Whole Foods Market: What Now?

Margaret Wittenberg looked up from her computer screen and sighed just before taking a sip out of the Kombucha bottle on her desk. It was January 30, 2009, 8:00 a.m., on a crisp Austin, Texas, morning. The global VP of marketing and public affairs at Whole Foods Market, Inc., had just read through another “boycott Whole Foods” posting on the Internet and was already readying her response when the phone rang. A sprouts producer in Wisconsin had sent a letter to the press that very day claiming that Whole Foods was conspiring with the FDA to force sprout producers to use bleach to sanitize sprouts, “threatening our rivers” (see Appendix 1). Wittenberg paused to think. As Whole Foods had grown larger, she felt like she was constantly walking a fine line between two important but conflicting goals: offering organic foods that were natural and local enough to please a demanding customer base and delivering 20% sales growth to please shareholders. The marketing VP wished the Kombucha in her hand had a higher content of alcohol.

Whole Foods was founded in Austin, Texas in 1980 by John Mackey and Renee Lawson Hardy, owners of Safer Way Natural Foods, and Craig Weller and Mark Skiles, owners of Clarksville Natural Grocery. John Mackey spoke about his vision of creating an organization “based on love instead of fear.”

Whole Foods’ basic unit isn’t the store — but instead small teams that manage departments, decide what to stock, and make hiring decisions (see Exhibit 1). Bonuses go to teams, not individuals, and teams are privy to comprehensive financial data. Ninety-four percent of Whole Foods’ stock options have gone to non-executives. For years, this approach to employee management and its “whole paycheck” approach to pricing yielded excellent financial results; Whole Foods also scored the highest profits per square foot in its industry.

The company is widely credited with expanding the supermarket format to natural and organic foods and, in the process, has become the largest natural foods retailer in the world. At the end of 2008, Whole Foods operated 276 stores in the US, Canada, and the UK. The stores emphasize perishable products, which account for about two-thirds of sales, but have added products in other categories, including personal care. The stores offer a variety of natural and organic brands as well as private-label products under the four brands 365, 365 Organics, Whole Kids, and Whole Kitchen.