

# Whole foods market in 2008: vision, core values, and strategy

Business



Case question 1: What are the chief elements of the strategy that Whole Foods Market is pursuing? Whole Food's chief elements of the strategy are to establish the company as a market leader of natural and organic super markets by differentiating its offering with highest quality naturally preserved food to the world market and become an international brand in every community. However the company is also determined to establish unique value chain activity by recruiting specialized and knowledgeable workforce to up keep company's growth and profit margin. The strategy also focuses on sustainable agriculture and serves the community members. In a simple word, company's chief elements are Whole foods, Whole People, and Whole Planet (Thompson, C2, 3)

Case question 2: Is the strategy well matched to recent development and conditions in the natural and organic foods segment of the food retailing industry? Whole Food's marketing strategy, purchasing and distribution, product line, and retailing of natural organic food is fully compatible with recent development and conditions of natural and organic foods segment. Natural food represents free of artificial ingredient, color and chemical.

However the food needs to be grown and processed without the use of pesticides, antibiotics, hormones, artificial fertilizers or genetic engineering. To keep up with natural and organic food segment, Whole Foods' product line included some 30, 000 natural, organic, and gourmet food and non food items. The company offers fresh produce, meat and poultry, fresh seafood, selection of daily baked goods, fine quality cheeses, frozen foods, beer & wines, and organic pet foods. However, Whole Foods' all the meat and poultry products are natural, raised without the use of artificial growth

hormones, antibiotics or animal by-product in their feed. All the sea food is wild caught or sourced from aquaculture farms. Also their sea food is never treated with chlorine or other chemicals.

They also bake daily using whole grain and unbleached flour. Their Cheeses are free of artificial flavors (C-12). Case question 3: Do you think John Mackey has a good strategic vision for Whole Foods? Why or why not? What do you like or dislike about the company's motto " Whole Foods, Whole People, and Whole Planet"? Do the motto and principles underlying in (exhibit 1) really matter at the company or are they just nice words and cosmetic window dressing? Explain. Mr. John Mackey has come with a dynamic strategic vision by putting the words " Whole Foods, Whole People, and Whole Planet" together. However, the vision seems too broad to focus on particular subject matter and make important decision.

From my point of view, Whole Foods has implemented the strategic vision halfway. Even though the company offers wide range of organic and natural foods including international section, it is hard to imagine that most possible varieties of food can be offered under the same roof (C-12). Whole Foods might recruit efficient people for their company to establish sustainable value chain management with efficient work force, but the word " Whole people" represents people all over the world. Neither the company has maintained a balanced recruitment all over the world nor served people of whole world yet. Company has become socialized by promoting sustainable agriculture, donating at nonprofit organizations and engaged with community citizenship activities like blood donation, meal preparing for

homeless and supporting local farming trend (C-19). However a sustainable and environment friendly production is not capable to produce enough natural and organic food to serve the whole world where some community is not economically strong enough to consume the high priced organic food.

Moreover, company's contribution is too little to serve the whole planet.

Case question 4: Do Whole Foods Market's core values as presented in case exhibit 3 really matter? Are they "real" or just cosmetic window dressing?

What evidence can you cite to support your answer? Have Whole Foods' core values contributed to the company's success? Why or why not? Whole foods market has established a number of core values that reflects organizational needs and fit with different cultural background and circumstance. Here I am scrutinizing each and every value. The first value is selling the highest quality natural and organic product available, which is true. Whole Foods is world's largest seller of organic produce.

They maintain highest quality product and guaranteed 100 percent satisfaction on all the items. They carefully evaluate each and every product as well. Their food is completely free from artificial color, preservative, and flavors. Every day the store is innovating new great tasting foods. However they use organically grown foods that are fresh to support customer's health (C-13).

Secondly, Whole Foods team members are dedicated to satisfy their customers by offering friendly attitude and high quality products. Store personnel are chatty and helpful with shoppers and knowledgeable enough to answer all product related questions. Company personnel always

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encourage customers to consume natural and organic food throughout the public relation campaign. (C-15). Whole Foods likes to do retail experiment and continuously innovate and raise retail standers. They customize their store design to best fit with particular product mix.

In some super store, they make village style layout including mini restaurant, raw food and juice bar. Shoppers can enjoy restaurant quality prepare foods while relaxing in a comfortable community setting. However management always maintains their location close to home and office for customer's easy interaction with the store. (C-13-15). Thirdly, the company emphasizes team member happiness and excellence which is true.

This value is a part of Whole foods one of the chef element " Whole People". The company committed to hire efficient work force. Management allows them to make their own decisions, offers respectful work place where people are treated fairly. All these activities make the employees more motivated. Some of the best things about working at Whole Foods Market are an open and empowering work environment, work-life balance, paid training, and company culture. Team member benefits include health insurance, paid time off, retirement savings and store discount (Careers).

Whole Foods unique profit sharing award reflects the " Shared Fate" by sharing profit among the employees in every other pay check. However, company has brought the executive and front line employees in same level by limiting the executive payment and allowing the stock options for regular employees (Jockey). However the stores use to donate 5% profit to various nonprofit educational organizations (C-18). Fourthly, the store management

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creates wealth through profit and growth. The Whole Foods store is making profit everyday by serving their customers and meeting their rising needs. However they are using the profit and wealth for acquiring and expanding the company size.

Based on the acquisition report The Whole Foods store acquired 60 brand stores within the year of 1992-2004 in exchange of cash, shares, common stocks and certain liabilities. The company's profit margin was capable enough to acquire the total chain business of " Wild Oats Natural Marketplace" all over the US and Canada which added 74 more stores (C-9). Finally, Whole Foods also care about communities and environment. The company maintains sustainable agriculture by permanently committing to buy from local producers (Product). Whole Foods also support wise environmental practice. At the year 1999 Whole Foods Market joined the Marine Stewardship Council, a not-for-profit organization that promotes sustainable fisheries and responsible fishing practices world-wide to help preserve fish stocks for future generations.

Whole Foods Market was one of the first American companies to partner with the Marine Stewardship Council, and continues to actively support its efforts in ensuring the sustainability of the oceans (Environmental involvement). Whole Foods also maintain the Integrity in all business dealings by considering their trade partners as allies to serve their stakeholders and treat them with respect, fairness, and integrity at all times (Products). By following the core values, Whole Foods Market has become a market leader of organic food industry. Satisfying customer's needs and greater customer

service has bought the opportunity to gain increasing profit margin.

However, by utilizing the profit margin company has expanded continuous growth all over the U.

S. including Canada. Efficient and talented work force has established sustainable value chain management and company's community service has given an impressive outlook to the investors. Case question 5: How well is Whole Foods Market performing from a financial perspective? Do some number crunching using the data in case exhibits 9 and 10 to support your answer? Based on profitability ratio Whole Food Market's earliest year had better gross profit. At the year 2007 it seems the margin is downward yet consistent. The ratios are 35.

10%, 2006 is 34. 90% and 2007 is 34. 80 %. Company's return on shareholder's equity has gone upward which is a very good sign and company can expect more investment from share holders in recent years (2006 - 14. 50%, 2007 - 25%).

Whole Foods Market has maintained its working capital very well after the large investment in the accusation but company's debt to assets ratio has fairly increased (2006 - 31. 30% and 2007 - 54. 60 %), which represents a greater risk of bankruptcy. However company's debt to equity ratio has slightly increased (2006 - 45%, and 2007 - 53%) which represent excessive debt. Considering the long term debt to equity ratio, Whole Foods Market's capital structure has gone extremely weaker than previous year (2006 - 0.

61% and 2007 – 50%). Compared to previous years Whole Foods also failed to make good turn over on the inventory, dividend payout has been decreased and finally internal cash flow has reduced. From the top company's sales margin is increasing but it is facing a larger debt. Case question 6: How well is Whole Foods Market performing from a strategic perspective? Does the Whole Foods enjoy a competitive advantage over rivals? Does the company have a winning strategy? Whole Food Markets is performing very well based on the strategic perspective. The company has stand out with wide mission and core value to offer various range of organic and fresh food to its customer. Whole Foods Markets has come up with successful aggressive growth strategy and every year the company is entering in to the new geographic areas by expanding its operations and acquisition.

Over the years Whole Foods Market has gained numbers of competitive advantages that makes the company stand out in organic food industry. Whole Foods store size is comparatively larger, well decorated and packet with features than its rivals. Stores are located at urban metropolitan centers (C-10). Company has wider organic product range with covers local and international items. The company got very high marks from merchandising and great customer service. The company supports local farmers by purchasing fresh fruits and live stocks in a discounted price and distributes them all over the US form nine regional distribution center(C-15).

In that way they keep the quality better and save money by skipping the warehouse cost. More over they are maintaining the most sustainable



business to support the environment. On the other hand, Whole Foods Markets closest rival Wild Oats has failed holding its growth and ended up acquired by Whole Foods (C-25). Competitors like ' Fresh Market' and ' Trader Joe's' has small volume of store operations and their product line is very limited compared to Whole Foods Market (C-26, 27). Another rival " Sunflower Farmers Market" comes up with simple operations to keep the price lower. However they have no customer service at all (C-28).

Fresh & Easy Neighborhood Market" and Independent Natural and health Food Grocers" have come with small store operations to serve low income and particular neighborhoods (C- 29, 30). Among the rivals one thing is common that they are all appealing the customers by simple store operations and low price tag. Considering Whole Foods Market strategy, competitive advantage and rivals position in the market, it to confirm that Whole Foods Market has winning strategy. However business strategy is an ever changing process and Whole Foods Market needs to scene the competitors move and modify the strategy as needed. Case question 7: Do you approve of the decision to acquire Wild Oats Market? What pros and cons do you see? Even though Federal Trade commission has concerned about Whole Foods monopolistic business in the organic food retailing industry, form the company's point of view it worth to acquire Wild Oats Market.

This acquisition has given the Whole Foods to enter in new geographic areas. Being a largest buyer of organic food industry, it has gained even more bargaining power from the local and foreign suppliers, which will help them

to keep the price down in the retail shelf and attract more customer group buying organic food products. This acquisition will definitely gives Whole Foods the competitive advantage and helps to lower the operating cost as the sales went up. On the other hand, fair amount of budget may require keeping up the Wild Oats stores at the same standard as Whole Foods Market. Moreover, this acquisition has added grater debt and weaker financial performance which will cause a lower investor's interest. Case question 8: Were John Mackey's internet posting unethical or in any way inappropriate? What actions of any, do you disapprove of? What actions, if any, should the company's board of directors take with regard to his internet posting and blogs? From ethical point of view John Mackey's internet posting was definitely inappropriate.

To make the growth strategy successful John Mackey posted offensive comments about Whole Foods strongest rival Wild Oats to demolish the company's public image and share value. However, John Mackey's Plan was to acquire Wild Oats Market within a bargain price and therefore he used fake name to post unpleasant and violent statement about Wild Oats to reduce the market value. It might be fun for John Mackey to expose Wild Oats Market's weakness to the public, but he never thought of those share holders who have invested fair amount of money on Wild Oats Market's stock. Moreover, the entire internet posting was his personal assumption, not a valid strategic analysis. Even though Federal Trade Commission (FTC) and Securities and Exchange Commission (SEC) were opposed to Wild Oats acquisition, Board of directors supported Mackey to overcome the trouble. As a best performer of corporate citizenship, Board of director should have

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forced John Mackey to call a press conference and apologies in public for uncomplimentary posting about Wild Oats Market and compensate those share holders who have invested on Wild Oats Market's stock.

Of course it is not a good idea to make John Mackey grounded from CEO post, as he has prior of business experience. However, board of directors should warn him not to do further web posting about any of their rivals. Case question 9: What recommendations would you make to John Mackey regarding the actions that Whole Foods' management needs to take to get through the recession that began in earnest in 2008? Should the company vigorously contest the reopening of the FTC's challenge to the Wild Oats acquisition? Are any other strategy changes needed? Even though Whole Foods Market has innovative marketing strategy and so far the company is in favorable position considering the rivals, it is recommended to slower down the growth strategy to boost up company's cash flow and profit margin. Company should not go for blind acquisition which adds lot of cost on remodeling and reorganizing. However rivals are offering natural and organic food at much lower price and focusing on store operation and customer service almost the same grade of Whole food Markets. As the Whole Foods market has goodwill and prior of business experience, they are still able to hold the market growth rate and staying in leading position by offering best organic and natural product.

However Whole foods pricing strategy does not match certain group of customers need. Whole Foods market should focus on cutting the cost by reducing the effort on store display and lower the price. However they can

offer regular exotic items without the level of USDA to meet certain group of customers need. Whole Foods Market should keep protesting against FTC's challenge because it is too late to think about unethical internet posing or monopolistic market operation. In exchange of humongous investment Wild Oats has given entry in new geographic areas and increased the sales volume. However they have already redesigned numbers of Wild Oats stores to keep up with Whole Foods standard.

Whole Foods Market has gone long way after Wild Oats acquisition. Now it is recommended to hold on to its current situation and vigorously protest FTC's challenge. Work Cited Career [Why work Here, Benefits, Career Paths].

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