



A customer stands at a coffee bar in front of an Amazon.com Inc. Pop-Up store inside the Lakeview Whole Foods Market Inc. store in Chicago, Illinois, U.S., on Monday, Nov. 20, 2017.

Whole Foods Snafus Show Amazon Is Not Invincible

By Bryce Hoffman

For many business leaders, Amazon has become a sort of latter day Hannibal or Genghis Khan — the ultimate boogeyman whose very appearance on the horizon is enough to get them tying white handkerchiefs to the nearest stick.

I learned that last summer, when I found myself at the headquarters of one of my Asian clients, listening as the CEO explained his predicament.

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“Last quarter was our most profitable quarter ever. And last year was our most profitable year ever. Yet, sitting here now behind this desk, I can tell you that we are going out of business,” he said, with obvious anxiety. “Why? Because Amazon is coming. And when they get here, there is nothing we can do to defeat them. They have already won!”

I told him he was right to worry, but wrong to give up without a fight.

“What is the point?” he asked. “They are invincible. They will win simply by showing up. The only reason we are still in business is because they have not yet entered this market. When they do, we are finished.”

“Maybe,” I said. “But have you ever heard of the Fire Phone? How about Amazon Local? Destinations? Amazon WebPay?”

Amazon, I told him, is not perfect. They’ve made some major mistakes in the past, I said, and they are bound to make more in the future. I urged him to use the red team thinking tools I was teaching his leadership team to explore ways in which Amazon could fail in his region, then figure out how to encourage and exploit that failure. I also urged him to use those same techniques to develop options for evolving his own business that could allow it to remain viable, even if Amazon managed to muscle him out of his current market niche.

“Amazon’s victory is not certain,” I assured him. “Neither is your defeat.”

I suspect a lot of grocery retailers felt like this CEO when they heard about Amazon’s decision to purchase Whole Foods Market last year. My advice to them would be the same I gave to him: Don’t give up just yet.

The recent inventory debacles at many Whole Foods stores are one reason why I say that.

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While [some have blamed this breakdown on an “order-to-shelf” purchasing system](#) put in place before Amazon bought Whole Foods, I am skeptical of that. Sources for those reports are all at the store level, which means they don't really know what is going on at the distribution level.

As a Whole Foods shopper, I know that there were some problems with shortages on shelves before Bezos & Co. took control, but I also know that those problems got dramatically worse late last year, and the situation has only deteriorated since then. Last November, one Whole Foods I visited had no bags in its bulk foods aisle. When I asked why, the store manager told me the company had switched to a new vendor but had failed to ensure there was enough of the old bags available before cancelling the previous contract.

It took weeks for that particular situation to resolve itself.

While many industry observers — [myself included](#) — believed Amazon's acquisition of Whole Foods would lead to dramatic improvements in the way the chain manages its inventory, that has clearly not been the case. At least, not in the short term. And Amazon's missteps have revealed gaps in its armor that other players in this space could potentially exploit.

Whether they will or not remains to be seen. But in the San Francisco Bay Area, where I live, at least one regional food retailer has already figured out how to beat Whole Foods at its own game in a way that Amazon's backing can do little to offset.

[Woodlands Market](#) is a small Marin County chain that recently expanded into San Francisco. Like Whole Foods, it offers high-end, gourmet products. Unlike Whole Foods, which has spent the past few years struggling to make itself more appealing to mainstream consumers, that is all it offers.

As a result, Woodlands is able to offer a full range of groceries in a much smaller store space. That allowed the company to open its San Francisco store in a neighborhood that would have been prohibitively expensive for Whole Foods to secure sufficient real estate in. It also means

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been prohibitively expensive for Whole Foods to secure sufficient real estate in. It also means that Woodlands is able to staff that store with far fewer employees.

While I am not privy to Woodlands' financials, their San Francisco store is always packed. And judging by conversations I've overheard in the aisles, it is packed with former Whole Foods shoppers.

If Woodlands has figured out how to compete against Amazon, other companies can as well. So, if you find yourself in the crosshairs of Amazon or a similarly dominant player in your industry, don't break out the white flags just yet. Think about how they could fail, and think about what you could do to win.

Bryce Hoffman is the author of [Red Teaming](#). To learn more about red teaming, please visit redteamthinking.com.