

# Whole foods swot analysis

Business



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Discuss the trends in retailing of organic foods and the impact of these trends on Whole Foods Market. Existing trends in the retailing of organic foods are healthier eating habits, concern over purity of foods, health-consciousness and the idea that eating organic foods have a positive effect on the environment (Thompson, 2010). The craze of purchasing only organic foods has an effect on not only Whole Foods but on many supermarket chains. Although organic foods are marked up in comparison to processed foods there is much competition in this market and thus the profit margin is not very high when selling these items. Evaluate the competitive environment of the firm: Apply Porter's model and analyze each factor relative to the company.

The five forces in Porter's Model of Competition are threats of new entrants, rivalry among competing firms, and threat of substitute products, bargaining power of buyers, and bargaining power of suppliers. Each of the forces of Porter's model is directly related to the Whole Foods Market. Organic foods are extremely popular so there is always a threat of new entrants into the market who want a piece of the profit pie involved in the organic food market. As noted in the text, competition in the organic food market is heavy and causes the profit margin to be low. In this case, stores have competitive prices and although organic foods are more expensive the mark up on these items is not very high at all (Thompson, 2010). The threat of substitute products is not very high as smaller scale supermarkets and even large retailers like Wal-Mart are not sole organic food retailers.

However, if mass retailers started to brand their own organic foods and solely start to sell organics then prices would be lower in places like Wal-Mart

where prices are generally low. This scenario is not very likely; therefore, Whole Foods Market doesn't really have to worry about the threat of substitute products. The threat of bargaining power of suppliers and the bargaining power of buyers are the last two forces in Porter's Model. Once again, Whole Foods Market has nothing to worry about presently with these two forces. Suppliers really do not have many options of selling organic products on a large scale so national retailers who sell solely organic foods have the upper hand with bargaining power.

Therefore, bargaining power of buyers is not a threat to Whole Foods Market either. However, if there was another national retailer that stepped into the market who was able to offer lower prices then this would be an existing threat to Whole Foods. Discuss which environmental factor poses the most significant threat to Whole Food and what the company can do to combat it. The current state of the economy is the most significant environmental factor that poses a significant threat to Whole Foods. The text notes that Whole Foods as a very high price point and is often called "Whole Paycheck" (Thompson, 2010).

Because of this many consumers choose to purchase items that are more budget friendly for their household. There is no need to purchase pricey organic foods if you will not have a home to put it in because you have spent all of your funds on eating healthy. To combat this issue Whole Foods could change its marketing approach. Presently, marketing consists of internal taste tests and things of that nature. However, Whole Foods could start to focus on educating prospective customers on the benefits of eating organic

to include helping the environment, living longer and the threat of processed foods containing pesticides.

They could also lower the price points so more consumers could afford their products but not so low as to deplete their profit margin. Even if a full organic diet is not affordable to those on a budget they would learn the importance of eating healthier and may purchase some products from Whole Foods Market. Complete a SWOT analysis and identify significant opportunities and threats facing the organization. A SWOT analysis of Whole Foods includes the analyzing of strengths, weaknesses, opportunities and threats in the market. A couple of strengths of the Whole Foods Market include their merchandising and their ability to build their layout according to the area where the market is located.

Thompson (2010) notes that produce and other items are color coded to attract the attention of consumers. Also prior to building a Whole Foods Market, representatives do an extensive analysis of the demographics in the area. With the information obtained the markets are built and merchandised to attract their target audience. Weaknesses of Whole Foods Market include the high price point and the limited marketing techniques used. Whole Foods Markets are strategically placed in areas where a large amount of the population can afford their products. However, the price point is so high that others in the area stray away from shopping with the retailer.

Thompson (2010) indicates that Whole Foods does not spend funds on marketing and depends on its customers to spread the word through the power of word of mouth. Some opportunities that exist are expanding

marketing to lower income areas and offering Whole Foods brand items to other retailers who may be only selling a limited amount of organic items. By educating lower income families it will assist in building a better quality of life. As stated before, even if these families only purchase a few items from Whole Foods they will become loyal customers. Building an alliance with retailers who sell organic products on a smaller scale would be helpful to Whole Foods to increase brand presence and power. For example, if a Whole Foods is not located near a consumer and they tried a branded item and love it then they will continue to purchase the item.

Although not directly from Whole Foods, they would remain loyal to the brand itself. Possible threats include the condition of the economy and offering of lower priced organic products by large national retailers. If the economy continues at the rate it has been in the past, Whole Foods' client base may decrease as they may not be able to afford the organics offered. If this happens, Whole Foods has to be ready to react in order to maintain a profit margin. If a large retailer like Wal-Mart increases the amount of organics offered to consumers this will threaten the Whole Foods Market.

Wal-Mart strives to offer the lowest prices and also offers price match. With that said, this could cause Whole Foods Market profits to decrease. Discuss how Whole Foods can use its strengths and opportunities to achieve a sustained competitive advantage in the marketplace. The merchandising and layout of each Whole Foods Market both can be used to achieve sustained competitive advantage in the marketplace. The layout and merchandising is unique to the area in which the market is located, making it difficult to duplicate across the board.

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Places like Wal-Mart have started to try and color coordinate items but it does not have nearly the same effect on consumers as it does at a Whole Foods Market. Merchandising at these markets makes consumers want to make sure they see everything (Thompson, 2010). Opportunities of marketing branded items to other retailers as well as offering lower priced items to lower income families will give the Whole Foods Market staying power also. As noted before if a market is not located in a certain area, customers will at least be familiar with the brand and quality of whole food items even if purchased from a different retailer. The First Lady has a program that is attempting to counteract obesity in children. Partnering with the large scale program could help Whole Foods in offering lower priced items to lower income families also helping with increasing brand power of the Whole Foods Market.

References Thompson, A. A. , Strickland, A. J. , & Gamble, J. E.

(2010). *Crafting and executing strategy: The quest for competitive advantage: Concepts and cases: 2009 customer edition (17th ed. )*. New York: McGraw-Hill-Irwin.