Whole Foods Plans Major Marketing Push to Fend Off Competitors

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NEW YORK (AP) — Whole Foods is getting ready to launch its first national marketing campaign and expand home delivery as it looks to fend off bigger players muscling into the organic and natural foods category.

The company, based in Austin, Texas, said the marketing campaign this fall will explain to customers what makes it different and why it's better than other supermarkets.

"We believe there are real and substantive differences in the company and in the values and the foods that we sell," said Walter Robb, co-CEO of Whole Foods, during a conference call with investors.

In addition, he said the company will partner with third parties to offer home delivery in 12 to 15 major markets, with plans for a wider rollout over time. Whole Foods declined to give details about which cities will get home delivery, but it already offers delivery in select markets, including New York City. Other major players such as Wal-Mart are testing delivery as well.

In coming weeks, Whole Foods also said it will test a new loyalty program, with plans to roll it out widely in time for the winter holidays next year.

The efforts come as Whole Foods struggles to spark slowing sales growth, which has worried investors that the company is losing ground in a segment it once dominated. On Wednesday, Whole Foods Market Inc. said sales at established locations rose 3.9 percent in its latest quarter, helped by a shift in the timing of Easter.

A year ago, the figure had climbed 7.5 percent.

The problem is that Whole Foods is contending with traditional retailers such as Wal-Mart Stores Inc., Kroger Co. and even drug stores, which have significantly expanded their organic and natural food offerings.

To appeal to a wider range of customers, the company is trying to change its pricey image that has led to it being dubbed "Whole Paycheck" by some. The effort to keep prices down has included pushing its store brands, which are generally cheaper to stock than name brands at its more than 380 stores.

Looking ahead, Whole Foods now expects sales at established locations to rise 4.1 to 4.4 percent for the year, down from its previous forecast of 5 to 5.5 percent. It also trimmed the high-end of its diluted earnings per share forecast by two cents,

and now says it expects to earn $1.52 to $1.54 per share.

For the quarter, the company said it earned $151 million, or 41 cents per share, which is two cents more than Wall Street expected.

A year ago, it earned $142 million, or 38 cents per share.

Revenue rose 10 percent to $3.38 billion, but missed Wall Street forecasts for $3.4 billion, according to Zacks.

Shares of Whole Foods fell 3.6 percent to $37.70 in aftermarket trading following the earnings announcement. The stock is down more than 32 percent over the past year.

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