



# WELLVEST CAPITAL

Wellness Investing™

*"IF I HAD ASKED PEOPLE WHAT THEY  
WANTED, THEY WOULD HAVE SAID FASTER HORSES."*

— HENRY FORD

## AHEAD OF THE CURVE: HOW EARLY ADOPTERS SHAPED THE FUTURE BEFORE THE WORLD TOOK NOTICE

IT'S BEEN A JOURNEY

September 5, 2024

The August 5, 2024, edition of *Barron's* Up & Down Wall Street column was titled "How Whole Foods Revolutionized the Way America Eats". This outstanding article equates the long-term trend toward healthier food over the last fifty years to megatrends like the rise of technology, globalism and climate change. Wow, rarified air for our humble health and wellness industry. It is even more amazing since the industry until relatively recently was a boot-strapped, capital starved, home grown, and organic as the food it produces. Compared to the trillions invested in "headline grabbing industries" such as technology, globalization and climate change, it's a miracle that the industry is where it is today.

The *Barron's* piece goes on to tell the genesis story of Whole Foods, its founder John Mackey and the influence it had over today's grocery shopping, stating:

John Mackey was a proselytizer for health food decades before the mainstream. Says Mark Baum, chief collaborations officer at FMI, the Food Industry Association. "Consumers started demanding these items, forcing traditional grocers to consider the products. Fast-forward to today. Those items are stitched into the [inventory] of grocers across the country. There isn't a natural or specialty food section; it's all part of the shopping experience." Food that was dismissed as hippie fare is now "winning the hearts, minds, stomachs, and wallets of consumers." he says. (Serwer, *Barron's*)

Whole Foods and Mackey deserve this credit. For a long period of time, the retailer was the premier launching pad for thousands of innovative brands in the health and wellness space. Whole Foods was the communal town square that brought together the shopper that was seeking something better for themselves and their families and the entrepreneurs that were on

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*FROM FRINGE OUTLIER TO MEGATREND MAINSTREAM*

*HEALTH AND WELLNESS ARE FULLY INTEGRATED WITH DIET*

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a mission to deliver it. The quality and curation provided by Whole Foods provided a halo effect for the brands and the industry at large.

Compared to traditional grocers at the time, Whole Foods was an oasis in a sea of highly processed junk food. To be accepted, products needed to prove they were worthy including:

- Made of natural, organic ingredients
- Provide clear, transparent labeling
- Focus on sustainability and ethical sourcing practices
- Avoid GMOs and cater to specific dietary needs (e.g., allergen-friendly, gluten free)
- Innovative with unique products that align with health and wellness trends

The company was serious about quality standards and social responsibility, Whole Foods had a list of over 100 unacceptable ingredients, which brands were strictly prohibited from using. This included artificial sweeteners (like aspartame), hydrogenated fats, high-fructose corn syrup, artificial preservatives (like BHA, BHT), artificial colors, and flavors.

#### MAKING IT ON BROADWAY

For health and wellness brands including food, beverage, personal care, supplements, and other CPG, getting on the shelf at Whole Foods meant you “had arrived”. This cache could be parlayed into distribution at other grocers both natural and traditional. New innovations such as novel ingredients, unique flavors, and non-organoleptic attributes like “fair trade” required educating consumers. The Associates at Whole Foods embraced the role of “consumer educator”, chatting up shoppers in the aisle about products and trends; enhancing the overall experience. Many of them were as mission driven as the brands they sold.

In the history of Whole Foods, nutritional supplements stand out as fascinating case study. In the supplement space, consumer education is a constant challenge. The breadth and depth of offerings is enormous. Couple this with questionable marketing by bad-actors and you end up with a nasty mix of consumer confusion. Enter Whole Foods with a reputation for high quality standards and a staff that embraces knowledge sharing. The result is that by the mid-2000’s, Whole Foods was widely recognized as the largest distributor of supplements in the country. Many of today’s top selling brands picked up a strong tailwind from the Whole Foods’ halo effect, including Garden of Life, Nature’s Way, New Chapter, Ancient Nutrition, Nordic Naturals, and dozens more.

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*WHOLE FOODS DEFINED THE PATH TO SUCCESS*

*HIGH STANDARDS AND EDUCATION WERE THE KEY*

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## GOING MAINSTREAM

Change is the only constant; nothing lasts forever, times change, and people move on. The rapid changes at Whole Foods are well known but even before the Amazon buy-out the little mom-and-pop natural foods industry was quickly growing up. Driving this growth was the fact that natural food companies, both large and small, significantly improved the taste and nutritional profile of their products to a point where they actually tasted better than their conventional competitors. These improvements attracted more consumers to Whole Foods. As Mark Baum at FMI pointed out, consumer demand forced traditional grocers “to consider the products”. Natural brands took advantage of this dynamic by expanding into the traditional grocery and club channels. The benefits of broader distribution aided both consumers and brands. Offsetting this was the dilutive effect of natural products competing head-to-head with well-established legacy “big food” brands. The knee-jerk reaction of price comparison in the aisle had the unfortunate impact of creating the perceptions that “natural” brands were more expensive premium products. What was lost on the average consumer was the value proposition of eating healthier food. Whole Foods drove awareness of the industry’s value proposition through its strong advocacy, its broad offering and in-store education. But over time, as the baby boomer generation matured, and technology evolved, the need for in-store consumer education has diminished, leveling the playing field across channels and brands.

### *Coil the Spring – be prepared*

The Whole Foods story is an entertaining retrospective, but what’s the point, what’s the take-away, why should I care? For a decade or more, Whole Foods was the proven path to success for “natural” CPG brands. For many, it was the inflection point that got them to scale, profitability, and importantly, credibility in the marketplace. Clearly the world has changed! Better-for-you and natural has blurred with traditional in term of brands, products, and retailers. What once was a niche market for “health food nuts” is now ubiquitous “health and wellness”. Food and nutrition is no longer a standalone element of life, but at the core of holistic wellness, cutting across exercise, mental health, spiritual health and overall wellbeing. As the information age matures, how consumers are educated about products has evolved. The days of a Whole Foods’ Associate chatting about supplements in the aisles have dwindled, shoppers are more likely to scan a review on their cell phone in those same aisles when they have a question.

Taking the proven path in periods of stability has its merits. In times of rapid and unpredictable change the risks of this approach are often greater than the rewards. Technology enables the disintermediation of information, allowing brands to create a feedback loop between themselves and their consumers, controlling the message, creating trust and building brand equity. How brand partners; retailers, marketplaces, and influencers are applied in this process is unique to each situation. Whole Foods, while still relevant, is no longer the only path to success for innovative health and wellness brands. Technology, educated consumers, and the ecommerce revolution have widened and leveled the playing field. Brands that can adapt to this rapidly evolving landscape will become the next category leaders.

On a personal note, the founders and partners of Wellvest have long been passionate advocates for the benefits of healthier eating and living a healthy lifestyle—principles that are deeply ingrained in our identity and mission. It's reflected in our name! Our approach has always been understated, focused on adding value where possible and fostering long-term, lasting relationships. The *Barron's* article is a gratifying acknowledgment of the positive impact this movement has had on global health, and we hope we've made a meaningful contribution along the way.

For more information on this and other topics please visit [www.wellvestcapital.com](http://www.wellvestcapital.com).

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