## CASE STUDY: whole foods

**Rahodeb (or John Mackey): Internet Postings about Whole Foods and Wild Oats**

From its beginnings as one small store in Austin, Texas, Whole Foods Market has grown into the world’s leading retailer of natural and organic foods, with hundreds of locations in North America and the United Kingdom.[[1]](#footnote-1) Whole Foods was founded by Craig Weller, Mark Skiles, and John Mackey, the current CEO. Whole Foods has expanded through the acquisition of numerous companies, including but not limited to Wellspring Grocery, Fresh Fields, Bread of Life, Merchant of Vino, Allegro Coffee, Nature’s Heartland, and Harry’s Farmers Market, among others. The most recent acquisition was Wild Oats Markets.[[2]](#footnote-2)

However, the acquisition of Wild Oats was not without its problems. The Federal Trade Commission (FTC) filed suit in June 2007 to block Whole Foods’ acquisition of Wild Oats out of antitrust concerns.[[3]](#footnote-3) Then in August 2007, a federal appeals court turned down the FTC’s request to overturn a federal district court ruling allowing Whole Foods to complete its purchase of its rival.[[4]](#footnote-4)

Interestingly, while conducting its antitrust review, the FTC discovered that, over a period of several years, John Mackey had posted comments about Whole Foods and its competitors in the online stock forums of Yahoo!® Finance. Mackey used the screen name “Rahodeb”—an anagram of Deborah, the name of Mackey’s wife—to conceal his true identity.[[5]](#footnote-5) At least 240 of Rahodeb’s 1,300 or so posts mentioned Wild Oats, a company with which Mackey had a bitter rivalry.[[6]](#footnote-6)

The acrimony between Mackey and Perry Odak, CEO of Wild Oats, can be traced to the first time the two men met at a retailing conference in Manhattan in 2001. “I’m going to destroy you,” Mackey shouted at Odak. Whole Foods’ officials tell a different version of the story—with milder language—but the confrontation has persisted as a food-industry legend.[[7]](#footnote-7)

For nearly eight years, John Mackey wrote his pseudonymous posts, some lauding Whole Foods’ financial results, and others castigating its rival Wild Oats.[[8]](#footnote-8) In January 2005, Rahodeb posted this opinion: “No company would want to buy Wild Oats Markets Inc.” Rahodeb continued, “Would Whole Foods buy OATS? Almost surely not at current prices. What would they gain? OATS locations are too small. … [Wild Oats management] clearly doesn’t know what it is doing … OATS has no value and no future.”[[9]](#footnote-9) Other comments that Mackey posted under the Rahodeb alias included the following: “While I’m not a Mackey groupie … I do admire what the man has accomplished.” “I love the company and I’m in it for the long haul. I shop at whole foods. I own a great deal of its stock. I’m aligned with the mission and the values of the company … is there something wrong with this?”[[10]](#footnote-10)

Mackey asserts that his online comments were personal, not professional. However, Mackey’s friends and colleagues say there is little distinction between his personal and professional sides,[[11]](#footnote-11) and that he is straightforward and transparent.[[12]](#footnote-12) Mackey’s defenders also say, “his anonymous comments—though boastful, provocative and impulsive—were no different from his public ones, and were never intended to disclose insider information or move stock prices.”[[13]](#footnote-13)

In a statement published in mid-July 2007 on the Whole Foods’ Web site, Mackey “said his anonymous statements didn’t reflect his or the company’s policies or beliefs. Some of the views Rahodeb expressed, Mr. Mackey said, didn’t match his own beliefs.” Mackey further stated that he made the anonymous comments on Yahoo Finance because he “had fun doing it.”[[14]](#footnote-14)

Mackey’s online activities were investigated by the Securities and Exchange Commission (SEC) and the FTC. As the legal wrangling unfolded, charges and countercharges were slung—not just by the direct participants, but by interested observers as well—and utterly delicious twists and turns kept emerging. FTC lawyers were shocked that their “‘gotcha’ haul of off-color statements by … Mackey wasn’t enough to block his merger with Wild Oats … in the absence of serious antitrust evidence.”[[15]](#footnote-15) However, Mackey asserted that the FTC was “running ‘a rigged game’ that handcuffs retailers and other companies under its jurisdiction.”[[16]](#footnote-16)

Some commentators castigated Mackey. For instance, John Hollon, editor of the *Business of Management* blog characterizes Mackey as “a delusional apologist for his own bad behavior.”[[17]](#footnote-17) Others, however, were less critical. The blogger Andres Acosta, disagrees with Hollon, saying, “I look at it differently. I appreciate his transparency and willingness to admit to making a mistake. It’s the sign of a great leader who can pick himself up after taking a hard fall and keep moving forward.”[[18]](#footnote-18) Chiming in with a nuanced argument that could be interpreted as supporting either a positive or negative view of Mackey is Adam Sarner, an analyst at Gartner Inc., who says, “[t]he need for executive online transparency depends on the context of the post.”[[19]](#footnote-19)

 Has John Mackey been vindicated in Whole Foods’ acquisition of Wild Oats? Hallie Mummert, writing in *Target Marketing*, says, “[w]hat some chalked up to a bizarre display of self-aggrandizement, others pegged as unethical and possibly illegal behavior.”[[20]](#footnote-20) And business blogger, Laurie Ruettimann, writes, “Great companies operate on the right side of the ethical spectrum and have little tolerance for ‘spin.’”[[21]](#footnote-21) Mackey himself, quoted in *The Wall Street Journal*, says, “If I could get the money back, I’d take it. … We would be better off today if we hadn’t done this deal—taking on all this debt right before the economy collapsed.”[[22]](#footnote-22) Even though Mackey has been described as “an opinionated iconoclast,” he “succeeded in buying out his largest competitor, Wild Oats Markets, and has expanded overseas to London, the next stop on his quest for global dominance.”[[23]](#footnote-23)

**Discussion Questions:**

1. Using the ABC model of an attitude, analyze what John Mackey’s online comments about Wild Oats reveal about his attitudes.
2. Using the concepts of instrumental values and terminal values, explain John Mackey’s blogging behavior relative to the Wild Oats acquisition. Using the same concepts explain the reaction of the SEC, FTC, and interested observers to Mackey’s blogging behavior.
3. From your perspective, did John Mackey act in an ethical or unethical manner? Explain the reasoning behind your answer.
4. At what level of cognitive moral development is John Mackey apparently operating? Explain your answer.
5. What insights regarding John Mackey’s attitudes, values, and ethics are provided by his use of the pseudonym “Rahodeb” to disguise his extensive online commentary about Wild Oats?
1. Anonymous, “About Whole Foods Market,” Whole Foods Market Web site, http://www.wholefoodsmarket.com/company/index.php (accessed July 2, 2009). [↑](#footnote-ref-1)
2. “Our History,” Whole Foods Market, http://www.wholefoodsmarket.com/company/history.html (accessed October 10, 2007). [↑](#footnote-ref-2)
3. D. Kesmodel and J. Eig, “Unraveling Rahodeb: A Grocer’s Brash Style -2-,” *The* *Wall Street Journal* (Eastern edition) (July 20, 2007): A1. [↑](#footnote-ref-3)
4. D. Kesmodel, “Court Clears Whole Foods Deal; FTC Loses Appeal to Delay Acquisition of Wild Oats, But Other Options Remain,” *The Wall Street Journal* (Eastern edition) (August 24, 2007): A2. [↑](#footnote-ref-4)
5. D. Kesmodel, “Whole Foods Wins Ruling on Wild Oats,” *The Wall Street Journal* (Eastern edition) (August 17, 2007): A3. [↑](#footnote-ref-5)
6. Kesmodel and Eig, “Unraveling Rahodeb.” [↑](#footnote-ref-6)
7. Ibid. [↑](#footnote-ref-7)
8. D. Kesmodel, “SEC Opens Informal Inquiry of Whole Foods CEO Postings,” *The Wall Street Journal* (Eastern edition) (July 14, 2007): A2. [↑](#footnote-ref-8)
9. D. Kesmodel and J. R. Wilke, “Whole Foods Is Hot, Wild Oats a Dud—So Said ‘Rahodeb’; Then Again, Yahoo Poster was a Whole Foods Staffer, the CEO to Be Precise,” *The Wall Street Journal* (Eastern edition) (July 12, 2007): A1+. [↑](#footnote-ref-9)
10. Ibid. [↑](#footnote-ref-10)
11. Kesmodel and Eig, “Unraveling Rahodeb.” [↑](#footnote-ref-11)
12. Ibid. [↑](#footnote-ref-12)
13. Ibid. [↑](#footnote-ref-13)
14. Ibid. [↑](#footnote-ref-14)
15. H. W. Jenkins, Jr., “Business World: Lessons of a Food Fight,” *The Wall Street Journal* (Eastern edition) (August 29, 2007): A14. [↑](#footnote-ref-15)
16. J. R. Wilke, “Corporate News: Whole Foods Returns FTC’s Fire—Grocer Files Rare Suit Against U.S. Agency in Fight Over Wild Oats Merger,” *The Wall Street Journal* (Eastern edition) (December 9, 2008): B3. [↑](#footnote-ref-16)
17. Anonymous, “Blogger’s Shameless Spin,” *Workforce Management* 87(10) (June 9, 2008): 41. [↑](#footnote-ref-17)
18. Ibid. [↑](#footnote-ref-18)
19. H. Havenstein, “SEC Ruling Lets Whole Foods CEO Blog Again,” *Computerworld* 42(23) (June 2, 2008): 8. [↑](#footnote-ref-19)
20. H. Mummert, “Is That You, John Mackey?,” *Target Marketing* 32(6) (June 2009): 9. [↑](#footnote-ref-20)
21. Anonymous, “Blogger’s Shameless Spin.”. [↑](#footnote-ref-21)
22. J. R. Wilke, “Corporate News: Whole Foods Returns FTC’s Fire ⎯ Grocer Files Rare Suit Against U.S. Agency in Fight Over Wild Oats Merger,” *The Wall Street Journal* (Eastern edition) (December 9, 2008): B3. [↑](#footnote-ref-22)
23. Anonymous, “Retail’s Power 25: The 25 Most Influential People in Retailing,” *Chain Store Age* 84(1) (January 2008):6A. [↑](#footnote-ref-23)