

Whole Foods sweats CEO's health care manifesto

Calls to boycott its stores after CEO John Mackey's comments on health care reform could hurt sales at an already challenging time for the seller.

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NEW YORK (CNNMoney.com) -- Whole Foods' CEO John Mackey is known for his tendency to shoot from the hip.

This time, Mackey may have shot himself -- and his company's brand -- in the foot by getting too personal on the very public issue of health care reform which has sparked calls to boycott the grocer.

"Certainly when our customers tell us they are unhappy to extent that they are boycotting our stores, we are concerned," said Libba Letton, spokeswoman for Whole Foods. "We don't want them to leave us."

Mackey wrote an op-ed piece for the *Wall Street Journal* last week in which he outlined eight reform proposals that "would greatly lower the cost of health care for everyone." He also proposed less government control of health care."

The provocative article sparked numerous calls to boycott the retailer and even initiated a dedicated "Boycott Whole Foods" page on Facebook, currently listing more than 13,200 members.

"Health care is a particularly emotional and politically-charged issue," said Robert Passikoff, branding expert and founder of Brand Keys Consulting. "[Mackey] certainly has the [right to his opinions](#), but from the brand's perspective, perhaps it wasn't the wisest thing to do."

Bad for business. Passikoff and others said the calls to boycott Whole Foods ([WFMI](#), [Fortune 500](#)), the largest seller of natural and organic foods, is troublesome for the retailer. "This has become an instance of who are you going to hate and how are you going to react. You can't do anything to Mackey but you can punish the brand."

Letton said the company was responding to emails about Mackey's article. "We're trying to explain that it was intended to be a personal opinion and not on behalf of the company."

Whole Foods, like most other retailers, has struggled to grow its sales through the recession as consumers -- including the retailer's higher income clientele -- clamped down on their spending or shift more of their purchases to lower-priced offerings from Wal-Mart ([WMT](#), [Fortune 500](#)).

Michelle Chang, analyst with investment research firm Morningstar, said the company has been struggling with declining store sales for the past three quarters.

They've been trying to lose their high-price image, said Chang. She said the retailer's acquisition of rival Wild Oats in 2007 also was a

"costly endeavor" and its international expansion hasn't been as successful as it had hoped.

Against this backdrop, Chang said Whole Foods has to be especially conscious about its brand image.

To that end, could Mackey's penchant for "straight-talk" potentially be bad for Whole Food's business? "Whole Foods relies heavily on its brand and image," Chang said. "Any concern about its image would damage sales heavily."

"Whole Foods holds a certain appeal to consumers and if it deviates from that it could see some negative reaction from consumers," she said.

That being said, Whole Foods has not seen any discernable reduction in store traffic or sales over the past week.

Will consumers forget? Edward Aaron, analyst with RBC Capital Markets, said he's surprised that Mackey's article "is being turned into such a big issue."

"The language in that op-ed is hardly inflammatory," he said. "Obviously lots of Whole Foods' customers are on the liberal side but they also tend to be well-educated and they would tend to look at this issue as someone trying to be constructive."

Aaron was skeptical of the boycott initiative on Facebook and said the company says it has over 70,000 fans on Facebook as well as over 600,000 followers on twitter, potentially "the highest of any retailer."

"I just checked on Facebook [and] they currently have 113,000 fans," said Aaron.

Still, he said it's hard to predict how consumers ultimately will respond to Mackey's published opinions. "I think it's a pretty extreme reaction to stop shopping at Whole Foods because of it," Aaron said.

Chang agreed that shoppers won't shun Whole Foods forever. "Consumers tend to forget within a few days until the next hot topic comes along," she said.


But Passikoff disagreed.

He said they will remember. "Whole Foods has a particularly large segment of consumers who have a politically liberal tendency. That groups looks at Whole Foods as a liberal brand. For them, this is now an issue of brand dissonance." ■

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