Foods Market and other players is based on two platforms: customers and locations (stores). Regarding customers, Whole Foods Market must provide the best customer shopping experience, broad product categories, outstanding customer service, and competitive pricing. Regarding location, the company must promise ambiance and convenience.

The three major competitors to Whole Foods Market are Costco Wholesale Corporation, Trader Joe's Company, and Sprouts Farmers Market, Inc. (D&B Hoover, 2017a). With more than 720 warehouse membership stores, Costco is the America's leading wholesale club operator. In its various markets, including 44 states in the U.S., Canada, Puerto Rico, U.K., Mexico, Japan, Spain, South Korea, and Taiwan, Costco provides over 3,700 products ranging from pharmaceuticals, alcoholic beverages, fresh food, appliances, and tires (D&B Hoover, 2017b). Indeed, the market reach for Costco provides a formidable competition to Whole Foods Market growth strategy.

Trader Joe's operates more than 450 stores across over 40 states in the U.S. Traditionally, the company trades in various upscale products including nutritional supplements, health foods, and organic produce. On average, Trader Joe's retails over 4,000 products, of which 80 percent carry the company's label (D&B Hoover, 2017c). Indeed, this is a strategic marketing strategy that is sure to offer Whole Foods Market a run for its money in the organic food industry.

Lastly, Sprouts Farmers Market operates more than 220 retail outlets in a dozen U.S. states, including Arizona, Oklahoma, New Mexico, Texas, Colorado, Nevada, California, and Utah among others (D&B Hoover, 2017d). The company's product portfolio includes baked

goods, seafood and all-natural meats, organic and natural foods, bulk foods, imported cheese, and supplements among others. Other products include rice, nuts, spices, and grains. The 2012 merger with Sunflower Farmers Market placed Sprouts number two in the U.S. organic and natural foods market behind Whole Foods Market (D&B Hoover, 2017d).

SWOT Analysis

Strength

One of the major strengths of Whole Foods Market is its distribution network and team membership/staff composition. On distribution, the company provides more than 30,000 unique organic SKUs covering the various aspects of product distribution, such as produce, packaged products, tea, beer, bulk, dairy, frozen, wine, cheese, coffee, and nutritional supplements among others (Meador, Britton, Phillips, & Howery, n.d.). Additionally, the company deals with an exclusive brand program that has about 5,500 unique SKUs. In Fiscal 2016, the Whole Foods Market exclusive category delivered approximately \$2.5 billion in sales (Thompson, 2017). The company's distribution strategy underpins the overall growth strategy, where store expansion through new outlet openings and acquisitions are used as strategies. On staff composition, Whole Foods Market had about 90,000 team members as of September 25, 2016 (Thompson, 2017). Overall, about 70 percent of these staff members are in permanent positions. Indeed, the company's team members have played a vital role in the company's growth journey for the past 19 years.

Weaknesses

One of the major weaknesses of Whole Foods Market is its inability to determine the dynamics of the U.S., and for that matter, the global food and retail industry (Meador et al., n.d). Some of these dynamics include the shifting consumer preferences as far as healthy eating is

concerned and unpredictable government regulations (Meador et al., n.d), especially with regard to environmental issues.

Threats

As the leading player in the global organic and natural foods industry, Whole Foods Market is exposed to major threats. One of these threats includes growing competition from among the three major retailers mentioned in the competitive analysis. Additionally, the company stands exposed to unpredictable economic fluctuations that can potentially disrupt the company's growth strategy. Essentially, hostile economic climates have a significant negative effect on consumer disposable income.

Opportunities

Undoubtedly, Whole Foods Market has major opportunities in the global foods retail industry. Expanding to new markets would provide the company with a perfect platform to continue with its current trend as the leading global player in the organic and natural foods industry. Irrefutably, utilizing internal resources, including team members and financial resources, the company can favorably open new stores in international markets and also consider acquiring some of its competitors (Meador et al., n.d). These strategies would efficiently reinforce the company's position in the global foods retail sector.

Conclusion

The global food retail industry stands as one of the most dynamic commercial segments in the global economy. In the U.S., Whole Foods Market has continued to lead in the organic and natural foods market, where it has also expanded to international markets, including Canada and the United Kingdom. However, to continue with this trend in the face of growing competition and other shifting dynamics, the company must consider its strategic options carefully.

Understanding both its remote and external environments is fundamental for Whole Foods Market's competitiveness. These would, indeed, allow the company develop strategies that would deliver continued growth and profitably under a context of political, economic, legal, technological, sociocultural dynamics. Additionally, understanding its major strengths weaknesses, threats, and opportunities would allow the company strategize on how to remain relevant and competitive. Last but not the least, by understanding its industry and competitors, Whole Foods Market can adequately marshal its internal strengths and market opportunities to position itself competitively.

References

- D&B Hoover. (2017a). Whole Foods Market, Inc. competition. Retrieved from http://www.hoovers.com/company-information/cs/competition.Whole_Foods_Market_Inc.6061e2f55006cb67.html
- D&B Hoover. (2017b). Costco Wholesale corporation company profile. Retrieved from http://www.hoovers.com/company-information/cs/company-profile.costco_wholesale_corporation.9acf2327527015f2.html
- D&B Hoover. (2017c). Trader Joe's Company profile. Retrieved from http://www.hoovers.com/company-information/cs/company-profile.trader_joes_company.cd133847612c3f8c.html
- D&B Hoover. (2017d). Sprout Framers Market, Inc. company profile. Retrieved from http://www.hoovers.com/company-information/cs/company-profile.sprouts_farmers_market_inc.18b63c3d05a6f784.html
- Meador, D., Britton, M., Phillips, P, & Howery, A. (n.d.). Case analysis- Whole Foods Market. Retrieved from <http://pnphillip.asp.radford.edu/whole%20Foods%20Case.pdf>
- Thompson, A. (2017, January 31). Whole Foods Market's generic and intensive growth strategies. Retrieved from <http://panmore.com/whole-foods-market-generic-strategy-intensive-growth-strategies>
- Whole Foods Market. (2016). 2016 Annual Report. Retrieved from http://s21.q4cdn.com/118642233/files/doc_financials/2016/Annual/2016-WFM-Annual-Report.pdf

Whole Foods Market. (2017a). Declaration of Interdependence. Retrieved from <http://www.wholefoodsmarket.com/mission-values/core-values/declaration-interdependence>

Whole Foods Market. (2017b). Whole Foods Market history. Retrieved from <http://www.wholefoodsmarket.com/company-info/whole-foods-market-history>