



Chobani SWOT Analysis

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Organizational Facts

CEO/Owner/Founder President Interim CFO/Treasurer	Hamadi Ulukaya Peter McGuiness Michelle Brooks
Number of Employees	2,000+
Website	www.chobani.com
Founded	03/06/2014
Patent organization	Chobani Global Holdings, Inc
Headquarters locations	147 State Highway 320 Norwich, NY 13815 United States

SWOT	Favorable	Unfavorable
Internal	<u>Strengths</u> <ul style="list-style-type: none"> • Strong Company Mission • Solid Market Position • Stable Asset Portfolio • Capable Leadership 	<u>Weaknesses</u> <ul style="list-style-type: none"> • Quality Issues • Quick Expansion • Product Promotion
External	<u>Opportunities</u> <ul style="list-style-type: none"> • World Market Expansion • Alternative Milk Products • Diversify Product Categories • Moving with Market Trends 	<u>Threats</u> <ul style="list-style-type: none"> • Large Diversified Competition • Yogurt Market Growth Stagnation • Tight Labor Market • Anti-Dairy Publicity

Introduction

Chobani is currently the number one selling Greek yogurt in the U.S. and has become a household name. Experiencing massive growth in the short fourteen years since its beginning, the company began as an idea by Hamdi Ulukaya, an immigrant from Turkey. Ulukaya had the desire to make great tasting, Greek yogurt that was good for the body and the planet. Chobani has quickly evolved from a small operation in New York State in 2005, to a now global market, multi-product company worth over \$2 billion dollars. While maintaining its humble, beginning values and ideals, this company has poised itself for more growth and prosperity.

Strengths

Strong Company Mission

Chobani's mission is to bring high-quality yogurt to more people and create positive change in the country's food culture (Kennedy, 2017). The mission from the start has been to make better food for more people. Apart from that, the company has an approach that sets nine goals to impact universal wellness. It's called The Chobani Way. These goals include using 100% renewable energy, reducing water consumption and putting as much water back into the community, fighting waste to minimize their environmental impact, powering their transportation with renewable fuels, making packaging sustainable, making sourcing sustainable, guaranteeing protection to dairy workers, championing inclusion and diversity, and strengthening rural communities ("The Chobani Way", 2019).

Stable Asset Portfolio

Chobani is truly an entrepreneur's success story starting small in South Edmeston, NY, and then building the largest yogurt manufacturing plant in the world in Twin Falls, ID. They also have international reach with a plant in Dandenong, Australia (Kennedy, 2017). Chobani

takes its direct connection to customers seriously with a strong social network presence (about 1.5 million) as well as more tangible cafes (two in New York and one in Texas). Chief marketing and brand officer Peter McGuinness call these cafes, “incubation centers” and “a physical manifestation of the brand and the brand promise” (Kennedy, 2017).

Capable Leadership

Chobani has unique skills within the management team that stand out from competitors such as the dedication to being perfect, the drive to increase innovation, and passion for their own product which creates a motivational atmosphere within the workforce. Leading the charge is Hamdi Ulukaya, the Turkish founder who claimed that “in America, yogurt just wasn’t as delicious or widely available as it was back home” (Chobani LLC, 2019). With the hiring of a new president, Peter McGuinness in late 2019, Chobani is focusing on restructuring their company with a “nimble, team-centric approach” (Crawford, 2019). McGuinness enforces a team-centric approach and realizes that a shift in the business model is needed, with these changes, Chobani will stay at the top of the yogurt industry.

Nutritional Value

Wiley reviews a study conducted by L.E.K. Consulting’s in 2018 that reports, “60% to 70% of consumers, up 10 percentage points from 2016, will pay premium prices for natural, ethical, enhanced, or “less of ...” foods” (Wiley 2019). The study believes, “the next version of consumer health claims will include clean labels and sustainability... ‘clean label’ means no artificial ingredients or preservatives — the two most sought-after claims in our survey” (Wiley, 2019). Chobani’s recipe contains twice the amount of protein than other yogurts contain, has zero artificial flavors or preservatives, and contains five live and active cultures, three of which

are probiotics (“Chobani Selected”, n.d.). Available nationwide in January 2019, Non-Dairy Chobani maintains the Chobani promise to be non-GMO and all-natural (Barnes, 2019).

Weaknesses

Quality Control Issues

Chobani had a black eye in its relatively short history with the recall of yogurts due to mold contamination. Nearly 300 reports of illness were reported to the FDA (Cadotte, 2013). In a more recent issue related to quality control issues, almost 85,000 cases were recalled due to a gluten-free labeling issue (Whitworth, 2018).

Quick Expansion

Chobani recently opened the largest yogurt plant in the world in Twin Falls, Idaho, costing \$450 million dollars. This facility spans a whopping one million square feet and will employ 700 local individuals (White, 2019). The expense incurred to develop this plant will require an increase in sales and a superior marketing plan to maintain their projected return on investment.

Saturation of Options

Siegner writes, “Yogurt sales fell 6% by volume in the year through February, according to data reported by The Wall Street Journal. Sales of Greek yogurt declined by 11% during the same period” Siegner (2019). Also, the number of yogurt varieties available at the average U.S. retail supermarket has increased 4% since 2015 (Siegner, 2019). Some of the biggest brands in the market suggests that the saturation of options in the yogurt industry are playing a major role in the decline of sales (Demetrakakes, 2019).

Opportunities

Moving with Market Trends

The average grocery store has more than 300 separate yogurt products (Durbin, 2019). Leading the competition is Chobani, Yoplait, and Dannon. Each company has their marketing plans and vision for the future. Knowing their competitor's goals can help Chobani create a strategy to stay ahead of the competition. Yoplait is moving towards artificially flavored products and away from nutritious and health conscious ones. In the last three months, Yoplait began market testing products such as Dunkin' Apple Fritter, Dunkin' Boston Kreme Donut and Go-Gurt Dunkers Cotton Candy for kids also Starburst flavored yogurt. Market trends suggest a market that is moving towards healthier more organic options. "The U.S organic market grew 6.3% to \$52.5 billion in 2019" (Gelski, 2019). Another area of the yogurt market that has not been fully exploited is the keto-friendly option. According to a study of 1,259 registered dietary nutritionists, keto is the number one diet and looks to stay there for 2020 (Emily, 2019). This Keto Summit article shows the void in this market claiming that it's hard to find Greek yogurt that follows the keto guidelines (Hendon, 2019).

Attracting New Customers

In 2015 the U.S. Department of Agriculture (USDA) was the primary provider of Yogurt to school meal programs K-12 throughout the country (Farm Journal, 2015). The company could look at trying to get their milk added to the school meal programs along with the Yogurt. Chobani can also look at setting up a contract with the armed forces to be a preferred provider of yogurt.

Expansion to Plant-Based Foods

Market expansion has become vital due to the decline in yogurt sales and the increased interest in plant-based foods (Deighton, 2019). “Intel reported US sales of yogurt and yogurt drinks have dropped by 3.6% between 2018 and 2019, while US retail sales of plant-based foods grew 11.3% in the same period, according to a report commissioned by the Good Food Institute and the Plant Based Foods Association” (Deighton, 2019). In America, 53% of households consume plant-based foods, and that is expected to grow among the Millennial generation and higher income consumers (Thompson, 2019).

Threats

Future Developments in Technology

“Technology is evolving at such a rapid pace, that annual predictions of trends can seem out-of-date before they even go live...Five out of six Americans use AI services in some form or another every day (Duggal, 2019)”. AI and machine learning are new business trends that keep developing in different ways, causing a threat to firms around the world. As of late 2018, 23% of businesses have incorporated AI into their processes, while 83% of companies have stated that this is a strategic priority for their business today (Columbus, 2017). AI has been used in sales, marketing, customer service, and many other areas in business to both cut costs as well as influence productivity. “AI will power 95% of customer interactions by 2025 (“AI will power”, 2019)”.

The Negative Impact of Changing Consumer Behavior

Consumers' behaviors are constantly changing, based on their expendable income, the economy, their taste, the time of year, and even social media (Lazzari, 2019). All of these play a

role in what a consumer chooses to purchase. If they are low on money or the economy is not doing well, the consumer will purchase a product offered at a lower price. If their taste changes they may choose to stop purchasing your product all together. The time of year can also have a negative impact on your business. Around the first of the year, consumers may be looking at healthy options if their New Year's resolution is to eat healthier. Along with the time of year, the weather may cause a negative impact on your business. As the weather begins to get colder in the fall and winter, the consumer may look at a warmer alternative.

Tight Labor Market

“Everyone is looking for long-term solutions to combat the labor shortage that’s challenging the manufacturing and construction industries (American Ceramic Society Bulletin, 2020)”. In 2016, Chobani received threats when the company welcomed refugees into factories located in conservative states, such as New York or Idaho (Chuck, 2016).

Market Trends

“The category is staring down what could be its third consecutive year of declining sales. To fight back, brands have been deeply discounting prices and, to fund those discounts, cutting ad budgets. And it doesn't end there. In hopes of finding the next big thing (think Greek yogurt), these same brands have been launching new products, which tightens already scarce shelf space—and triggers new rounds of discounting (Wohl, 2018).” He also states, “A big challenge for the yogurt industry is the bevy of other convenient foods that, like yogurt, are packed with protein. Jerky and protein bars have been trendy for years, and there are numerous prepackaged snack packs featuring mixes of nuts, fruits, cheese and meats available on store shelves (Wohl, 2018).”

Competitor's New Product Launch

Danone North America, maker of Dannon, Oikos, Activia, So Delicious, Silk, Light & Fit and more, is preparing to greet the new decade with a host of new products. Some of the products being introduced this year include Oikos Almond Butter with Coconut, Berries and Maple Cinnamon, Activia's new Less Sugar & More Good probiotic yogurt, Activia Probiotic Smoothies with 0g of added sugar, and plant-based innovations. Danone remarks that its market share in yogurt increased to more than 33% in 2019 and its Light & Fit Greek was the best-selling yogurt innovation of the decade (Newhart, 2019).

Conclusion

After reviewing all SWOT components of Chobani, we recommend the following steps to ensure the success of the company continues to rise:

1. Continue to find ways to incorporate more product diversity like the new oat milk products and creamers launched, to reach a larger consumer base.
2. Incorporate different kinds of health options into Chobani yogurt products to keep up with the newest market trends. (More protein, low carb options, low fat, etc.)
3. Keep up with technological developments to stay competitive. Start to incorporate more AI processes, as well as the newest technology within the market.

By mastering these three suggestions listed, Chobani will be able to pursue future success, while also being able to stay ahead of the competition. This will secure their market leader position against competitors taking over the Greek yogurt market.

PostScript

Currently Chobani has promoted a new president named Peter McGuinness. Peter is focused on restructuring the company's culture and intends to incorporate his new ideas. With the hiring of a new president, Chobani founder Hamdi Ulukaya has a vision of future success. They will work closely together, but ultimately Peter McGuinness will oversee all operations and incorporate his ideas.

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