

## **Brand Extension Report**

**Whole Foods Market → UK Home Delivery Fruit and  
Veg Box Scheme**



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## **1.0 Executive Summary**

This report will explore the opportunity for Whole Foods Market (WFM) to expand into the UK home delivery fruit and veg box scheme market. The report shows that this extension has a high chance of success since the destination market is growing despite economic uncertainty. Sales through box schemes, home delivery and mail order have increased by 7.2% to £167 million from 2010 to 2011 (Soil Association 2012). The brand itself has strong brand equity that it can leverage to extend into the destination category. A marketing strategy has been defined outlining the costs for Whole Foods Market to move into this market are £0.6m, approximately 1.2% of the total sales for the UK in the fiscal year of 2011. The success of this strategy can be evaluated using Key Performance Indicators based on the objectives given in terms of obtaining sales of 10,000 boxes per week and an average of 10,000 visits per day to the newly launched UK website.

## **2.0 Introduction**

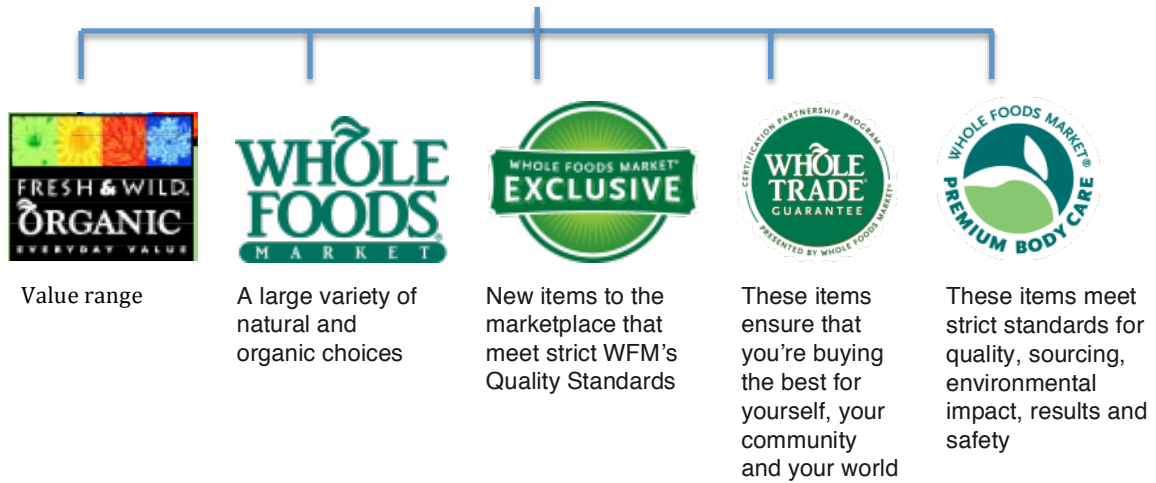
This report explores the opportunity for Whole Foods Market (WFM) to extend into the home delivery fruit and veg box scheme market. Part 1 will examine the brand architecture and category management of the WFM organisation. An in-depth analysis of the WFM brand will be carried out looking at brand meaning using Kapferer's Identity Prism with additional elements of Newell & Sorrel's Brand Blueprint as well as the BCG Matrix. The destination category will then be analysed using Ansoff's Matrix to structure the future product and market opportunities as well as Porter's 5 forces to understand the nature of the competition. The competition element of Aaker's Brand Identity Planning Model will also be examined to identify WFM's specific competitors.

Part 2 of the report will outline the planning objectives and recommendations for the brand extension, followed by a detailed strategy. The target audience will be defined and the brand will be positioned using Kapferer's brand positioning decisions and Arnott's brand positioning perceptual map. Short and long-range competitive strategies will be developed and a detailed implementation plan will be presented. This will examine the marketing mix, implications for the organisational structure and short and long term strategy scenarios. Finally, this report will offer a measure of the effectiveness of this brand extension examining the measurability of the objectives and the effect on the parent brand.

## **3.0 Analysis of the Issue**

### **3.1 Brand Architecture**

Whole Foods Market, originating in the US, is a natural and organic whole food grocery store that offers a range of own-brand products across a wide range of categories as well as other external branded products and freshly made local produce that fits within its natural and organic values. Although WFM offers other branded products in store (such as Innocent, Rachel's Organic and Whole Earth Organic), it is not considered a house of brands since they are not owned by WFM. It could be seen to be endorsing these private label brands by allowing them shelf space, however there is no WFM endorsement on the packaging hence this is not part of WFM's strategy. In fact WFM is a branded house. The master WFM brand plays a dominant role reflecting corporate leadership, whilst the sub brands serve as a descriptor of the product categories reinforcing the higher level of the corporate brand and the values that it holds. The WFM brand attains values from the corporation's culture and heritage (Aaker, 2004) giving coherence to the whole. This enables WFM to leverage the brand reputation across all levels. Its UK architecture is as follows:



Examining this second level in more detail, it is clear WFM also utilises a range brand strategy (Kapferer 2004). Offering a single brand name, Whole Foods Market, it promotes a single promise through a range of sub brands and its products. Each product uses their common name, for example Fresh & Wild Organic Everyday Value Milk. By concentrating on a single brand name it enables focused communications, consistent with its mission, creating brand capital for WFM and its products. This enables WFM to more easily extend into other markets as it has previously done with its Premium Body Care range. By understanding the brand architecture it enables marketers to see where the brand already has a presence, where it can extend next and what the relationship this extension should have with the parent brand.

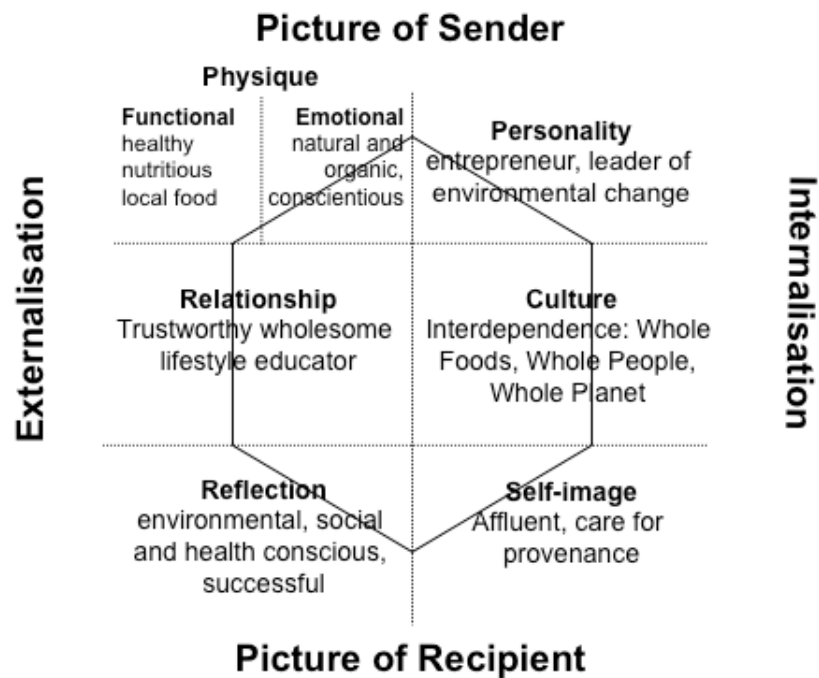
Whole Foods Market is also involved in a number of conscientious ventures, designing the Whole Trade Guarantee, Green Mission, the Whole Planet Foundation, the Whole Kids Foundation, the Wellness Club and Dark Rye (its online magazine), all aimed at supporting the environment and the people within it.

WFM operates with a decentralised business structure whereby each store location operates independently. It uses a matrix category management style, structuring the organisation by geographical region and product range. WFM recognises the importance of smaller management groups, maximising employee responsibility and trust as well as enabling a better knowledge of the local market. This flat organisational structure enables information to flow freely.

### 3.2 Brand Meaning

It is important to understand how consumers find and create social and cultural meanings in the Whole Foods Market brand as these reinforce the connections made in minds of consumers thereby effectively defining the brand. WFM's brand identity is the single message of its true distinguished self that is sent through its products, actions and communications. Kapferer outlines six facets to understanding brand identity

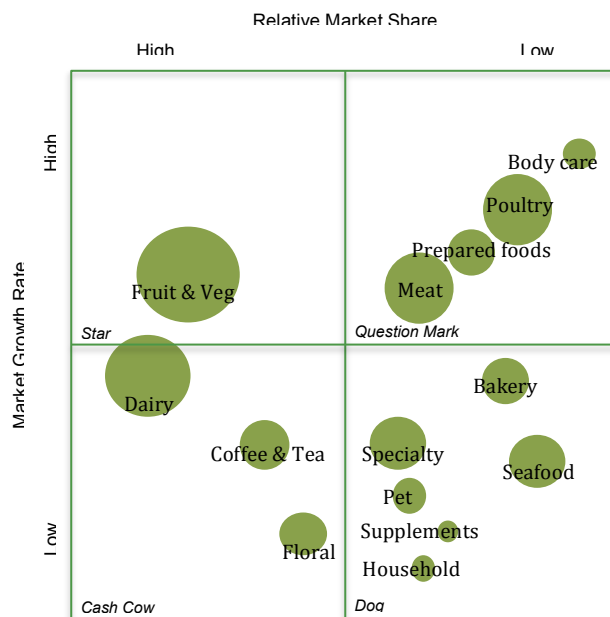
known as the Brand Identity Prism. These six facets define the boundaries within which it is free to change or to develop. Having a clear brand identity is essential for WFM considering its decentralised organisational structure for decision-making. The prism considers one tangible facet, physique. This model has been adapted to further unpack this facet enabling a holistic view of WFM's physical identity. It has been adapted to include the elements of function and emotion from Newell & Sorrel's Brand Blueprint. The functional and emotional elements underpin the core brand values, or the culture identified in the prism below:



### 3.3 Brand Portfolio

WFM needs to guarantee that the current product portfolio is clear ensuring a balance of products, in order to remain competitive. Using the Boston Consulting Group (BCG) Matrix WFM can review the current brand portfolio in relation to the market and each product categories value of sales. This is useful to identify strategies to improve product areas or in this case to identify a gap where the brand can be extended.

Here, the UK division of WFM will be analysed in terms of the products offered grouped by product category.



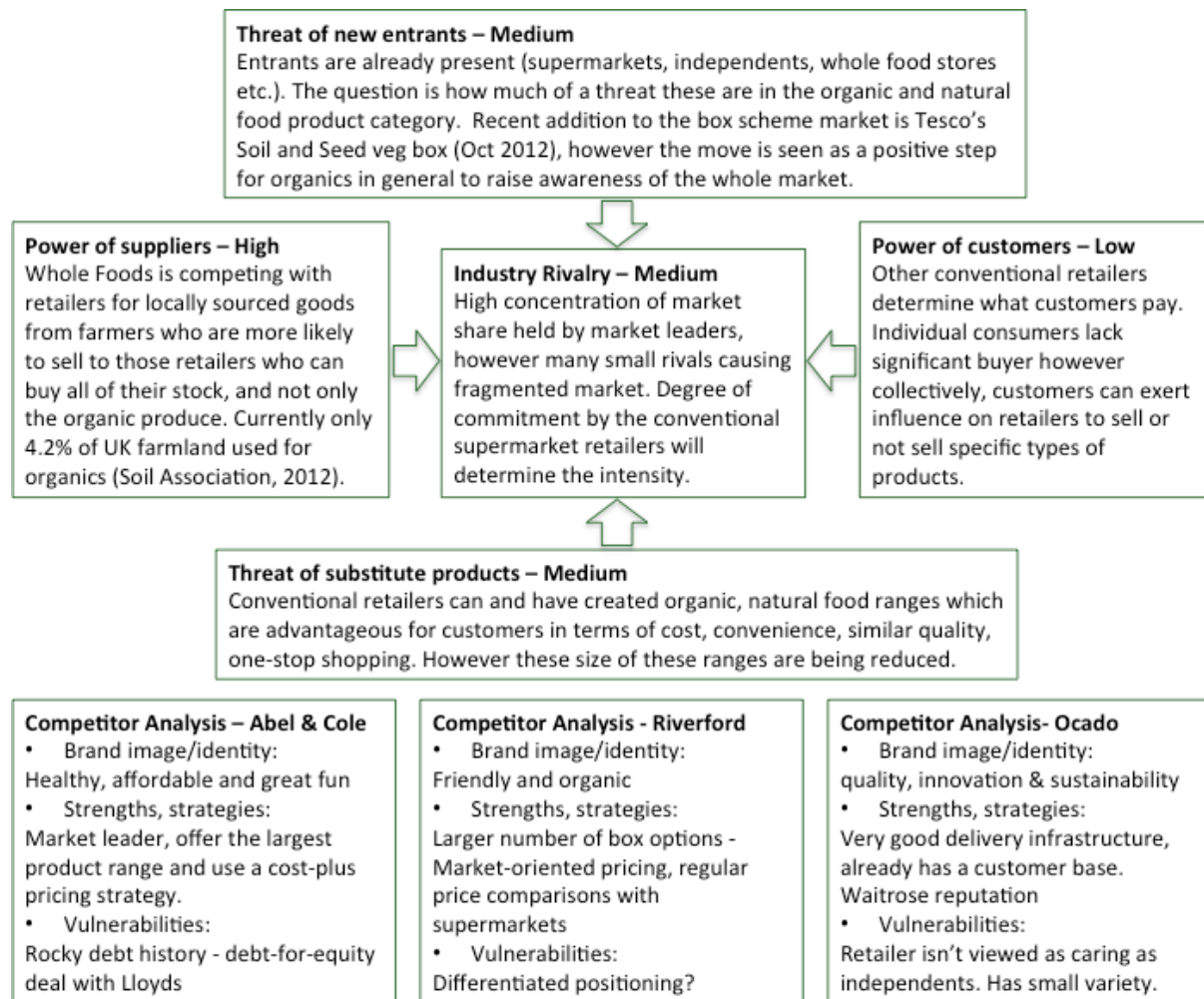
### 3.4 Destination category analysis

Box schemes, home delivery and mail order now make up 10% of the UK Organic Market in 2011. This market is growing, despite a fall in sales of organic products by 3.7% in 2011 to £1.67 billion (Soil Association 2012). All major supermarkets (apart from Waitrose) are cutting back their stocks and level of investment of organic produce (Mintel 2012). This has forced committed organic shoppers to look to specialist retailers for a wider variety of choice and availability, which may be a reason for the growth in the home delivery box scheme market. Abel & Cole and Riverford, increased their turnover by 28% and over 5% respectively delivering 50,000 and 40,000 boxes per week. Home delivery grocery operator Ocado increased its organic sales by 5.5% in the year to September 2011, with organic products accounting for over 10% of turnover. Box schemes offer consumers easy access through online ordering to a huge variety of natural and organic products. These websites receive large numbers of visitors with WFM's main competitors Abel & Cole, Riverford Organics and Ocado currently receiving 10,729, 7,061 and 57,281 visits per day respectively. Considering the number of consumers that WFM could reach in this way, the home delivery box scheme market is a key opportunity to tap into.

An analysis WFM using Ansoff's Matrix will assist in understand possible growth areas and risk involved. Whole Foods Market will offer an existing product (fruit and veg), albeit re-packaged, to a new market (home-delivery). WFM are reaching this new market through a new distribution channel by moving from selling via retail to selling through online and home delivery. This market extension strategy has medium level risk as WFM currently have extensive product knowledge but are tackling a new market.

Porter's 5 forces assist in further analysing the destination category by specifically considering the nature of the competition. An additional competition element from Aaker's Brand Identity Planning Model has been added to ensure there is a clear understand of the main competitors in the market (Abel & Cole, Riverford and Ocado). It

is hugely important to understand who the key competitors are and what they are doing in order to ensure differentiation of WFM's offering.



### 3.5 Brand Extension

In this mature market, it is integral for WFM to expand, ensuring the company's growth and profitability. The success of this brand extension relies on WFM's ability to leverage its current brand equity in the growing box scheme category. The extension of WFM into home delivery fruit and veg boxes fits well within its current brand portfolio, reflecting the company values. By using the WFM brand name, the risk of failure is reduced as well as the cost of introducing a new product into market, since the WFM is already well known in the natural and organic foods market. After analysis of the WFM brand using the identity prism and brand blueprint it is clear that the brand has strong assets with strongly associated tangible and intangible customer benefits. WFM is well known for its differentiated promise of high quality, local natural and organic produce as well as its conscientious nature and consciousness of provenance, giving it a high level of trust amongst consumers and creating a competitive advantage for the extension into the new category. These assets that WFM holds are transferable to the destination category, avoiding the risk of dilution of the parent brand, whilst capitalising on its heritage. The new box scheme offering will fit perfectly within the



current values and benefits associated with the brand, expressing the company culture throughout. Offering a home delivery service creates convenience for those customers who do not want to do all their shopping at a whole foods shop. WFM conveniently delivers the boxes to your door. Leading home delivery and box scheme companies such as Abel & Cole, Riverford Organics and Ocado will be extremely wary of WFM entering this marketplace due to its strong brand assets, reputation and large parent company.

It is viable for WFM to enter this market since in 2012, despite the recession, WFM UK accounts (year ending September 2010) showed like-for-like sales growth of 7.4% to £46.3m whilst operating losses showed an improvement of nearly 30% and pre-tax losses improved by nearly 29% (Mintel 2012). This shows that the UK WFM Company is in a good position to support the new box scheme extension strategy.

## 4.0 Planning objectives and recommendations

Short-term objectives:

1. To finalise the fruit and veg box product offering, demonstrating WFM's culture of interdependence, by 1<sup>st</sup> April 2013.
2. To complete an implementation plan for the home-delivery fruit and veg box scheme by 1<sup>st</sup> April 2013.
3. To complete the update of the UK specific Whole Foods Market website by 24<sup>th</sup> September 2013.
4. To launch the Whole Foods Market Fruit and Veg Box scheme on 1<sup>st</sup> October 2013 (World Vegetarian Day).

Long-term objectives:

1. To achieve sales of 10,000 boxes per week by 1<sup>st</sup> October 2014.
2. To achieve an average of 10,000 visits per day to the Whole Foods Market UK website by 1<sup>st</sup> October 2014.
3. To expand the box scheme offering to include Dairy, Poultry and Meat by 1<sup>st</sup> October 2016.

## 5.0 Strategy

### 5.1 Target Audience

Key insights from research:

- Awareness of product origin is increasing, with more than two fifths of consumers paying attention to where the products they purchase are made/grown.
- Committed organic shoppers looked increasingly to specialist retailers as the supermarkets reduced the variety and availability of organic products
- Six in ten (58%) adults purchased organic food and drink in the 12 months to July 2012, corresponding to some 30 million Britons.
- The primary qualities associated with organic food and drink are having fewer chemicals (66%) than non-organic food, being more natural (65%) and being better for the environment (63%)
- The popularity of organic food and drink is highest among people living in Inner and Greater London (70%) and those who are educated to university degree level (72%)
- Consumers of organics mainly consist of high-earning AB individuals (Mintel 2012).
- Under-25s (the Jamie Oliver generation) are keen supporters of organic foods with 70% purchasing organic food and drink in the year to July 2012.
- 25-35 year olds come second with 63% purchasing organic food in the same year.

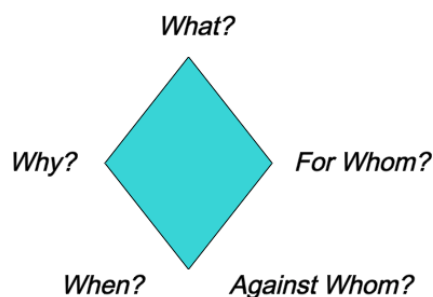
It is clear that organic food is of high importance to a large amount of the population, especially the younger generations. This indicates that the market for organic foods will continue to grow, ensuring a good outlook for the future of the WFM box scheme. This is

also beneficial for the WFM brand as a whole especially considering five of its seven UK stores are located in London.

Whole Foods Market's primary target audience are health conscious, university educated, financially well-off urban individuals aged between 25 and 35.

## 5.2 Positioning

"To health conscious, university educated, financially well-off urban individuals, aged between 25 and 35, Whole Foods Market is the grocery store *and veg box scheme* that delivers high quality healthy, local natural and organic foods because of its creation of the Quality Standard of ingredients and dedication to its declaration of interdependence to Whole Foods, Whole People and Whole Planet."



Kapferer's brand positioning decisions assists in giving WFM a clear distinction in the destination marketplace.

**What?** – A beautifully presented, variety of local seasonal natural and organic fruit and vegetables hand-delivered in a quality recyclable WFM branded box.

**For Whom?** – For health conscious, university educated, financially well-off urban individuals aged between 25 and 35.

**Against Whom?** – Against all food retailers (share of mouth). More specifically, against all natural and organic food retailers and box scheme providers, both multiples and independent.

**When?** – A weekly home delivery of fresh produce to be consumed during all meal occasions.

**Why?** – WFM provides the highest quality local natural and organic produce because of its commitment to its declaration of interdependence to Whole Foods, Whole People and Whole Planet.

Arnott's brand positioning perceptual map has also been used to determine the position of WFM in the marketplace. It is a visual representation of consumer perceptions of variety and consciousness of provenance of WFM and its competitors. Additional London based competitors have been included in this map.



In order to capitalise on the success of the parent brand, this new product will be given a descriptor (or designator) name. As the new product is a food offering, it will better suit the extension to give prominence to the parent brand name, whilst giving a descriptive name for each product range. This should be expressed on the packaging to ensure high visibility and therefore clarity of the parent brand (leveraging the current brand equity) whilst enabling a quick and easy understanding of the new product offering.

### 5.3 Other competitive strategies

#### Generic strategies

Porter's Generic Strategies outlines that WFM will use a differentiation strategy within a broad growing market, since it is offering a value-added product through its local natural and organic interdependent products. The brand extension into home delivery boxes will take advantage of WFM's brand equity of the conscientious intangible elements and the superior functional benefits.

#### Short-term strategies

In the home delivery box market, there are two clear market leaders (Abel & Cole and Riverford). To gain entry to the market, WFM will undertake a flanking attack strategy using the identified areas of the market not currently covered by the leaders quickly building both size and share. Here, WFM can offer a wider variety of products with a high consciousness of provenance. WFM will need to be aware of the defensive strategies that will likely be undertaken by the competition. The current market leader Abel and Cole will most likely undertake a pre-emptive defence strategy using its competencies such as heavy advertising and competitive prices.

#### Long-term strategies

Once WFM begins to gain market share, it will then need to implement some defensive strategies of its own. The likely strategy it would implement is a counter-offensive defence strategy. As the WFM veg box scheme is part of a larger organisation, it will be able to support the box scheme while it gains market share and a loyal consumer following in the first opening months.

## 6.0 Detailed Implementation

### 6.1 Marketing mix

#### Product

The product range presented is the home delivery fruit box, veg box or mixed fruit and veg box. Research has shown that the fruit and veg category (at 32%) is the most valuable of the organic food markets (Mintel 2012) demonstrating the best opportunities. All ingredients are natural and/or organic and sourced locally where possible and all delivered with the WFM quality standard promise. Consumers will be able to choose three options that they do not wish to receive in their box. WFM will offer the consumer the option to inform WFM about special dietary requirements such as vegetarian, gluten free, dairy free etc. so that WFM can provide the appropriate free recipe cards within the boxes.

As in-store WFM has transformed the shopping experience into that of an interactive theatre, it will need to reproduce this within its boxes offering beautiful presentation amongst natural straw. The WFM branded packaging will be 100% recyclable in keeping with the whole planet brand values.

#### Price

When entering the box scheme market, WFM will implement a mixture of premium and competitor pricing strategies. It will support the objectives and strategy offering a premium price reflecting the functional and emotional values added as well as reflecting the fixed and variable costs. The natural and organic products will have higher costs of production than food industry averages, however these are offset by an increased selling price. Profit margins are higher since WFM is providing premium goods.

Competitors pricing strategies will be used to find a price point for WFM to enter the market. A medium fruit and veg box for 2-3 people is priced £18 at Abel & Cole, £17.95 at Riverford and £17.99 at Ocado. This means WFM should offer its medium fruit and veg box for £19.50, reflecting the price premium.

#### Place

WFM has a direct relationship with consumers, enabling ordering in-store, by phone or through an online personalised account. The box scheme service will be primarily available to those living in Central and Greater London area considering the location of the majority of its stores and the demand for organic produce. The UK website available is poor so as outlined in short-term objective 3, WFM will need to redesign this to enable online shopping capabilities. It will need to ensure continuity with the current US website. A portion of the launch budget will go towards this.

WFM currently offer hampers for delivery to UK customers meaning that there is some form of distribution system currently in place. In order to deliver the number of orders that WFM are forecast to get, WFM needs to ensure that its current distribution channel can be expanded to deliver larger numbers of products. It will need to be aware of its

carbon footprint, sourcing locally and maximising the quantity of products in each truck. It can do this by delivering to certain areas on certain days of the week.

## Promotion

Historically, WFM has spend very little on advertising and marketing spending only 0.4% of the total sales in the fiscal year of 2011, which is approximately only £0.2m based on UK sales year-end September 2010 of £46.3m. WFM traditionally relies heavily on word of mouth and testimonials from shoppers. In order to raise awareness of this new scheme WFM will need to increase its marketing budget to £0.6m, allowing extra funding to cover the website re-design and any campaigns it undertakes.

For the launch of the box scheme WFM should use stores to heavily promote this new scheme but should also employ other forms of promotion such as experiential/guerrilla marketing tactics that reflect the theatrical presentation it offers in its stores. WFM could place large-scale branded fruit and veg boxes in key commuter locations to be given out in rush hour. Above the line advertising in the form of corresponding print advertisements should be placed in regional London media such as the Evening Standard and the Metro, which have a reach of 1.5 million and 1.4 million respectively (Metro Classified 2012), a majority of which are ABC1 urbanites aged 15-44, the prime target audience for WFM. It can follow up from this campaign using social media, in-store communication, e-newsletters and the company website and blog.

## 6.2 Organisational structure

Whole Foods Market's organisational structure will continue to be decentralised ensuring a flat hierarchy and low-level decision-making, saving time. This is helpful considering the matrix structure is known to be time consuming for individuals as there are more points of contacts meaning more time spent liaising with management.

Category management implications include WFM needing to alter the current matrix organisational structure, adding an additional category. This may involve redistributing team members or hiring an additional marketing manager to ensure the objectives will be met on time. This matrix will allow more joined up thinking, enabling more direct control and ensuring continuity of the WFM brand values to the box scheme extension. This will enable comparison between categories creating healthy rivalry and a more intellectually stimulating environment for employees.

## 6.3 Short and long term scenarios

Initially WFM will launch with a range of fruit boxes, veg boxes and mixed fruit and veg boxes in Central and Greater London, with orders primarily being made through its redesigned UK website. This website will offer personalised customer information including ethical living, diet and recipe advice according to their personal preferences.

There are many long-term opportunities for the Whole Foods Market home delivery box scheme. After the introduction of fruit and veg boxes, it can introduce other products such as dairy, which represents the second largest (28%) value segment of the organic

food market. This category is also represents a large proportion value of its sales as shown in the BCG Matrix.

Following this fresh poultry and fresh meat should be introduced considering their value proportion as shown on the BCG Matrix as well as their good performance in the organic market overall. With WFM's Meat and Animal Welfare Standard, it puts it in a good position to offer natural organic produce to their customers.

## 7.0 Evaluation

### 7.1 Measurability of objectives

In order to monitor the execution of the extension, WFM should review its performance in relation to the objectives set using Key Performance Indicators (KPI's).

WFM's short-term objectives will be measured at regular intervals using its KPI's to identify progress. Next steps will be identified in order to ensure the progress is kept on track. This is especially importance since WFM's 4<sup>th</sup> short-term objective relies on short-term objective's 1, 2 and 3 having been completed. The success will be measured by whether they have been accomplished by the date set.

WFM's long-term objectives will be measured at regular intervals using its KPI's to identify progress. Objective 1 will be measured using KPI's that identify the evaluation of monthly financial reports to analyse WFM's weekly box sales. Objective 2 will be measured through KPI's that identify a monthly evaluation of website analytics. As WFM's marketing budget is relatively small, it could use two of the highly popular free web analytics tools such as Google Analytics, the most commonly used, and Pwck, which has the added benefit of providing open source, real-time data. By understanding how consumers use the website, WFM can improve the design of the website accordingly, creating a better experience for consumers. To accomplish objective 3, WFM will need to create KPI's for each product category identifying when each category will be launched, taking into consideration the 2012 Soil Association's report on product category market share as well as new implementation challenges due to refrigeration needs. In addition to being a performance management tool, WFM's KPI's will be used to report performance to external stakeholders and regulatory bodies.

### 7.2 Effect on parent brand

In order to understand how consumers receive the brand extension and the effect on the parent brand, a brand-tracking tool should be used to identify effects on brand equity. Research, in the form of questionnaires, interviews and focus groups should be commissioned to analyse the following areas:

1. Awareness
2. Associations
3. Attitude
4. Attachment
5. Activity

The success of increasing brand equity rests on the consumer's perceived fit between the extension and the parent brand. The marketing campaign of the extension can increase the salience of crucial brand associations helping consumers understand extension features and benefits and thus understand how an extension fits.