

The secrets of success of Trader Joe

BY

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Trader Joe facts

- One of the hottest retailers in USA
- 344 stores in 25 states
- Sales \$8B
- 314 on Fortune 500 list
- Sales per square foot \$1750 –more than double Whole foods’
- Zero debt!
- Could triple its size in 3 years!

What is different in Trader Joe?

- Off beat
- Fun discovery zone
- Elevates food shopping to a cultural experience
- Low cost
- Yuppie friendly
- Exotic but affordable luxuries that you can't simply find anywhere else
- Marries cult appeal with scale –like no one else
- Obsessively secretive management

Legendary customer service

- They sweat the small stuff
 - If your hands are full one of the employees will bring a basket
 - The cashier will tell you the mango sorbet you have bought is on her top 10 list
 - If you ask where are roasted chestnuts , the employee will walk you over instead of saying 'aisle 5'
 - If you ask how does something taste, he might open the bag on the spot for you to try
 - It is the neighborhood store which is also a big chain

Customers

- In some stores they queue from 7.30 am!
- For urbanites and college kids Trader Joe is nirvana!
 - Even though they won't get to do all their shopping needs there
- They are happy about the limited variety as it helps to avoid 'shopping paralysis'
- Customers recommend products to others!

Employees

- Dress in goofy trade mark Hawaiian shirts
- Hand stickers to kids
- Cheerfully refund money if you are unhappy with a purchase
- Store manager is captain; promoted captains- commanders
- Original Joe decided to pay its full time employees the median family Income to keep them happy
 - That continues plus
 - 15.4% of gross income contributed to a deferred retirement a/c

Strategy

- Scaled down
- Only 4000 SKU's (against normal 50,000 at competitors)
 - Trader Joe carries only 10 varieties of peanut butter (against 40 by others)
 - With greater turnover on a smaller no. of items they can buy large quantities and get huge discounts and it makes whole business simpler
- 80% of stock bears Trader Joe brand
 - Some resemble familiar brands
- Stay ahead of America's adventurous palates
- Stay ahead of trends- in 1970's itself they became 'green'
 - Dizzying array of organics
- They don't pick up on trends- They set them!

Sourcing

- Lot of sourcing from local farms and food artisans
- Big well known companies also make their products
 - Danone's Stonyfield farm supplies much of its yoghurt
- Scale enables the chain to sell at low price
 - A pound of organic lemons sells at \$2
- Four top buyers do some serious globe-trotting to select wow items
- Supplier's dream account
 - Pays on time
 - No extra charges
 - Transparent
 - Total secrecy

Distribution

- Minimizes no. of hands that touch a product
- Purchases directly from manufacturers
- Precise ordering as stores are small
- The distribution process helps determine where the company opens its stores

Sources

- Fortune Sep 6, 2010