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## Whole Foods Market, Inc. F2Q09 (Qtr End 04/12/09) Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) Your first question comes from Analyst for Edward Aaron – RBC Capital Markets.

#### Analyst for Edward Aaron – RBC Capital Markets

I think you were talking a little bit about reinvesting some of the margin in the business. Can you elaborate on how you think about the trade-off between margin and trying to drive higher comps and what tactics you might deploy in doing that?

#### A. C. Gallo

There are a couple different strategies that we have employed this year. We want to be really first of all to make sure that, especially on commodity products, important items in dairy or grocery, for instance, that we're competitive within the marketplaces that we are in. So we have been watching that really closely. And if we notice a change in the overall everyday pricing we adjust to that.

And there have been a lot of opportunity buys that have come up, especially in areas like produce and meat, where there have been some fantastic values available and we have been using that opportunity to push some really strong promotions. So we found that our customers have responded really well to promotions.

Some regions are doing these Madness specials for two weeks every period. A lot of regions now have developed the Weekend Special program where we are taking the hot item, the hot buys for that week, and really running with those items and seeing really good results from that.

#### Walter Robb

I think the strategy is selective and it's focused and taking advantage, as A. C. said, of the opportunities that are there on the buy side now with the build-up in inventories, particularly in produce, where we are seeing a lot of availability and also recognize it's a very dynamic marketplace right now.

So selective and focused I would say is how we are looking at it. There is a constant dance between sales and margin and the fact that we're seeing some nice trends in our customer count suggests that we are finding the right balance.

#### Analyst for Edward Aaron – RBC Capital Markets

And dovetailing onto that answer, how much did lower inflation hurt comps this quarter?

**Walter Robb**

Inflation overall in the country is about 4% on food, which is down from where it was, 6% I guess a number of months ago. But I don't know that it's—

**A. C. Gallo**

One area we have really seen significant deflation is in produce. There has been a significant drop in produce costs. We have used that as an opportunity to give some fantastic buys to our customers, like \$0.99 organic apples this year. So we have definitely seen a drop in produce in average price per item.

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