

Six Surprising Facts That Explain Trader Joe's Secrets To Success

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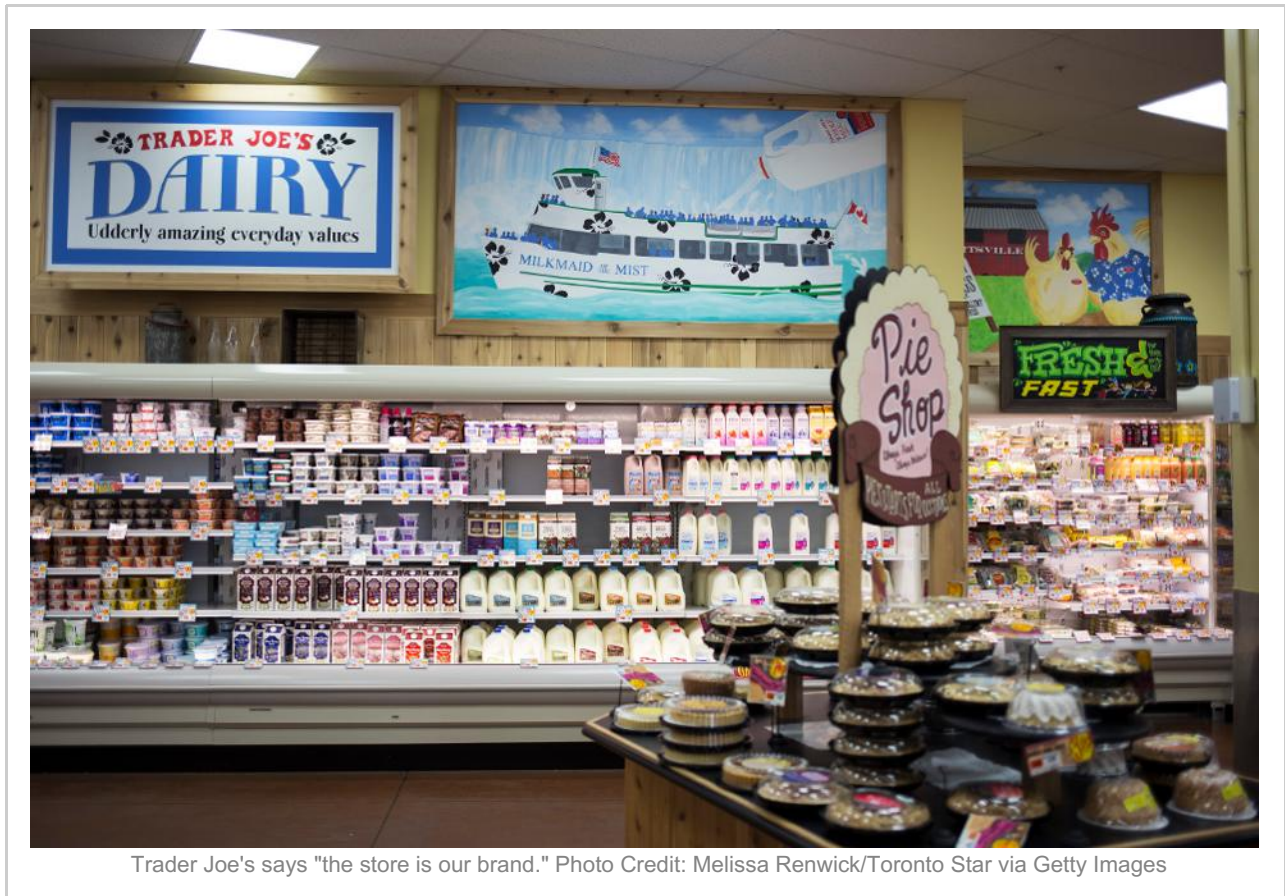
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Trader Joe's sticks to a quirky, sometimes counterintuitive playbook that breaks from the conventions of grocery and retail in general.



The folks at Trader Joe's decided to produce a five-part podcast series, Inside Trader Joe's, to "provide some insights into what we think makes Trader Joe's special." Amid the banter, fun stories and reports of employees' favorite items are valuable insights about how the company operates. Despite aggressive competition from Whole Foods Market/Amazon, Sprouts Farmers Market and traditional grocery stores such as Albertson's and Safeway, Trader Joe's sticks to a quirky, sometimes counterintuitive playbook that breaks from the conventions of grocery and retail in general. The podcast revealed six surprising facts about the company that explain some of what has made the nearly 500-store chain so successful.



1. Only three CEOs. In the company's 60-year history, it has had only three CEOs: Joe Coulombe (the original "Joe") who founded the company and was at its helm for 30 years, John Shields who led the company in the 1990s, and the current CEO Dan Bane.

Not only does this short list convey the steadiness and consistency of leadership through the years that has benefitted the organization; it also explains in part how the leaders have led the company through three key phrases: first, its incubation. Matt Sloan, VP of marketing product, one of the podcast hosts, explains, "Joe starts [the company], sows the seeds of the idea and grows it to a point where he thinks it is basically what it could be...And in 1988 when Joe retires, Trader Joe's has 19 stores."

Then came decentralization. Shields oversaw the company's growth to 150 stores because he "understood that de-centralized decision making, this idea that the Captain [the store manager] runs the ship was really important," Sloan says. And since 2001, Bane has led the company to expand to 474 at the time of the podcast recording by formalizing the strategy and focusing the business—a period of maturation.

2. No corporate budgeting. To explain "kaizen," one of the company's seven core values, Bane says it means that "everybody in the company owes everybody else a better job every day, every year in what they do...we don't do budgeting. We just expect our stores to do a little bit better every year. They create their own targets."

In other words, store managers are responsible for doing the forecasting and planning for their own stores. It's as if the company considers each store its own business—a philosophy which is reinforced by another one of the company's values, "We're a national chain of neighborhood grocery stores." It seems the decentralized approach to management enables each store to do what fits its neighborhood and customer base and to figure out how to improve and grow on their own—and yet, it all adds up to company-wide growth.

3. Largest marketing expense is sampling. Tara Miller, director of words and phrases and clause, a.k.a. marketing director, says, "So what a lot of people might not know is the biggest marketing expense we have at Trader Joe's is actually just letting people try our food." This means the sampling station found at each location is considered "marketing" and it's the effort that the marketing group spends the most money on.

This fact might actually not be that surprising given that the Fearless Flyer, the low-budget newsletter/catalog produced eight times a year, and an email newsletter are the only "advertising" that the company produces. But it illuminates the company's strategy of focusing its marketing on existing shoppers and increasing basket size and value, whereas more conventional grocery store marketing is geared toward driving customers into the store.

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4. No customer data. In one episode, Sloan proudly states, "We don't have access to your data at Trader Joe's because we don't have any data on you." In fact, he likens collecting customers' data to spying on them.



In an era when "data is king" is a common mantra and retailers use all sorts of technology such as beacons, RFID, and artificial intelligence to better understand their customers and optimize their customer experiences, it's quite unbelievable that Trader Joe's doesn't use data, analytics, customer relationship management or any other means to target, segment, or track its customers. Instead, it seems the company relies on its people to facilitate the kind of customer intimacy that enables it to have the products and deliver the experiences that customers want. Employees regularly interact with customers to get their input and feedback. Even CEO Bane often works in the stores as a bagger, as one of the podcast stories revealed.

5. The store is considered the brand. One of the company's values is "the store is our brand" and Jon Basalone, president of stores, explains the company doesn't sell online or wholesale even though those methods could help it grow faster and possibly more profitably. "Our products work the best when they're sold as part of this overall customer experience within the store," he says. "We're not ready to give that up. For us, the brand is too important, and the store is our brand."

It's an unusual point of view in an industry that is increasingly moving toward online and delivery services. It also speaks to how much emphasis the company puts on the in-store experience, even though the brand seems to be tied as much if not more to its private-label products and product curation/selection.

6. Self-limited growth. Trader Joe's is so popular that customer demand suggests it could grow faster—but, the company chooses not to. When asked to explain his outlook on the company's future, CEO Bane says, "We're targeting to open 30 to 35 stores a year in the 48 states...The only thing that holds us back is having the right number of Captains and Mates to open up great stores. So we won't open a store just because we can, we want to open a store that's run by the right kind of people doing the right kinds of things, and that's really important to us." With this careful approach to growth, it's not surprising Trader Joe's enjoys the grocery industry's highest sales per square feet.

Denise Lee Yohn is a brand expert, speaker, and author of [What Great Brands Do](#) and [FUSION: How Integrating Brand and Culture Powers the World's Greatest Companies](#).