

citizens and communities. It provides recipes for preparing healthy meals.

Very few, if any, major corporations, including competing supermarket chains, have established programs that rival those of the Whole Foods Market to meet social and community responsibilities.

#### SOME BUMPS IN THE ROAD

While the Whole Foods Market has been a highly successful company, it still has experienced some problems along the way. Obviously, it has produced a concept that has been imitated by other natural foods companies and a number of competing supermarkets as well. Yet, in general, Whole Foods has been able to maintain its competitive advantage and market leadership, partly by being the first to the market and partly because of its practices, which continue to generate a strong reputation and a positive company image. Yet, a number of firms have developed competing products and are making headway in selling organic foods, including some regular large supermarket chains. For example, Sprouts Farmers Market has garnered a large number of customers with its sales of natural and organic foods. Major supermarket retailers such as Kroger have expanded the number and type of organic foods sold. Even Wal-Mart offers organic foods in its grocery operations. In order to maintain its leadership and to continue to command a premium price, Whole Foods Market has been continuously differentiating its products and building its image so that people will buy from it rather than from competitors. Whole Foods continues to expand the number of its stores and move into new markets. It has recently begun to expand into smaller cities such as Boise, Idaho (population is 212,000) and Lincoln, Nebraska (population is 260,000), with success. Previously, it only located stores in large metropolitan areas. It recently opened its first

Domain store in which it offers dining experiences such as oyster bars and Texas barbecue along with retail groceries. And, Whole Foods recently market tested a "click and collect" program whereby consumers can order organic foods online and pick up the order at the nearest Whole Foods retail store.

The top management of the Whole Foods Market has been strongly opposed to unionization. The belief is that the company pays workers well and treats them with dignity and respect and that a union is likely to interfere in its relationships with associates. Mackey, the CEO of the company, suggests that it is a campaign to "love the worker, not a union." Yet, the first union for Whole Foods was voted in at its Madison, Wisconsin, store. However, the Whole Foods Market executives have been able to fend off union efforts at other stores, including a campaign launched that the company referred to as "union awareness training." Still, it may experience problems with its planned expansion into Montreal where unions are especially strong.

Several years ago Mackey was criticized for and investigated by the Securities and Exchange Commission (SEC) for posting on a Yahoo! financial message board anonymous online critiques of competitors and self-congratulating statements about the Whole Foods Market. These comments were made using a pseudonym so no one knew that he was the CEO of Whole Foods. This action was strongly criticized by analysts and others, and several questioned the ethics of his actions. The Whole Foods' Board investigated the actions and reaffirmed its support for Mackey. In addition, the SEC concluded that no enforcement action would be taken against the company or the CEO. Mackey has not engaged in such actions since that time.

#### FIRM PERFORMANCE AND THE FUTURE

Whole Foods Market has performed well over the past several years, sustaining significant growth in sales and profits. Its stock price has also generally performed well. However, during the period 2005–2008, some analysts argued that the stock was overvalued, partly because they did not believe that Whole Foods' growth rate and returns could be sustained. Undoubtedly, maintaining its growth rate will be difficult as the competition in its natural and organic foods continues to grow. It was a special concern during the recent economic recession. Yet, Whole Foods' business model seems to be strong even with the challenging economic environment. The company is highly profitable and continues to outperform its direct competitors. And the value of its stock has increased considerably with a return of 1,075 percent over its most recent five years ending with fiscal 2013. Shareholders enjoyed a 2 for 1 stock split in 2013.

The firm has been combating competition with its new approaches and stores and recently offering discounts on its products. The expansion of stores to new communities has been successful as well, hurting established supermarket competitors such as Albertsons in its own backyard (Boise, Idaho). Clearly, Whole Foods Market has been a very positive force in dealing with its associates through its highly unique means of managing human capital. It also has built a strong positive reputation and differentiated its products in the eyes of consumers. Yet, there are some challenges with which the firm must deal, such as growing competition and potential unionization. While the future likely remains bright, further evaluation will be needed to determine whether there will be continued growth and positive returns for all stakeholders of the Whole Foods Market.

Source: Whole Foods Market logo used with permission.