

Whole Foods sales struggle shows Amazon buying a fixer-upper

July 26 2017



This Thursday, June 15, 2017, photo shows a Whole Foods Market sign at a store in Coral Gables, Fla. Whole Foods Market Inc. reports earnings, Wednesday, July 26, 2017. (AP Photo/Alan Diaz)

Amazon is set to have a fixer-upper on its hands, with Whole Foods reporting that a key sales figure declined again.

The grocery chain said Wednesday that sales fell 1.9 percent at established locations for the three months that ended July 2. That marks the eighth straight quarter the figure has dropped as Whole Foods sees

more competition from traditional grocers, big box retailers and others offering more organic choices.

Facing pressure from investors to improve, Whole Foods agreed to be acquired by Amazon in a \$13.7 billion deal announced last month. The companies have not said what might change for customers, but the announcement rattled the supermarket industry, given the track records of Amazon CEO Jeff Bezos and Whole Foods CEO John Mackey. Both of their companies changed the way people shop.

During a town hall with Whole Foods employees last month, Mackey gave some general clues about how the deal might revitalize the grocery chain he co-founded in 1978. He said he thought Amazon would help with efforts on cost-cutting and a loyalty program. He also noted Amazon is known for its innovation.

"I think you're gonna see Whole Foods Market evolve in leaps and bounds," Mackey said then, according to a transcript of the talk filed with the Securities and Exchange Commission.

Mackey and Jeff Wilke, an Amazon executive, assured employees during the town hall that Whole Foods would not change its standards on food quality. In the meantime, Whole Foods has been struggling to set itself apart as organic and natural foods become more widely available, and had recently hit the brakes on its expansion plans. It currently has more than 465 stores in the United State, Canada and the United Kingdom.

One strategy has been an offshoot chain that focuses on its store brand products, many of which go under the "365" name.



In this Saturday, July 15, 2017, photo, fruit is stacked in bins in the produce section of the Whole Foods Market in Sudbury, Mass. Whole Foods Market Inc. reports earnings, Wednesday, July 26, 2017. (AP Photo/Bill Sikes)

Though sales at established locations fell again in the most recent quarter, Whole Foods noted that the drop wasn't as steep as in the previous quarter. It also said that sales figure was positive overall during first three weeks of current quarter.

J.P Morgan analyst Ken Goldman said some of that strength might have come from the "free publicity" from the coverage of the deal with Amazon.

"But for what it's worth, the numbers were better than anticipated," Goldman wrote.

Whole Foods said it would not be updating its financial outlook for the year or holding a conference call to discuss its results, given the pending merger. Amazon and Whole Foods expect the deal—which Mackey said came about after a "whirlwind courtship"—to close later this year.

For the quarter, Whole Foods earned \$106 million, or 33 cents per share. Not including one-time item, earnings were 36 cents per share. Analysts expected 34 cents per share, according to Zacks Investment Research.

Total revenue was \$3.73 billion in the period, also above expectations.

Before the results were released, Whole Foods shares had climbed 36 percent since the beginning of the year, while the Standard & Poor's 500 index has increased 11 percent.

Whole Foods shares were little changed by the quarterly results, inching up 6 cents to \$41.81. Amazon shares were up 1.2 percent Wednesday, trading at \$1,052.80.

© 2017 The Associated Press. All rights reserved.

Citation: Whole Foods sales struggle shows Amazon buying a fixer-upper (2017, July 26)
retrieved 9 May 2024 from <https://phys.org/news/2017-07-foods-sales-figure-falls-amazon.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.