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# How Fanatical Fans Create the Bedrock for a Successful Brand

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# Your most loyal customers set the stage for continuous volume growth.

If you listen to them, they can help you define how far afield you can extend. If you track them and induce them to introduce you to their friends and family, they can be your surest route to growth. If you forsake them at any point, they can, like jilted lovers, go from being fanatical fans to fanatical detractors. They will tell you in clear language what is a sin and what is unacceptable behavior. But don't turn away. You need to listen, question, listen again, and test.

How do you capture these people's hearts and minds? The most important element is getting the right salespeople on your selling floor. Those people are your link to them. We found that 10 percent of the luxury retailer's sales staff had a relationship with 90 percent of the best 14 percent of the store's customers. In other words, a small number of staff members knew how to build relationships, while the vast majority had no relationships. So give the people on your sales team the tools, training, incentives, and encouragement they need, and you can win.

Earn their loyalty and trust. Understand their motivations. Pay them for superior performance. Help them explain your value. Help them offer details about the technical and functional benefits of your product. Don't leave it to chance that your story is told with enthusiasm, energy, and zeal. Let's take a look at how one company has managed to get it right...

# Whole Foods Market

As John Mackey tells his story, he was “just a kid who wanted to open one store and earn a living” when he created the grocery company that would morph into the still fast-growing Whole Foods Market, the eighth-largest food retailer in the United States, with sales of \$14.2 billion. “We were not thinking grandiose,” he told us. “We just wanted to survive.”

When Mackey started his company in 1978—calling it SaferWay, a play on the name of the big California retailer Safeway—he wanted to help people buy organic and healthy foods. The company became successful beyond his imagination, but only after it abandoned the theory of “holy foods”—that is, of not permitting food that it deemed unhealthy inside its store.

Mackey describes this as a compromise aimed at a bigger promise: nudging an informed population to buy better food over time:

“We didn’t sell caffeine. We didn’t sell meat. And we didn’t do any business,” he laments. In the end, he “figured out that the best way to go was to offer lots of choices for people and attempt to educate. We made the decision not to be ‘Holy Foods Market.’” After this, the company found very engaged consumers and sufficient traffic to expand.

In 1980, Mackey did his first merger and opened a 10,000-square-foot Whole Foods Market. Since then, the company has grown regionally through acquisitions. Its IPO took place in 1992. With shares as currency, Mackey was able to snap up regional healthy-grocery stores. The company bought Wellspring Grocery in North Carolina, Bread and Circus in Massachusetts, Mrs. Gooch’s in California, Fresh Fields in Maryland, and Wild Oats Markets in Colorado. “We learn and grow from every acquisition. We’ve done 22 acquisitions, and 25 percent of our stores were acquired,” he says. The secret has been to “inject [Whole Foods’s] DNA into the values, mission, team structure, compensation, and empowerment. And... leave everything else on its own.” The company’s 12-region structure allows decentralized decisions on buying, stocking, merchandising, and promotions.

When the company went public in its fourteenth year of operations, when it had 12 stores, Mackey was asked how big he thought the market opportunity was. He guessed about 100 stores. Today, Whole Foods has around 400 stores, and there are more to come: it is starting to experiment with small-footprint stores with a limited assortment for lower-income consumers in urban markets. Mackey says the company is now thinking about 1,200 stores for the United States.

Mackey's success means that a great deal has been written about the company. In fact, like many entrepreneurs, he has written his own book, *Conscious Capitalism: Liberating the Heroic Spirit of Business*, a grand plan for business to do good—to help suppliers, workers, and customers. But the lessons from Whole Foods Market go beyond that theme. For us, the big one is the focus on consumers—and how to woo them.

“We are not oriented to achieving an arbitrary goal,” Mackey explains to us. “We are not just trying to have a relationship with consumers. We are a purpose-driven company. We are trying to serve customers as best we can. We believe if we take care of our customer, the business will flourish.” Whole Foods Market is much more than just a grocer. It is a lifestyle provider. It tells its consumers, explicitly and implicitly, that you can learn by shopping.

## Have a Set of Core Principles and Wear Your Values on Your Sleeve.

A year after opening, Mackey says, a flood almost destroyed the company. But consumers, suppliers, and employees worked tirelessly to reopen the store. “The flood was a near-death experience. Stakeholders saved us,” he says, still grateful for the help. “They pitched in. Team members worked for free. Banks loaned us more money.”

Ever since, Mackey has promoted a stakeholder philosophy in which the company balances the needs of customers, team members, shareholders, suppliers, and communities. He can get a little heavy at times, especially when he’s talking about balancing the “collective fate and soul of the company.”

*“Don’t leave it to chance that your story is told with enthusiasm, energy, and zeal.”*

Whole Foods Market has developed a defined list of core values:

- » We sell the highest-quality natural and organic products available.
- » We satisfy, delight, and nourish our customers.
- » We support Team Member happiness and excellence.
- » We create wealth through profits and growth.
- » We serve and support our local and global communities.
- » We practice and advance environmental stewardship.
- » We create ongoing win-win partnerships with our suppliers.
- » We promote the health of our stakeholders through healthy eating education.

The values are an important part of the Whole Foods brand. Good, healthy food, education, and the environment are easy messages to remember. When we interviewed staff members in the stores, they got these values—they could restate them, and said that the company lives by them.

“Businesspeople are mistrusted as selfish and greedy,” Mackey says. “Business needs to talk with a new language: create value for all stakeholders, not just investors. It is not a zero-sum game. In business, it is about making trade-offs that are mutually beneficial. Create value for customers, suppliers, communities, people—no one losing.”

## Go Beyond Profits, Align with Your Customers' Interests, Pick a Big-Picture Issue, Then Educate Them—For Whole Foods, It's the Health of the Nation.

According to Mackey, 50 years ago, Americans spent 25 percent of their income on food and 4 percent on health care. Today, he says, they spend 8 percent on food and 20 percent on healthcare. The result is that 69 percent of Americans are overweight. We later checked, and his numbers are approximately right—enough to make the point. He says that Americans are fat and sick.

To reverse the trend, the United States needs a different approach. “You need to know how to cook. Cook beans. Eat in bulk. Buy produce in season,” he says. “I’m vegan. Spend nothing on health care. It’s about consciousness.”

Whole Foods Market doesn’t follow the “holy foods” philosophy. As Mackey explained: “We need to tread carefully about imposing our own personal choices on our consumers.” For instance, Whole Foods Market does stock meat. But it seeks to sell fresh, wholesome, and safe food. Its products are evaluated, and suppliers are told to provide products that are free of artificial preservatives, colors, flavors, and sweeteners and hydrogenated fats.



The company has developed a private-label brand called 365 Everyday Value. Private labels can be very profitable, and Whole Foods Market has been able to invest in locally grown produce, sourcing from more than 2,000 local farms. It promotes animal welfare on farms and ranches and rates its suppliers of beef, pork, chicken, and turkey. It is perhaps not surprising that the big corporate food and beverage companies are largely absent from Whole Foods Market. Also, Whole Foods Market is big on customer education. One of its healthy-eating education programs includes a focus on—no pun intended—whole foods: everything that is unprocessed and pure. It's about emphasizing plant-based nutrition for its phytonutrients and fiber; healthy fats from nuts, seeds, and avocados; and nutrient-rich foods, including beans and whole grains.

The program lines up ways in which consumers can “prep for success,” such as cooking big batches, roasting vegetables, and preparing dishes like lentil chili. On its website, there are even menu ideas for every day of the week. Also, there are shopping lists for produce, grains, beans, and nuts aimed at making healthy choices fast and easy.

Historically, Mackey has not been a big believer in using conventional paid media to engage consumers. Marketing is 0.4 percent of sales. Whole Foods Market has focused primarily on earned media and community nonprofit partnerships. It publishes 1,000 messages per day, and it has 4 million Twitter followers; this makes Whole Foods Market the number one retail

brand on Twitter. Also, most stores have community meeting rooms and cooking schools for events. In these spaces, it stages brand development events to bring people to the store—but not to shop. The goal is to encourage consumers to become part of the Whole Foods Market family. As the company hit its thirty-fifth anniversary, it turned to advertising to complement its public and community relations tactics and to take control of its own message as it continues to grow.

*“Mackey has promoted a stakeholder philosophy in which the company balances the needs of customers, team members, shareholders, suppliers, and communities.”*

## Get the Right People on Board, Hire Full-Timers, Promote From Within, Teach Collaboration and Cooperation, and Emphasize Engagement and Values.

“This is a cool place to work,” said one checkout person, a long-haired, slender young man in his early twenties with tattoos down his arm. “I make suggestions to people based on what they are buying. I hear what they need and want. Good people shop here. I feel like I’m making a contribution to their lives.”

This same checkout person suggested that our mix of prepared foods was “too green.” Next time, he said, we should throw in a slightly different vegetable mix, including red, orange, and purple vegetables. “The more you mix it up,” he encouraged, “the healthier you will be.”

And having the right people in the store, and the right mix of people, is critical to Whole Foods Market’s success. How does it recruit? Mackey says that his culture attracts its own kind of people. “We are a meritocracy. We post all positions. We do group interviews. How do you get ahead at Whole Foods? You start off as a cashier, then you become an assistant team leader, then you transfer to another team. If you are good, you become a team leader, then a store team leader. Next step up is a regional VP and then a regional president.”

Mackey says that hiring is done by the team. “You can always fool one person. At the senior level, I am involved in promotions. We are looking for people who have a high degree of emotional intelligence. In our company, relationships really matter. We want people with empathy and self-awareness—servant leaders.

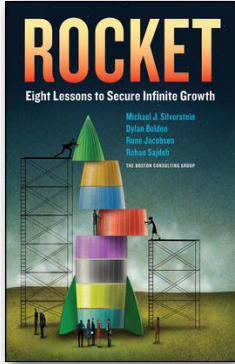
He continues: “If you answer the question, ‘Why do you want this job?’ by saying, ‘It’s the next place to go,’ that’s a bad answer. The right answer is about helping Whole Foods [and] servant leadership. The best leaders are not trying to line their pockets. Compensation should not be the primary driver. Top jobs pay better at Walmart.”

The company says it has a salary cap that limits total cash compensation for any team member, including executives, to 19 times the average annual wage of all full-time employees. This translates into an effective cap of \$750,000. That’s a lot lower than the ratio at any peer Fortune 250 company, where the ration can be as high as 400 or more to 1. Mackey himself takes a \$1 annual salary and no cash bonuses or stock option rewards. Nevertheless, he still holds 800,000 shares worth around \$40 million after substantially reducing his holdings over the years.

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But if Walmart offers higher wages for the upper-level jobs, Whole Foods Market does pay above market to get better people, retain them, and prevent unionization. Mackey is a big believer in taking care of employees. He commits to full-time work hours: more than 70 percent of the company's staff members are on the full-time payroll. Also, there are good benefits: healthcare is free for 10-year veterans and \$10 per paycheck for employees after a half year of full-time employment. Employees who opt in to testing low for cholesterol and blood pressure and using no nicotine receive higher store discounts on purchases through the company's "Healthy Discount Incentive Program." Whole Foods Market's recruiting materials underscore Mackey's messages: Whole Foods Market attracts people who are passionate—about great food, about the communities they live in, about how we treat our planet and our fellow humans—and who want to bring their passion into the workplace and make a difference. Our Team Members make us who we are by being who they are. Not only are our Team Members the secret to our continued success, they have also made us one of Fortune's '100 Best Companies to Work For' every year since the list's inception. As the saying goes around here, without our Team Members, 'We're just four walls and food.'" 📄

# Info



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