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Doctor of Business Administration

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A handwritten signature in black ink, appearing to be 'NG Fung Yu', written over a dotted line.

Signed

NG FUNG YU

HKBM7002

**Managing in Complex environments:
Strategies, Insights and Solutions**

Management Report:

Amazon's Acquisition of Whole Foods

NG FUNG YU (Wendy)



28 February 2022

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Abstract

With the rapid development of technology, the Internet and information technology are inseparable from the details of our lives. Consumers' online shopping patterns are also becoming more and more popular. People can shop online anytime and anywhere, not limited to time and space. Therefore, online stores have more potential for development than physical stores. The business operation has gradually turned into an omnichannel concept. Especially in recent years, as the COVID-19 pandemic has ravaged the world, especially with the development of the retail industry, the combination of physical channels and virtual channels can better meet the needs of society and create better consumption, quality service and convenience for consumers.

There have been many cases of companies relying on mergers and acquisitions to accelerate growth. Companies spend a lot of time looking for potential companies or mitigating threats from their peers by acquiring other competitors. Benign mergers and acquisitions can drive the growth and transformation of companies and add growth momentum to the global market. At the same time, as technological change continues to accelerate, mergers and acquisitions are the fastest way to enter new markets and acquire new technologies. Due to the global impact of the trade war and the epidemic, multinational companies have launched a merger and acquisition boom. They want to grow and become more competitive through "M&A deals"!

In this case, Amazon acquired Whole Foods Market, which specializes in selling organic and bio-based products, for \$13.7 billion in 2017, distributed between the United States, Canada and the United Kingdom, to determine Amazon's economic interests and opportunities for growth.

Through Amazon's acquisition of Whole Foods Market, this study analyzes the external environment leading to restructuring activities, analyzes their internal and external factors before the merger, the synergy of the complementary strategies of the two parties, and evaluates the management strategies of the implementers. This study will develop an implementation plan for the proposed changes based on assessing the management issues of two critical players in Amazon and Whole Foods Market, the

post-consolidation market response, the actual integration practices, and the impact of the problems encountered on synergies.

After Amazon acquires Whole Foods Market through a related diversification strategy, because Amazon has abundant resources and excellent management capabilities, it can adjust the defects in Whole Foods Market management. In addition, in the past, most of the corporate culture mergers and acquisitions will adopt a positive absorption method, and most of the senior management who have initially been purchased will be replaced, which will be conducive to a strong style of the company. However, this study found that Amazon is different from other companies. Amazon retains the original CEO of Whole Foods Market and continues to serve as CEO. Amazon uses a different strategy to integrate the two sides.

The corporate cultures of Amazon and Whole Foods Market are distinctly different. By retaining the original CEO and continuing to serve as the CEO of the new company after the merger, Amazon plays the role of communication, coordination and integration with the actual employees of the merged party and integrates the cultures of the two parties in an absorbing manner. It can also appease the emotional adjustment of the employees to reduce the problems and conflicts extended by the corporate culture, thereby creating better synergy expectations.

In addition, whether the enterprise develops successfully or not and the level of managerial ability account for most of the factors. Managers are in a dominant position in all policies of an enterprise, affecting the achievement of organizational goals and management effectiveness. Therefore, the management's style and characteristics play a critical factor in the enterprise. This study found that Amazon and Whole Foods Market CEOs have significantly different leadership styles, so Whole Foods Market employees are greatly transformed and adapted after being co-buoyed by Amazon. Therefore, the management ability of managers has become an essential topic of this research.

This study can reference how corporate culture strategy and managerial style affect corporate development during acquisition.

1. Background of Amazon

Founded in 1994 as an online bookstore. The website was officially launched in 1995 and was listed on the Nasdaq stock exchange in 1997 with the stock code AMZN. Amazon has since expanded into other businesses and is one of the largest online retailers in the world today. After Amazon opened its first physical bookstore in Seattle in 2015, its business has continued to expand. In addition to having offline physical stores, it also has its brand and the most advanced logistics system. Amazon has also experimented with many retail concepts, such as convenience stores without cashiers, supermarkets, and a type of store called a "four-star" store that only sells popular items rated four or more stars by customers. Amazon aims to attract shoppers from more places and bring its online users into the real world.

Amazon adheres to the "customer-centric" concept, adhering to the belief of "everyday low prices, genuine products" they provide professional services: genuine products are cheap every day, and they can be returned and exchanged within 30 days.

Amazon is the world's largest self-operated B2C website; after purchasing goods, they resell them to ordinary consumers to earn the difference; Amazon is also a leader in global e-commerce innovation. Amazon also operates an open platform similar to Alibaba's model. This platform also accounts for nearly 40% of the total revenue; however, in terms of self-operated sales, Amazon is still the world's first and continues to be far ahead.

Amazon retail websites are distributed all over the world. There are 13 sites in the world, including Amazon's US, Canada, France, Brazil, UK, Italy, Spain, Germany, Japan, India, Netherlands, China and Mexico and other sites, and in the United States, Canada, the United Kingdom, France, Japan, Germany, and India have achieved leading positions.

Amazon's consumers are located in more than 200 countries, and more than 30 product categories are sold globally. Its retail product lines cover books, audio and video products, software, consumer electronics, household appliances, kitchenware, food, toys, maternal and child products, there are tens

of millions of products such as cosmetics, daily necessities, sports equipment, clothing, shoes and hats, jewellery, etc. Amazon's 185 centres around the world can help sell products to many countries and regions worldwide, reaching more than 300 million active users of Amazon around the world.

Amazon has 28 years of global e-commerce operation experience. Even under the influence of the new crown epidemic, Amazon's Q4 financial report in 2021 (**Amazon, 2021**), the company's revenue was 137.412 billion US dollars, a year-on-year increase of 9.44%. More than 40% of revenue comes from outside the United States, more international than Alibaba Group. The North American region (US, Canada, Mexico) accounts for about 60% of the overall revenue, and the other 40% comes from Germany, the UK and Japan.

2021 Amazon's fourth-quarter annual report mentioned that six support companies continue to grow and make profits. The main business revenues are cloud business AWS: 17.8 billion US dollars, an annual increase of 40%; online channels: 66.075 billion US dollars, an annual decrease of 1%; Physical media: \$4.688 billion, up 17% year-on-year; third-party sales channels: \$30.32 billion, up 11% year-on-year; subscription services: \$8.123 billion, up 15% year-on-year; advertising: \$9.716 billion, up 32% year-on-year.

From February 2022, the annual fee for Amazon's high-end members is US\$139 (approximately HK\$1,083), while for users paying monthly, the fee is US\$14.99 (around HK\$116). After purchasing, Prime Membership can enjoy many products, Free courier service for two-day delivery. Such a design creates stickiness for customers and increases shopping loyalty.

The Marketplace has created a good trading environment, allowing suppliers and buyers to trade on their own, which is the mainstream of today's e-commerce model. Nearly 40% of Amazon's products are sold through third-party manufacturers, which is an online platform service model. On Black Friday in 2021, more than 50% of the platform's sales will come from global vendor sellers, and sales will break another record, reaching \$6.3 billion, a 23% increase from the \$5.1 billion in global sales in 2020, and the same year in 2019. Global sales more than doubled during the period.

Amazon's cloud service AWS, first launched in the United States in 2002, started as a straightforward storage service. But today, AWS offers a broader range of services than any other cloud provider. These services also provide a wide variety of functions, from computing, storage, database, data analysis, mobile, the Internet of Things, and infrastructure technologies such as enterprise applications, as well as emerging technologies such as machine learning and artificial intelligence, data lakes and analytics, and the Internet of Things. Make it faster, easier and more cost-effective for users to push existing applications to the cloud and create the ideal environment for their work (**De Pamphilis, D. ,2015**). AWS also provides the deepest functionality for these services. For example, AWS provides the richest and most diverse selection of databases tailored for different applications, helping users choose the most suitable tool for the task to achieve the best CP value.

2. Amazon's Management strategy

Amazon founder Jeff Bezos believes that the company succeeds for three reasons: a customer-first belief, constant innovation, and long-term planning. Amazon can become the world's largest online retailer by meeting the four significant consumer demands of online retailing: "many, faster, better, and less".

1. Many:

1.1 Website Traffic

Amazon is very popular worldwide, whether consumers or sellers; when it comes to online shopping or online sales, Amazon may be the first choice. Amazon's website traffic platform is extensive, with 5.4 billion global traffic and more than 2 billion monthly traffic in the United States alone. Data shows that in June 2021, the number of visitors to Amazon's US site reached 2.72 billion, making it the most visited e-commerce website in the world.

1.2 Subscribers

Amazon offers the largest selection of products globally, with more than 300 million active users. Data shows that the 2020 U.S. population will visit Amazon at least once a month, and most will become actual buyers. In 2019, 172 million people bought goods on Amazon's US site.

1.3 Number of sellers

According to the data, the total number of sellers on Amazon has reached 6.2 million, of which 500,000 are active accounts, and more than 377,000 are new sellers. It is reported that among the total number of Amazon sellers, third-party sellers are nearly 2 million. The survey shows that 57% of third-party sellers only use FBA logistics, 34% use FBA and FBM for self-delivery, and only 9% of sellers do not use FBA logistics but only use FBM logistics.

1.4 Amazon Prime Membership

Many consumers on Amazon's platform have signed up for the Prime membership program. After becoming a Prime member, consumers can enjoy various benefits, such as "free two-day delivery" and live video services. Statistics show that as of today, more than 200 million people have registered as Amazon Prime members, of which 148 million are from the United States. In the US, Amazon Prime members account for 65% of consumers. By the end of this year, 74.4 percent of U.S. households are expected to have a Prime account.

1.5 sales

Amazon FBA Fulfillment shipments send out nearly 160,000 packages per day. This does not include cases where multiple orders are shipped together, and orders shipped by the seller themselves.

1.6 merchandise quantity

Amazon has a wide variety of products and choices. In addition to books, there are more than 353 million products on the shelves, 12 million of which are Amazon-owned products, and the rest are products from third-party sellers.

2. Faster:

Amazon has 275,000 employees worldwide in its technology and enterprise divisions, with sufficient staff, serving 20 sites around the world, and speedy delivery and service. Through global warehouses and high-tech warehousing and supply systems, Amazon can efficiently deliver products to buyers. Over the years, Amazon has repeatedly been honored as the No. 1 company that consumers are most satisfied within the United States.

3. Better:

Product and shopping experience are better. Through strict product screening, Amazon also has strict requirements on the service of suppliers and uses the evaluation of consumers' products and merchants as an auxiliary mechanism to build a quality assurance for online shopping.

4. less:

save money. Amazon's philosophy is to buy high-quality goods at the lowest price for consumers. The low-cost benefits of Amazon's procurement process design, supply chain efficiency development, and scale expansion will all be reflected in lower prices.

3. Amazon's acquisition of Whole Foods Market

Since 2015, Amazon has gradually expanded its business territory, starting to physicalize its retail business from online to offline. It started with Amazon's opening of a physical bookstore, Amazon Books, then the creation of an unmanned store, Amazon Go, and finally the acquisition of Whole Foods Market to expand into the fresh market.

For Amazon to gain market share in the world and accumulate online consumers, it also needs to enter the offline retail market to cater to the purchasing habits of different consumers. Amazon understands that to break through the old traditional marketing framework of the existing retail industry, it must make good use of existing resources, create more new ideas, allow consumers to have a unique buying experience, and create higher value for Amazon **(Bena, J., & Li, K. .2014)**.

In the 20th century, the retail industry mainly relied on the number and location of stores to become the advantages of business marketing, with the convenience of purchase and variety of goods as the critical factors for success. But today, in the 22nd century, the era of retail has become an essential success factor for businesses with the integration of the Internet, social networks and physical stores. When customers place an order online, they can choose to have it delivered or go to a physical store to come and touch the product in person. They can experience the "authenticity" of the store and go home with satisfactory products, which can increase customer confidence and build a good reputation for the company **(Bit by bit, 2018)**.

The development direction of Amazon's physical stores has officially launched the advent of the new retail era. New retail is also known as "Omni-channel". It integrates online and offline consumer behaviour data and matches the "logistics function" of physical channels to move towards the goal of "zero inventory in e-commerce". And transform the obtained data into strategies that companies design closer to consumer needs, providing consumers with a seamless consumption experience covering all channels.

In other words, Amazon uses technology to systematically reorganize the existing supply chain to achieve business success and follows a cost leadership strategy to provide its customers with the most outstanding value at the lowest price and get customers used to Amazon.com as the gateway for their online shopping needs **(Douglas Clark, 2017)**. Finally, by entering into the operation of physical stores in a big way, looking for the path of cooperation between physical stores and e-commerce, and creating a virtuous circle of lasting value.

In this new phase of the retail market, Amazon dominates internationally. Amazon's growing interest in commercial operators through its experience with Amazon Go and Amazon Books. Amazon is moving toward integration with its brick-and-mortar sales network by acquiring commercial chains operating in the "brick and mortar" retail space. Amazon's first attempt to merge online and offline procurement of fresh field services in 2007 was started by its subsidiary Amazon Fresh, but the operation has not grown significantly for nearly ten years, so Amazon hopes Through the acquisition of Whole Foods Market, to expand and realize a new grocery operator.

In 2017, Amazon acquired the organic food supermarket chain Whole Foods Market for US\$13.7 billion. The market generally believes that the cooperation between the two companies will help Amazon enter the fresh food retail market in one fell swoop (**Morgan Stanley,2017**).

Whole Foods Market mainly sells high-priced organic food, and most of its customers come from wealthy families. The customer layer is consistent with Amazon's consumer target group, and Whole Foods Market stores are opened in high-end locations across the United States. These advantages are improving the service of Amazon Prime members and attracting these customers to brick-and-mortar stores. In addition, Whole Foods Market customers may also tend to shop on Amazon. The combination of the two companies' customer bases allows Amazon to fully open up Doors to online and physical stores, which would enable Amazon to reach customers in more ways and improve service.

Operating an online store does not have to bear the rent of storage, but it has more procedures than physical stores in settlement with customers. Although online store can invite face-to-face delivery or delivery by the courier company, they need to take extra time to deal with it, and they have to bear the freight, which is more time-consuming and wrecked in disguise. Opening a physical store makes it easier for customers to select their favourite products online and then settle them at the physical store, saving time on delivery processing and allowing companies to focus on expanding their business.

Compared with other commodities, fresh products have seasonal characteristics. As the weather changes, fresh products have higher and higher requirements in the storage and transportation environment. Every year, many fresh products cause high losses due to the lack of refrigeration equipment and preservation technology. Therefore, if Amazon wants to occupy a seat in the fresh food market, it is necessary to solve the distribution scheme of fresh products.

Since Whole Foods Market is a national chain store, it can attract Amazon's customers to pick up goods in physical stores, help Amazon speed up delivery, help supplement Amazon's insufficient fresh takeaway model, obtain a physical stores retail platform, and promote Amazon's various innovative services experiment.

Whole Foods Market focuses on fresh, organic, all-natural, no processing, and no additives. It is an upper-class supermarket that guarantees absolute quality and health. It has strict controls on organic food, so the prices of most of its products are 40% higher than ordinary supermarkets. 40%~175%.

Due to the high cost of production and management of organic food, chemical fertilizers cannot be applied during the cultivation of organic food, and growth hormones cannot accelerate the growth process of crops. Therefore, the growth cycle of organic food is longer than that of typical food. In addition, many farms supplying organic food are individual small farmers with small production scales and no large-scale effect. The planting process has a high loss rate and low yield rate, which increases the cost of production. Secondly, the processing, storage and transportation requirements of organic food are much higher than that of ordinary food, and the price is also much higher.

Moreover, Whole Foods Market conducts strict qualification audits on suppliers to check whether these organic food suppliers meet the production standards from the USDA certification process formulated by the United States Department of Agriculture. The entire certification process is cumbersome and strict, increasing supply chain and store management. Therefore, Whole Foods Market reflects these costs in the price of food.

Due to the low profit of fresh products, after Amazon acquired Whole Foods Market, it can use its strong distribution network and purchasing power to increase its bargaining power with suppliers, help Whole Foods Market lower purchase prices, and remove a significant roadblock that hinders Amazon's profit growth.

4. Background of Whole Food Market

Whole Foods Market was founded in 1978 and went public in 1992. It has grown into the most significant natural food and organic fresh food supermarket in the United States and the first certified organic food retailer. The company mainly targets mid-to-high-end customers, advocates a healthy and natural lifestyle, and focuses on natural and organic fresh food, with sales of fresh and cooked food accounting for about 70%. In FY2017, the company's revenue exceeded 16 billion US dollars, net profit was 245 million US dollars, and the number of stores was 470, covering 42 states in the United States, the United Kingdom and Canada. Whole Foods has a market share of more than 30% in the organic food market in the United States. In 2016, the sales were 15.7 billion US dollars, and it was listed in the "Fortune" 500 companies.

Whole Foods Market is the largest natural and organic food supermarket in the United States. At the beginning of its establishment, its founder John McKee borrowed US\$45,000 to set up a small shop selling only pasta and vegetables. With more than expected success, John McKee and other partners later expanded the first pure organic food supermarket to focus on selling green health and natural organic products. Although the products are expensive, they are still popular with the wealthy. The business was booming, with sales reaching \$4 million in the first year alone.

Whole Foods Market is the first certified organic retailer in the United States. It is positioned as a "high-end food supermarket that uses top-quality organic ingredients" and focuses on high-end groups. Whole Foods has capitalized on consumers' growing interest in organic and natural products, subverting traditional American eating habits, running counter to conventional supermarkets, and "going against social mainstream" food culture. Whole Foods Market is different from other

supermarkets in promotion and price war. The price of the most common food is 10% to 20% higher than that of Walmart, and the cost of most products is 40% to 175% higher than that of ordinary supermarkets. To turn passive into active, Whole Foods decided to take the lead in emphasizing the quality of food; instead of lowering the prices of its competitors, the costs of the goods in the store are higher than other stores. Although commodity prices are high, consumers are still flocking to them. The organic foods and their products sold at Whole Foods Market include groceries (dry products, dairy products, frozen foods and non-staple foods, etc.), nutritional products (produced with substances extracted from natural animals and plants), specialty products (cheese, beer, red wine, etc.) and processed foods (meat, seafood, and ready-to-eat meals). Whole Foods opted for OEM merchandise operations to find a middle point between price and profit. Since the launch of its brand series "365 Everyday Value" in 1997, there were more than 5,300 SKUs under its brand in 2016, with sales of US\$2.3 billion, accounting for 15% of total sales. After 2017, Whole Foods decided to continue developing its brands, continuously expanding SKUs, and ensuring the price competitiveness of its brands to meet the challenges of competitors **(Felix Richter, 2017)**.

In addition to establishing a supplier review mechanism, Whole Foods also emphasizes "local supply of ingredients" in its procurement model. Whole Foods allows each store manager to source direct from local farms and decides what to stock and price for one-tenth of the store's merchandise, as long as those farms meet Whole Foods' food standards. This approach conforms to a "farm-to-table" trend that has been blowing up in the American food circle since 2000 and advocates planting nearby, picking on the same day, and purchasing locally. This approach allows the ingredients to retain more nutrients, reduces transportation and storage links, and reduces pollution and benefits local farmers. Influenced by this culture, Whole Foods "locally sourced" fresh fruits and vegetables can account for up to 25% of the total vegetables and fruits in the store (Kate Taylor, 2017).

In addition, the high-end positioning of Whole Foods Market is evident from the location of its stores: According to the official website, Whole Foods is usually based on the surrounding population (more than 200,000 people within a 20-minute drive, and there are high enough educated residents), property

Conditions (25,000-50,000 square feet, preference for independent buildings, broad view), traffic conditions (convenient transportation, best intersections, sufficient parking spaces) and other dimensions to conduct a comprehensive store opening evaluation.

Whole Foods Market has a strict process for store location decisions. Whole Foods Market pursues a high degree of personalization in-store design, and the environmental layout and colour matching of each store are never the same. The inspiration for designing these environments and colours came from residents' preferences. For example, when Whole Foods Market prepared its store in Hawaii, they initially wanted to implant beach, sunshine, and surf elements into the store. Residents who have lived by the sea for many years are tired of the sun and sand, and they are eager to see more "inland elements". Armed with this vital information, Whole Foods Market incorporated elements such as lush rainforest and jungle trekking into the final design.

5. Whole Foods Market Management Strategies

In the highly competitive offline retail industry in the United States, a chain food supermarket brand stands out from the crowd. Even if the price of products in the same category is much higher than that of its peers, it can still win the hearts of consumers. It is also called the “Apple of the food industry”, which was acquired by Amazon at a high price of 15.7 billion US dollars in 2017. Why is Whole Foods Market able to succeed?

There are three reasons for the success of Whole Foods Market:

1. Taking advantage of the trend of organic consumption upgrade, the healthiest supermarket in the United States

From the perspective of the external environment, Whole Foods’ breakthroughs first benefited from the upgrade of organic food consumption with few competitors.

The wave of organic food consumption arose in the United States in the 1970s (the International Organic Agriculture Movement Federation IFOAM was established in 1972). Its popularity in developed countries in Europe and the United States benefits from the dual consumption upgrade of consumer products and consumption concepts: on the one hand, organic food has no pollution-free and artificially additive-free production methods meet the pursuit of food safety by high-income groups; on the other hand, the pure and natural production methods of organic food also meet the well-educated, high-income elites' yearning for a healthy and natural lifestyle And the pursuit: reject oxytocin meat, give animals the respect they deserve, and be a humanitarian consumer; reject oil agriculture, support organic farming, and contribute to environmental protection.

Although different countries have different standards for organic food, the basic requirements come from the production and processing of organic agricultural production systems with sound ecology. They do not use chemical pesticides, fertilizers, chemical preservatives and other synthetic substances. Organic animal products say they are raised on 100% organic feed, have not been used with growth-stimulating hormones or antibiotics, and have plenty of outdoor space. The anti-industrial and pure natural production methods of organic food lead to its production cost being much higher than that of ordinary agricultural products, which is reflected in the high product premium in the final product.

The scale of consumption is increasing, and most traditional supermarkets focus on the mass market with high-cost performance. (Walmart's "everyday low price" focuses on the mid-to-low-end market; Costco's "high quality and low price" focuses on the middle-class market). The high-end positioning of organic food is similar to the original The mismatch of customer base makes it a blue ocean market segment that giants rarely get involved in (Walmart did not enter the organic food market with organic food brand Wild Oats until 2014 to launch 100 low-priced organic categories). "America's Healthiest Grocery Store" positioned itself to win the high-end market and successfully broke through.

2. Focusing on high-end consumer groups, highlight features from site selection to product selection

The popularity of organic food has brought external industry dividends to the development of Whole Foods, and the company's business characteristics built around its high-end customer positioning in the dimensions of stores and products have built solid barriers to competition and become a well-deserved overlord in the organic food market segment. And the integrator: Since its establishment, Whole Foods has completed 13 mergers and acquisitions in the same industry, including the acquisition of a total of 74 stores of Wild Oats® Markets, the largest competitor, in 2007.

2.2 Location: location logic close to wealthy areas

The high-end positioning of Whole Foods Market is evident from the location of its stores: According to the official website, Whole Foods is usually based on the surrounding population (more than 200,000 people within a 20-minute drive, and there are high enough educated residents), property conditions (2.5-5 10,000 square feet, prefer independent buildings, wide field of vision), traffic conditions (convenient transportation, best intersections, sufficient parking spaces) and other dimensions to conduct a comprehensive store opening evaluation.

From the perspective of specific store location selection, Whole Foods' store opening is not limited to whether there is a mature business environment in the surrounding area. It is also different from the traditional large-scale warehouse-style store opening strategy in the suburbs, such as Walmart, pursuing cost. The core logic of its store location selection is to focus on high income. And highly educated people. Take Whole Foods Market's store in Oakville, Canada, as an example. Although the surrounding businesses are not developed, the town is the wealthiest in Canada. The average income is the first in Ontario and the second in Canada. Many well-known companies, such as Ford Canada, Petro-Canada, Goodrich Aviation Headquarters, etc.

2.3 Selection: organic products with strict quality control

Whole Foods' product advantages are reflected in two dimensions: richness and quality control:

In terms of product richness, the average number of SKUs in Whole Foods supermarket stores is 35,000 (up to 55,000 in large stores), of which fresh & food sales account for more than 70%, and

private brand sales account for more than 15%. The organic food and its products sold are vibrant, covering groceries (dry products, dairy products, frozen food and non-staple food, etc.), nutritional products (produced with substances extracted from natural animals and plants), speciality products (cheese, beer, red wine, etc.) and processed foods (meat, seafood, and ready-to-eat meals), and strictly control the quality of organic products.

In terms of quality control, 1) Combination of self-owned production base + local procurement in stores (Local Green concept, to ensure the freshness of food, local language-based procurement is carried out with the store as the centre), strictly control the suppliers, and the application for qualified suppliers needs to fill in the long-form. The 39-page application form, in addition to meeting the national organic product standards, has detailed regulations on animal feeding, stocking and cleaning, as well as crop planting environment, production cycle and other details; 2) The store has set up a special quality supervision committee to evaluate and supervise and Establish food safety files, and immediately activate the product recall mechanism once a problem is found; 3) All products have established Whole Foods Supermarket's quality evaluation system, which is classified according to the product production process according to 1-5+ points, giving consumers full autonomy to choose.

3. Delegating power to employees to innovate management.

Decentralize employees, and characteristic management stimulates enthusiasm.

The "organic and healthy" business philosophy, store location selection close to consumers, wealthy and strict product control, and warm store shopping environment is the external characteristics of Whole Foods Market's visible business model. The business innovation of terminal stores depends on The implementation of the front-line employees; Whole Foods Supermarket's "community" management system is the management "internal strength" to ensure the performance of Whole Foods Supermarket's characteristic business model. To sum up, there are three main points in the management system of Whole Foods Market's "community-based" (**Michael Blanding ,2018**)

3.1 Small team management system:

The store will be divided into about eight management teams such as seafood, fruits and vegetables, etc., which are responsible for product pricing, commodity display, and personnel recruitment (new colleagues will be voted by their team members after four weeks of trial. Core business decisions such as retention) and promotion strategies, conduct independent performance assessment and profit distribution of internal teams every four weeks and form a healthy competition mechanism within the company and stores.

3.2 Transparent financial information system:

Different from the "secret salary system" popular in the European and American markets, Whole Foods Market's financial operating information such as employee salaries, store sales and profits, production costs, and team performance are disclosed to employees, and when employees are dissatisfied with the salary distribution, they may be the right to ask questions, fully open communication, and build a two-way trust relationship between employees and senior managers.

3.3 "Fair Salary" System:

Whole Foods fully implements the "Fair Salary" system to keep employees' salaries balanced to the greatest extent possible. The maximum salary limit for senior management shall not exceed 19 times the average salary of ordinary employees; full-time and part-time employees have accumulated more than 6,000 hours of work. All asset managers obtain company stock options, and non-managers control 93% of the company's stock option shares.

6. Amazon founder Jeff Bezos

Bezos has also become the richest person in the world. Bezos is a very smart and has a strong interest in science. At the age of 14, he aspired to be an astronaut or a physicist. After high school he enrolled at Princeton University. He originally wanted to study physics, but later decided to study computing and was elected as a member of the ΦBK Society (English: Phi Beta Kappa). He also received a bachelor's degree in "Electrical Engineering and Computer Science". His childhood interest in show

science extended to his career, which spanned a wide range of businesses, including Blue Origin's manned spaceflight business.

Jeff Bezos' authoritarian (dictatorial) leadership

He controls his peers and gives clear orders. Centralized decision-making means one person makes critical decisions. Authoritarian leaders have a clear vision for the big picture but only involve the rest of the team on individual tasks or when needed. Jeff Bezos' leadership style can be seen in his six management philosophies:

1. Read as a group and write down new ideas

Bezos said group reading helps keep the group's attention from being distracted. Even more critical for executives is the skill of writing memos. By asking team members to jot everything down, Bezos enables them to think through every detail of an idea, making it more testable for years to come.

2. Make team members the owners of the business

Jeff Bezos advocates the "Lean Business" model. Instead of offering free lunches to employees, it keeps salaries so low that Amazon is rumoured to have used door panels as desks instead of expensive modern office tools. But that doesn't mean Amazon employees aren't well-paid. Amazon likes to incentivize employees with options rather than cash. Bezos believes that Amazon's success depends primarily on whether it can attract and retain employees, and he wants every employee to be the owner of the business. The interests of the enterprise should be greater than the interests of the individual. Every employee should treat Amazon as their own business.

3. Bezos argues that businesses should be decentralized

Jeff Bezos believes that in a climate of disorganization among employees, independent thinking can prevail in the battle against collective opinion. He believes that to keep the team as small as possible while moderately limiting the communication between employees. Bezos said he's a big fan of the "two-pizza rule": If two pizzas can't feed a team, it's too big.

4. Dedicate time to thinking about the future

Bezos is obsessed with long-term planning, and he revealed in a 1999 WIRED interview that he set aside two days a week to imagine life and find new ideas. Sometimes, he surfs the Internet or immerses himself in his world. He believes that he can plan a long road for the future in doing so.

5. Routinely “check-in” on long-term goals

Wired magazine also reported in 1999 that Bezos met quarterly with aides to assess their progress on 12 caucuses. Bezos did this mainly in the hope that he would not waste time every day by testing his performance in the past three months. This check-in-style approach helps ensure he stays on top of his long-term goals without getting distracted by new, fleeting ideas.

6. Reverse working method

In the nearly 20 years since its establishment, Amazon, which started out selling books online, has continued to enter new fields such as music, cloud storage, and content production. These attempts seem random, but in fact they all have a common goal, that is, everything from customers needs to start. "Work backwards" is different from "skills-forward", which allows employees to foresee the results and then modify the existing plan, allowing employees to explore new skills and hone them all the time.

7. Whole Foods Market founder John Mackey

John McKee was also a maverick company leader whose unconventional management philosophy made Whole Foods the hottest company in retail. He believes that "customers first, employees second, shareholders third." This is perhaps John McKee's most unique philosophy. Whole Foods' "Declaration of Independence" clearly states that the company's core values are: to satisfy and delight our consumers and to make our members happy and excellent. He said: "What is the strategy for maximizing profits? No! Shareholders' interests come after customers and employees, and profit is

not the highest priority goal but a by-product of being kind to people. If you don't like that view, you don't. Invest in Whole Foods."

He believes that business logic is elementary. Managers take good care of employees, employees take good care of consumers, and happy consumers will benefit shareholders. This is a virtuous circle. So, at Whole Foods, employees don't have to wear cookie-cutter uniforms, and the company pays 100 percent of the insurance premium for full-time employees. Empowerment is a fundamental philosophy at Whole Foods. Here, each chain store or even a single department has a significant say, and regional managers can design new stores according to the local style without looking for templates from the headquarters; the leadership of each store can independently decide 10% of the local tastes. Inventory, priced based on local competition, also allows for innovation and experimentation at the store level. "I'm empowered to run it like my own store," says David Abel told, manager of one of its chain stores. No-secret management is another unique feature of Whole Foods. Unlike most companies, Whole Foods publishes extensive financial information, not to the public or journalists, but to all employees to let employees know what the company is doing or intends to do. The company also publishes the previous year's total earnings for all of the company's employees, including managers and CEOs.

John Mackey's Participatory (Democratic) Leadership

John McKee welcomes everyone's input and encourages collaboration. While they may have the final say, John McKee invests time and energy into the growth of his colleagues because he knows it will, in turn, help him achieve his ultimate goal.

8. Amazon's management strategy after acquiring Whole Foods

Market

Amazon acquired Whole Food Market, an organic supermarket in the United States, to integrate online and offline services. The early 2017 merger caused an uproar, with many anticipating and

nervous about the changes the merger would bring. However, according to the number of online shopping for Amazon Prime members in 2018 compared with 2017, the actual number does not reflect the expected increase in purchases after the acquisition of Whole Food Market. The results were not as expected, so Amazon gradually adjusted the quantity and size of the products on the shelves, adding more large-packaged products, hoping that customers could slowly establish ordering habits, and at the same time, it would also reduce the relatively difficult-to-profit items such as small-packaged drinks and snacks.

Two founders with very different leadership cultures

From its inception, Amazon has been known for being fast, cheap and efficient — using data to drive its product portfolio and enforcing strict employee discipline to save costs and pass them on to customers. On the other hand, Whole Foods Market has always prided itself on its personal touch, empowering individual stores—even individual employees—to make decisions about products that emphasize high-quality, healthy, and local food. However, this decentralization has led to massive inefficiencies, which have driven up prices, with items being sold higher than the average supermarket. Whole Foods Market has a culture of high empowerment, so employees at Whole Foods Market are outraged that Amazon's "tough" standards deprive employees of their autonomy. This reflects the constraints of a high-authority model and a conflict of model constraints that are all about standardization and data.

Since its founding in 1980, Whole Foods Market's decentralized model has gained a consumer following in the decades since its founding. Whole Foods Market managers run dominion-like stores to base customers' preferences on fresh, local produce to customize products. Employees build relationships with customers to meet customer needs (**Deborah A. Pikula, 1999**).

By contrast, the post-Amazon acquisition of Whole Foods Market, which pushed the inventory system first introduced by activist investors, began to centralize product selection decisions and slashed prices on certain items by 40%. Amazon has always pursued low cost and efficiency, focusing

on frugality and rigorous performance measurement in its warehouses and distribution centres. This can sometimes lead to stress and burnout from the harsh environment.

The management shift has left Whole Foods Market employees struggling. They were frustrated with doing paperwork instead of helping customers, and Amazon stressed that employees were at fault if they failed to meet new performance metrics. It fell off Fortune's Best Companies list for the first time in two decades.

Therefore, management data is not a perfect substitute for human judgment. Different leadership styles have their advantages: Authoritarian leaders can complete projects under tight deadlines. This style is functional when decisive action is required. Authoritarian leadership works when the leader is the most knowledgeable member of the group. Teams that perform participatory leadership are not as effective as authoritarian ones. All team members must be supportive for collaboration to function successfully.

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