

CUSTOMER EXPERIENCE PARTNERS

Whole Foods Competing on Price - But Why?



Whole Foods - disparagingly nicknamed "Whole Paycheck" by some - has announced an effort to neutralize that negative image. Working with deal site, LivingSocial, they recently offered (all takers) \$20 of groceries for \$10! In addition they've cranked up their PR and are claiming they are actually less expensive than other supermarkets. They support this claim with a shopping basket (eggs, romaine lettuce, soy milk, yogurt, peanut butter, pasta sauce, and frozen fruit) comparison. They claim the basket costs \$5.38 less at Whole Foods than at other supermarkets.

We Don't Agree with the Strategy, But....

Let's review some consumer behavior basics. Consumers buy products and services from Whole Foods or any other company because they subconsciously see value accruing to them. That is, the outcome of a **value equation** (the values of product(s) and the total customer experience divided by price) for Whole Foods is more favorable than for other supermarkets. We have to believe the "tilt" in Whole Food's favor is in the *experience component* of the numerator. Even if Whole Foods' prices are higher, the experience component is higher: a more pleasing store layout, more helpful sales clerks, a more pleasant store ambience, etc.. Thus the store offers desirable **value** for consumers who value aesthetics and service. Price-oriented consumers (those to whom the \$20-\$10 coupon is likely attractive) will assign a lower value to the experience component, thus Whole Foods would have to substantially decrease the price element to maintain them as customers. We question the chain's ability to do so while delivering a reasonable level of service that its current customers expect and value.

It comes down to the **total customer experience**, and what is acceptable/appreciated by customers. Some shoppers today are skimping; buying generic brands because they demand lower prices and will forego the quality (of nationally advertised brands) in their value equation. Other consumers continue to buy Gucci or stay at the Four Seasons because for them a more luxurious product or unmatched customer experience justifies a higher price. ***It all depends upon the values consumers place on the product and experience components against the price they have to pay.*** It's about tradeoffs.

But Whole Foods seems to be a corporation that has always understood this. They've worked hard to increase the value of their customers' value-equation-numerator by embellishing the customer experience. Refocusing on lower prices may momentarily attract new, price-conscious customers, but as we all learned on the playground see-saw, when you lower or reduce something from one side you need to subtract something on the other to stay balanced (or in business to make a profit).

The challenge for most corporations is in staying with a constant target market, and then prioritizing what those customers value most to optimize their **total experience**. To learn about setting experience priorities, contact us:

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