Marketing 401

Instructor Name

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Course Project



Student Name:

Name of organization: **Whole Foods Market**

**Environmental Analysis**

Whole Foods Market (WFM) began in 1980 with a small store in Austin, Texas that has become its flagship. It has since grown to the leader in natural and organic foods and currently has 340 stores in North America and the United Kingdom. It employs approximately 53,000 people (Whole Foods Market). Whole Foods promotes itself as “America’s Healthiest Grocery Store”. Environmental forces Whole Foods is facing include economic conditions for higher priced organic foods, increased competition encroaching on the organic food market and the rise in food prices. The company has a proven commitment to environmental and community involvement. The company is also listed on the Environmental Protection Agency’s “Top 25 Green Power Partners” with achievements for eliminating plastic, efforts to ensure the humane treatment of animals, fishing industry protection and use of wind power to offset energy costs. Charitable causes receive a minimum of five percent of Whole Foods’ net profits annually (Humphrey). Whole Foods boast inclusion in Fortune Magazine’s list of “100 Best Companies to Work For” for the last 15 years. It is one of only 13 companies making the list every year since it began in 1998 (Whole Foods Market). Whole Foods supports the social-cultural environment by efforts to help consumers go green as well as by promoting healthy eating through their organic products. Because environmental scanning will help Whole Foods identify important barriers and penetration of competitors, it would assist in determining which markets to enter along with measuring shifts in consumer tastes. Environmental scanning would include efforts by Whole Foods to grow globally and perhaps merge or acquire smaller competitors.

**Industry information**

The Organic Consumers Association (OCA) reports there are an estimated 50 million organic and socially responsible consumers (Organic Consumers Association). OCA, other organizational allies and the organic community pressed the USDA and organic companies to maintain strict organic standards. All products sold as “organic” must now meet the requirements of the USDA organic rule

Whole Foods is a leader in the organic and natural food industry. The industry includes wholesale clubs, Internet grocers, local farmers’ markets, independent and chain supermarkets, wholesale clubs, natural food stores, and others. Natural food stores began as small stores with a limited variety of products. Whole Foods was instrumental in changing this dynamic when they entered the market offering catering, in-store tours for customers with food allergies, seasonal products, cooking classes and recipes. Industries that support Whole Foods include fitness centers, health industry, wellness programs and health care specialist. Thanks to increased health awareness, interest in food safety, animal welfare reforms and environmental protection, the natural and organic food industry has grown. According to the “US Organic Food Market Analysis”, the industry is predicted to have a compound annual growth rate of more that 12% between 2010-2014. In the U.S. the leading organic foods are the fruit and vegetable segment. The report further identifies the organic food industry in the U.S. as one of the most rapidly growing markets. The organic food market has grown from $1billion in 1990 to about $30 billion today (Organic Consumers Association). Industry leaders speculate that the everyday use of organic products will be routine by 2025.

Entry and exit barriers to the organic food industry are few as people become more conscientious about food and health. The USDA’s National Organic Program regulates the level of quality for farms, wild crop harvesting or the functional handling of any entity that intends to sell agricultural products as organically produced (USDA). Barriers to Whole Foods in particular include its strategy to target above average income levels for their store locations. Also, the supply and demand effects of the organic food industry may require advocacy to reform government regulations concerning levels of organic farming (123 Helpme). Whole Foods Markets has been touted among the most socially responsible organizations and can be found on the U.S. Environmental Protection Agency’s “Top 25 Green Power Partners” list (EPA).

**Competitor Analysis**

Rivalry in the organic food industry is growing substantially as others in the market seek to offer more organic products. While there are many marketers entering the organic food industry, Whole Foods’ most significant competitors appear to be Trader Joe’s and Kroger. To effectively analyze main competitors a company must ask questions such as what is driving the competitor’s behavior and what are they seeking (Kotler). Whole Foods is perceived to be pricey. Kroger’s expansion into the natural and organic food market is in direct competition with Whole Foods. Kroger’s has approximately 2500 stores and implements strategies to compete with Whole Foods on pricing. To respond to this potential threat, as well as that of Trader Joe’s, Whole Foods plans to reduce prices to hang onto customer loyalty. Trader Joe’s is a lower priced organic food provider and has begun expanding it geographic locations by adding stores in Texas, Kentucky and Tenessee (Gasparro). Trader Joe’s has a wide selection of private label products and experiences a fast inventory turnover rate. On the plus side, store locations for Whole Foods are found in target market areas and are bigger in square footage compared to Trader Joe’s. Because the competition in the grocery business is strong, Whole Foods must position itself to have something for every shopper. Conventional chains such as Wal-Mart are muscling their way into the organic market and are heartily competing on price. Whole Foods can be considered a niche. In order to remain competitive in this rapidly growing environment, it should focus concern on the fact that the majority of grocery buyers value price. According to Kotler, Whole Foods should observe three variables when examining prospective threats presented by competitors. Those factors are: 1) Share of market (competitor’s share of target market); 2) Share of

mind (those responding to name first company that comes to mind in the industry); and 3) Share of heart (customers responding to naming the competitor they would prefer to buy the product) (Kotler 291). Contrary to other grocers that carry a large variety of various products, Whole Foods concentrates on a healthy living lifestyle that attracts a specific segment of customers, which is rapidly growing.

**Corporate Mission**

Whole Foods is mission driven. The Whole Foods Market mission statement begins with its motto: “Whole Foods, Whole People, Whole Planet”. Products are obtained locally as well as from around the world. The term “Whole People” is indicative of the company effort to engage the top people working together as team members. Team members are empowered to make decisions that create a respectful workplace where team members are motivated to be successful and are treated fairly. The “Whole Planet” concept acknowledges the relationship between our lives, our community and the environment. The mission of Whole Foods is aligned with its core values, which steer the decisions of employees and company leaders. Its core values dictates how the Whole Foods team of employees and leaders relate to products, communities, employees, shareholders and suppliers to support the mission of improving general health. The company is a proven leader in the organic and natural food business with a goal to set the standards of excellence. Its mission reflects the company’s core values and quality standards that are engulfed in the company culture. The company prides itself on carrying natural and organic products based on the company’s belief that food should be proffered in its purest state. The purest state identified by Whole Foods includes products being unadulterated by artificial flavors, sweeteners, colorings and preservatives and being the best tasting and most nutritious food available (Whole Foods). Its primary mission is concerned with providing products that are free of toxic chemicals commonly found in the production of conventional foods. Additionally, the mission of Whole Foods has a strong commitment to the fair treatment of animals raised to supply meat and reflects the same in the transparency of how the animals were raised and treated along with where it came from. Whole Foods believes in caring for its communities and the environment by being an active neighbor even beyond the boundaries of its towns and cities. The mission of Whole Foods does not stop with groceries found on its shelves. The company supports a vision that extends to every level of people involved in the industry including producers in developing countries. Among its core values is its green mission and commitment to the environment that includes many sustainability initiatives that incorporates packaging, waste diversion programs and the reduction of energy. Interestingly, a guiding principal of Whole Foods Market is empowerment. Team members, stores and the regions served are given authority to make decisions. Team members are provided autonomy to compete and innovate amongst them, which encourages ideas, and supports company culture. The strong, dedicated mission of Whole Foods is intended to deliver to consumers and the public at large a commitment to supporting a healthier lifestyle along with efforts to improve sustainability to our environment and planet.

**General Marketing Strategy**

Whole Foods has just about 317 locations, and plans to grow to 1,000 stores (Gasparro). Growth in the U.S. organic industry can be seen by the increasing number of retailers offering a greater variety of foods and the expansion of private-label product lines by more and more supermarkets and retailers. Part of the general marketing strategy of Whole Foods Market is to increase by opening new stores and to realize national brand equity (Ag Marketing Resource Center ). WFM has begun to and intends to open new smaller stores with smaller square footage. New stores have shown a rise in sales per square foot by 29% (AG Marketing Resource Center). An important goal of the organization is to maintain employee and team knowledge, loyalty and commitment to achieving the company mission. Team members are seen as the true competitive advantage that cannot be replicated. WFM indicates that quality is a state of mind for their company. The current and consistent company goal is to always is to ensure the sale of the highest products that includes high value to achieve customer satisfaction. High value is earmarked as a byproduct of high quality at a competitive price (Whole Foods Market). WFM is dedicated to providing an outstanding shopping experience through the sale of natural and organic products; has a commitment to the fair treatment in the raising of animals as well as a strong allegiance to greening of the environment. For these reasons, the company cannot act alone and must foster relationships with hundreds of other businesses and consumers interested in pursuing similar goals. WFM will need to continue ties with organizations such as the EPA and the Organic Consumer’s Association to ensure the integrity of the industry and the development of government regulations. WFM views its team members as being the company’s true competitive advantage. Competitors can replicate its products and programs, but they will never be able to replicate its people. Another competitive advantage is the size of the Whole Foods stores because there are not many stores specializing in natural and organic products that are larger than 20,000 square feet. Whole Foods manages to organize for strategic effectiveness by means of a differentiation strategy that fosters high quality and trained sales assistance, private label products and a fun and exciting shopping experience. The product/market objectives of WFM are to be known as an international brand for organic and natural foods with prominence on perishable products. Strategically, this approach is in line with Porter’s differentiation strategy where the organization works to achieve superior performance in the area that customers care about and is valued by a significant portion of the market (Kotler 51). Whole Foods aims to maintain sales growth and have greater sales per square foot in comparison to its competitors (Whole Foods).

**Market Strategy**

WFM began its reign as leader in the organic food industry by initialing appealing to a young, college educated, above-income bracket and health-minded customer base. Today, it is broadening the scope of its appeal to customers by expanding the income range and attracting other customers as it moves into smaller stores in suburban areas. WFM plans to continue to expand by opening new stores while preserving the Whole Foods corporate culture. The growth potential has expanded as the brand continues to strengthen, as natural and organic products increase in consumer demand and new store sizes presents new opportunities in the market. The company serves the U.S, the United Kingdom as well as Canada and anticipates long-term growth within other international communities. Growth strategies according to Whole Foods are to open new stores in present trade areas, new areas and in international markets. Entering new markets allows Whole Foods to keep its competitive advantage. Whole Foods intends to expand to new stores throughout the United States and abroad. It plans to move into suburban areas attracting new, health conscious customers. To meet new market demands WFM must plan to increase production of organic and natural products grown locally and abroad and partner with local organic suppliers and farmers. Market commitment strategy will continue to support the organic and natural food industry ideals through the acquisition of specialty shops and unique stores that have strong community ties such as organic coffee and tea. Whole Foods has to carefully plan to avoid saturated markets as well as the cannibalization of its current stores.

**Market Segmentation Strategy**

According to Whole Foods, its market segmentation objective is to target a particular group of people to gain competitive advantage over other companies or basically to raise profits. Whole Foods envisions college educated consumers as their target market because the company believes this group to be more health conscious. Therefore, the Whole Foods target market is the right demographic because the company sells health foods as their primary mission and it is the health conscious group that will be the typical consumers for Whole Foods products. Whole Foods positions stores in communities with high percentages of college educated people. Because college attendance is growing, market segmentation for the target group appears appropriate for current stores and future growth of Whole Foods. The segmentation used by Whole Foods is to appeal to consumers that live a healthy lifestyle that are seeking foods that are safe to eat, wholesome and fresh; along with those who care about bettering themselves as well as the environment. The level of market segmentation used can be considered as both super segmentation and niche marketing.

**Positioning Strategy**

According to Kotler, positioning is the act of planning a company’s offering and image to be distinguished in the minds of the target market (G7). Whole Foods markets the “365 Everyday Value” as well as other private labels that are positioned as good value for the money while providing the advantage of organic and natural food at lower prices. The superior quality of food is promoted over pricing. Consumer perception is that Whole Foods is a healthier choice compared to competitors. Whole Foods has built its brand identity with focus on wholesome, organic and natural foods which inspires consumers to associate organic with Whole Foods Market. The WFM chain is well known for its high quality standards and ethical leadership. This image is sustained in order to protect the company’s positioning to increase consumer awareness and sales regarding the brand and reputation of the company.

**Pricing Strategy**

A downside to organic foods is that pricing can be higher than grocery items found at non-organic outlets and markets. Whole Foods has been known for having a pricey reputation. In fact, it has been nicknamed “Whole Paycheck” which obviously affects the company’s price sensitivity. In order to offset this reputation, WFM needed to strategize its pricing to rid itself of its costly nickname. The pricing strategy included discounts and price promotions across all of its stores. According to WFM grocery prices were held flat in some instances even though costs were rising for the company. The “price perception” strategy was developed to convince customers that even though certain product prices were increasing, many good deals could still be had at WFM (Whole Foods). The Whole Foods strategy was also to become known for good value. To achieve this, the company offered value choices in every department and targeted pricing and promotional strategies on known value items. Value-added is the preferred WFM pricing strategy. Also, pricing surveys were conducted to assist with pricing adjustments based on customer feedback. Price flexibility is not a part of the WFM strategy. Product pricing is consistent across the Whole Foods Market chain. WFM does not take advantage of price-bundling. Wal-Mart has become a competitor of WFM with their entry into the organic food trade. Because Wal-Mart is known for low cost, customers will likely expect products offered to be less expensive in the industry. Whole Foods could respond with a price war, however, it elects to stay the course with the use of a premium differentiation strategy. This strategy will continue to promote an exceptional shopping “experience” with the help of knowledgeable team members that includes dieticians and chefs. Customers of Wal-Mart are ultimately expecting low priced products and are not the same shoppers of Whole Foods who are seeking high quality products coupled with the general appeal of the shopping experience found at Whole Foods. For this reason Whole Foods does not need to respond to competitors such as Wal-Mart’s, price change. On the other hand, WFM also faces stiff competition primarily from Kroger and Trader Joe’s that are also large chains. To compete with these market prices, WFM extends discounts in order to protect and maintain customer loyalty.

**Promotion Strategy**

The Whole Foods Market stands for quality products and excellent service. The chain has established loyal customers who become “evangelists” touting the virtues of WFM. The extraordinary service provided by team members along with the cool and sophisticated atmosphere of its stores is a promising feature of the promotion strategy that WFM engages. Traditional advertising is kept to a minimum compared to other similar retailers because much of the advertising is through word of mouth from customers. Customer ambassadors are an effective means of promotional strategy. Whole Foods also links with customers through its use of social media. In 2008 the company launched its “Whole Deal” campaign, which stresses the value of products offered. This continuous promotion offers *The Whole Deal* guide that consists of coupons, money saving tips, recipes on a budget and Value Tours given in the store which are led by “Value Gurus” responsible for assisting customers find wanted products not just overstocked or discounts on discontinued items. So instead of using traditional advertising vehicles, WFM uses the influential power of customers as the advertising vehicle. Advertising efforts can be measured in part by productivity levels of new store openings. Because WFM relies on word of mouth publicity, few resources are dedicated to online media, television and print advertising. Customers, surprisingly, are greatly responsible for sales promotion efforts. Those customers who, after receiving excellent customer service and shopping experiences, become brand ambassadors for the company. The influential power of the “ambassadors or evangelists” becomes the company’s vehicle for advertising.

According to Whole Foods, approximately 64,200 team members were employed as of September 25, 2011 including more than 48,000 full-time, 13,300 part-time and almost 3,000 seasonal workers. In fiscal year 2011 78% of all permanent positions were full-time team members. WFM also experiences low turn-over rates (9% in FY 2011 and 2010) which is notably small for the food retailing industry. Whole Foods considers its relationship with team members to be very strong. Its team members are non-union employees. In fact, Whole Foods Market has been on Fortune Magazine’s “100 Best Companies to Work for” list for the past 14 years. In 2011 WFM was ranked 7th in the large company category. It is one of only 13 companies to make the list every year since the list began. Salary and benefits are applied according to the company’s social equality standard of egalitarianism to ensure the perception of fairness to all stakeholders. The company engages a salary cap that limits the total cash compensation paid to any team member in a calendar year to 19 times the average annual wage, including bonuses, of all team members. The use of transparency is important to company leaders and all salaries are posted in stores for the benefit of any team member interested in knowing the salary of team members including company executives.

Whole Foods Market provides many training opportunities. Each region has its own regional trainer responsible for overseeing training and orientation for new and existing team members. Also, numerous stores have in-store educators or store trainers. Various learning techniques are employed that include computer based training, printed materials, one-on-one learning, group, and video training. Orientation for new team members focuses on company leaders, core values, and culture and benefits. There is a store walk-through to meet co-workers and tour the store procedures. Also among the training is product knowledge learning, customer service training to “wow” stakeholders as well as training on product handling and segregation requirements based on USDA standards and training on the “green mission” to focus on recycling and composting.

Whole Foods claims to recruit the best people to become part of its WFM experienced team. Our open and empowering work environment, paid training, exciting company culture, work-life balance, and generous store discounts motivates our sales force to inspire customer sales. The WFM recruiting team seeks sales representatives who can carry out the company vision as outlined in its all-important employee driven, “Declaration of Interdependence” creed of Whole Foods, Whole People, Whole Planet.

**Conclusion**

Finally, Whole Foods Market is a mission driven organization with primary concern for products free of preservatives and additives with a commitment to happiness of its team members and stakeholders; fair treatment of animals used for meat; and, an obligation to the community and global environment as a whole. Innovation, good market strategy, team structure, local and global partnerships; and consumers interested in health awareness and lifestyles are just a few opportunities that provide a competitive advantage for Whole Foods to continue as a leader in the organic and natural food industry.

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