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Trader Joe's

In July 2013, Market Force Information released the results of a new study in which over 6,000 Americans ranked their favorite supermarkets in a variety of categories. Trader Joe's ranked No. 1 overall.[1] *Consumer Reports* ranked Trader Joe's the second-best supermarket in the country in 2012.[2] One year earlier, *Fast Company* named Trader Joe's the 11th most innovative firm in the U.S.[3]

Hundreds of people waited in line for the doors to open on March 22, 2013 at the grand opening of Trader Joe's in Columbia, South Carolina. Local police directed traffic, and people hunted for parking at nearby businesses because they couldn't find a spot in Trader Joe's parking lot.[4] Customers arrived at 3:00 a.m. on June 29, 2012, to line up for the opening of a new Trader Joe's in Lexington, Kentucky.[5] That same scene played out at new store openings around the country. Job seekers flooded the firm with applications when they learned of a new store. Meanwhile, retail experts marveled that the quirky grocer generated much higher sales per square foot than any of its rivals.

With all that success, Trader Joe's had attracted imitators. Tesco, the world's third-largest retailer, had launched a chain of small neighborhood markets in the western United States. The British firm appeared to borrow extensively from the Trader Joe's concept with its Fresh & Easy stores. In April 2013, Tesco announced that it was withdrawing from the U.S. market, hoping to find a buyer for its approximately 200 stores. The British retailer recorded a $1.8 billion loss associated with its failure in the U.S. market.[6]

Tesco's troubles did not discourage other retailers from introducing smaller-footprint stores. Wal-Mart, the world's largest retailer, had experimented with its Neighborhood Markets concept since 1998. These smaller grocery stores differed from traditional Wal-Mart supercenters in size and product variety. They were roughly 38,000 square feet in size and only offered grocery and pharmacy items. The Neighborhood Markets concept had evolved over the years and recently began to show promising results. In 2011 the firm launched Wal-Mart Express, a 12,000–15,000-square-foot store that the company described as a "bit of a hybrid between a food, pharmacy and convenience store." The first 10 stores turned profitable in one year.[7]

In May 2013, Wal-Mart announced strong comparable store sales growth at these smaller locations, and the firm indicated that 40% of new store openings over the next year would come in the small-format category. In 2013, it planned to open over 100 small-format stores. The head of Wal-Mart's U.S. business, Bill Simon, declared at an industry conference, "You'll see us increasingly moving into smaller formats. They compete really well against multiple channels."[8] Many other

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retailers, including Target, Kroger, Giant, Tops, and Publix, had launched smaller-format experiments as well. Meanwhile, Amazon continued to make a push into the grocery business. In June 2013, Amazon expanded its online grocery service outside of Seattle for the first time, with an entry into the Los Angeles market. Experts predicted that Amazon would introduce the service in San Francisco later in the year and as many as 20 additional cities in 2014.[9] As the onslaught of new competition emerged, Trader Joe's had to consider how it might adapt to cope with these threats.

Company History

Joe Coulombe grew up in San Diego, California during the Great Depression. After completing his MBA at Stanford in 1954, Coulombe took a job with Rexall, a North American drugstore chain. While working there, he launched a convenience store chain called Pronto Markets in 1958. Coulombe eventually acquired the small chain from Rexall and branched out on his own. He secured financing from Adohr Milk Farms. However, 7-Eleven acquired Adohr Milk Farms in 1965. The dominant player in the convenience store industry now owned Coulombe's source of capital, which he found untenable. Coulombe shifted his strategy and founded Trader Joe's in 1967. He explained the origins of the concept:

> *Scientific American* had a story that of all people qualified to go to college, 60% were going. I felt this newly educated—not smarter but better-educated—class of people would want something different, and that was the genesis of Trader Joe's. All Trader Joe's were located near centers of learning. Pasadena, where I opened the first one, was because Pasadena is the epitome of a well-educated town. I reframed this: Trader Joe's is for overeducated and underpaid people, for all the classical musicians, museum curators, journalists—that's why we've always had good press, frankly![10]

Trader Joe's offered products aimed at the sophisticated consumer interested in finding good bargains. The store tried to offer products (such as whole-bean coffees, sprouted wheat bread, and black rice) not typically found at supermarkets. The environmental movement had caught Coulombe's eye during those early years, which prompted him to sell many natural and organic foods. Soon the company began offering private label items. The first private label product, granola, launched in 1972.[11] In the ensuing years, Trader Joe's offered an extensive line of private label items with brand names such as Trader Joe's, Trader Ming's, Trader Jose, Trader Giotto, and the like. Interestingly, Coulombe also experimented with a variety of nonfood items, ranging from music albums to pantyhose. In addition, trying to cater to the educated, sophisticated customer, Coulombe chose to offer a wide selection of California wines. The wine became a focal point in the ensuing years, while the albums and pantyhose disappeared from the store's shelves.

The stores tended to be quite small, less than 10,000 square feet in many cases. Trader Joe's stocked far fewer items than a typical supermarket. All of its stores adopted a South Seas theme: Coulombe remembered, "I read that the 747 [Boeing jumbo jet] would radically reduce the cost of travel, and I came up with the term 'Trader' to evoke the South Seas. The first stores were loaded with marine artifacts."[12] Coulombe also outfitted the employees with Hawaiian shirts. The store manager became known as the "Captain" of that location, with a "First Mate" serving as his or her assistant.

Coulombe believed strongly in paying employees a good wage. He decided that his average full-time employee should earn the median family income for the state of California—$7,000 per year at the time the company was founded. He said, "What I keep telling people [is] forget about the

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merchandise; it's the quality of the people in the stores."[13] He took great pride in the fact that many employees loved working there and stayed for years.

The company eschewed traditional supermarket advertising, such as coupon-filled circulars in the Sunday newspaper or television commercials. Instead, it distributed a customer newsletter, which came to be known as the "Fearless Flyer." The newsletter provided information on certain products and introduced new items. It did not offer sales and promotions, however. Instead, the company embraced an "everyday low-pricing" philosophy. Coulombe also recorded many short radio ads in which he would tell behind-the-scenes stories about various products. Early commercials were broadcast on KFAC, a classical music station based in Los Angeles.[14]

The Aldi acquisition Coulombe pursued a very deliberate growth strategy: during his 20-year tenure as CEO, he typically opened roughly one store per year. He did so without ever straying from the Southern California region. In 1979, German grocer Theo Albrecht, who owned one of Germany's most successful grocery chains—Aldi North—became enamored with the Trader Joe's concept, and acquired the company. Coulombe agreed to remain as CEO, a position he held until 1988. Albrecht ran a lean low-cost operation with minimal overhead. His discount grocery stores bore a strong resemblance to the Trader Joe's business model, minus the South Seas theme and a concerted focus on cultured, urbane consumers. Aldi North sold mostly private label goods at low prices, stocked far fewer items than a typical supermarket, and maintained a fairly small footprint. It also carried a small amount of fresh fruits and vegetables. Theo's brother, Karl, owned a sister chain, Aldi Sud, which would eventually open small-footprint discount grocery stores in the United States. As of July 2013, Aldi Sud operated over 1,000 stores across 31 states.[15] Together, the two Aldi chains operated roughly 10,000 stores around the globe.[16] Many experts attributed Wal-Mart's exit from the German market in 2006 to its failure to match Aldi's combination of merchandising prowess and operational efficiency.

Albrecht gave Coulombe a great deal of autonomy to continue running Trader Joe's as he wished, and executives from Germany visited the Trader Joe's headquarters in California only once per year. However, Trader Joe's adopted Albrecht's obsession with secrecy. Theo and Karl Albrecht maintained very private lives—so much so that German newspapers had a difficult time finding a photograph of Theo when he died in 2010.[17] Consistent with Albrecht's philosophy, Trader Joe's did not have signs with the company's name or logo at its headquarters in Monrovia, California. Further, company executives almost never talked to the media. And the company's website remained very simple, with little information about the company's strategy, leadership team, or financial success. The site did not even have a timeline of the firm's history until 2009.[18]

New leadership Coulombe stepped down as CEO in 1988 and was replaced by fellow Stanford graduate John Shields. Under the new CEO's leadership, Trader Joe's expanded beyond its Southern California base. The company opened its first locations in Northern California in 1988, and expanded to Arizona in 1993. The next big move entailed the opening of locations on the East Coast. Trader Joe's chose Brookline, Massachusetts—a suburb of Boston—as the site of its first East Coast store.[19] The Boston area, of course, had more universities than virtually any metropolitan area in the country.[20]

Trader Joe's began selling its now-famous private label wines in 2002. The wines—sold under the brand name Charles Shaw Winery—became a huge hit with customers. They affixed the name "Two Buck Chuck" to the wine, because it sold for $1.99 per bottle in California ($2.99 on the East Coast). Soon, Charles Shaw wines had become a classic example of "cheap chic."[21]

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Trader Joe's expanded to the Midwest in 2000, opening stores in the Chicago area. On St. Patrick's Day in 2006, the company opened its first store in Manhattan. Soon thereafter, Trader Joe's made its debut in the southeastern part of the United States. The stores remained fairly low-tech during this time. The company did not even introduce price scanners at the checkout lines until 2001, and it continues to eschew self-checkout to this day. In 2001 Shields stepped down as CEO; by that time, the chain had grown to 175 locations. Dan Bane succeeded him as chief executive, and was still the company's leader as of 2013. Trader Joe's remained a privately held company, owned by an Albrecht family trust since Theo's death in 2010.[22]

The Supermarket Industry

Wal-Mart, Kroger, Safeway, and Supervalu were the four largest grocers in the United States.[23] (See **Exhibit 1** for a list of the top grocers in the country.) Supermarkets traditionally operated on very thin profit margins, and they faced increasing challenges in 2013. Many traditional supermarket chains found themselves squeezed between premium players such as Whole Foods at the high end of the market, and "hard discounters" such as Dollar General and Aldi at the low end.[24] (See **Exhibit 2** for details on the financial performance of several grocery retailers.)

Whole Foods Market ranked as the nation's leading retailer of organic and natural foods. The company operated more than 330 stores in the United States, Canada, and the United Kingdom. Stores averaged roughly 38,000 square feet. Whole Foods locations typically carried 21,000 stock-keeping units (SKUs). Two-thirds of its sales consisted of perishable items, including bakery and prepared foods. That percentage ranked much higher than most supermarkets in the country. In 2012 Whole Foods achieved 8.4% same-store sales growth. Over the past decade, the company had benefited from robust growth in natural and organic food sales in the United States.[25]

Meanwhile, Dollar General operated the largest number of small discount stores in the United States, with over 10,000 locations in 40 states. Dollar General's stores typically carried approximately 10,000 SKUs (mostly simple necessities such as laundry detergent, paper towels, socks, etc.) and had 7,200 square feet of selling space. The average customer completed a shopping trip in roughly 10 minutes. The company reported same-store sales growth of 4.7% in its 2012 annual report.[26]

Supermarkets had faced another major challenge in recent years. Their share of grocery sales in the United States fell to 51% in 2011. Just a decade earlier, supermarkets had accounted for two-thirds of all grocery sales in the nation. But supermarkets lost ground as large discount retailers (Wal-Mart, Target), warehouse clubs (Costco, BJ's, Sam's Club), and pharmacy chains (CVS, Walgreen's) increased their emphasis on grocery sales.[27]

Wal-Mart had become the largest grocery retailer in the nation. The company operated over 3,000 supercenters throughout the U.S. These supercenters had an average of 185,000 square feet and carried over 100,000 SKUs. Supercenters sold groceries as well as general merchandise, including apparel, electronics, home goods, hardware, toys, and more. In 2012 Wal-Mart's grocery revenues exceeded $100 billion. Wal-Mart's highly efficient operations enabled it to take share from traditional supermarkets by dropping prices significantly.[28] While Target did not operate nearly as many supercenters as Wal-Mart, the company had recently expanded its food section dramatically at stores throughout the country. By 2013, groceries accounted for nearly 20% of Target's revenue. Like Wal-Mart, Target found that grocery sales drove store traffic, leading to increased sales of higher-margin items such as apparel and electronics.[29]

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As a result of these trends, many traditional supermarket chains found themselves shedding employees in order to become more cost competitive. Several experienced financial distress. The Great Atlantic and Pacific Tea Company (known as the A&P brand) had filed for bankruptcy protection in December 2010. Supervalu, which operated chains such as Jewel and Albertson's, suspended its dividend in July 2012 and hired Goldman Sachs and Greenhill & Co. to examine strategic options for the business.[30] In January 2013, Supervalu sold five of its grocery chains to private equity investors, cutting the size of the company roughly in half.

Trader Joe's in 2013

By 2013, Trader Joe's had expanded to approximately 400 locations across 37 states and the District of Columbia. Of the 414 stores currently open or set to open in the coming year, 172 were located in California (see **Exhibit 3** for a list of stores by state). Illinois ranked second, with 20 locations. The top five states accounted for 60% of the company's stores.[31] Experts estimated that Trader Joe's generated approximately $10 billion in annual revenue.[32] The company did not disclose financial results, but most analysts believed that it achieved higher returns on investment than most supermarkets in the nation. Experts noted that while Whole Foods Market had the highest sales per square foot of any publicly traded grocer in the country, Trader Joe's doubled the sales per square foot achieved by Whole Foods (see **Exhibit 1** for data on the top chains in the country).[33]

Store operations Many Trader Joe's stores could be found in old strip malls in suburban locations. The typical Trader Joe's store had less than 15,000 square feet of selling space. Many early locations maintained footprints of approximately 10,000 square feet. The typical supermarket ranged in size from 40,000 to 50,000 square feet. As a result, Trader Joe's did not have the wide aisles that existed in many supermarkets. Writer Dave Gardetta explained the logic of the quirky, cramped layout of the stores:

> This "chevron" pattern is used in all Trader Joe's stores, aisles canting left. . . . The offbeat floor arrangement complements Trader Joe's unregimented persona: "Hey, we just threw up some shelves, and there they are." It's also a retail trick. Angled passageways reveal a store's contents in profile to arriving shoppers. Rows squared with the walls (see: any supermarket) inadvertently conceal their contents from customers peering into a corridor's mouth looking for the toothbrush display.[34]

Checkout lines could be quite long at Trader Joe's during busy Saturday mornings, and parking lots tended to be quite crowded. One Los Angeles area blogger complained about it:

> I love Trader Joe's for their prices, for their Joe-Joe's, for their simmering sauces. But, all the mushy love I have for Trader Joe's is nearly outweighed by how much I hate it for having absolutely awful parking lots. If you don't live near one of their new and improved stores—i.e., the ones at Hollywood and Vine or Olympic and Barrington—then you're stuck with an archaic lot that is a one-way traffic jam from hell. This is my list of the 5 Worst Trader Joe's Parking Lots in LA.[35]

Trader Joe's did not invest a great deal in technology within the stores. The company did not offer self-checkout lanes, and it did not have flat-screen TVs at the checkout counter. CEO Dan Bane joked about those televisions at rival retailers, noting that Trader Joe's customers had the opportunity to actually talk to employees.[36]

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Merchandising Trader Joe's carried about 4,000 SKUs per location, as compared with as many as 50,000 units for most grocery stores. Eighty percent or more of the products in a Trader Joe's store consisted of private label items. (Typical supermarkets generated less than 20% of their sales through private label goods.) Because of this, customers could not find many of the major brands at Trader Joe's. If customers wanted Cheerios cereal or Coca-Cola beverages, they had to go elsewhere. Nor did Trader Joe's offer a wide selection of fresh meat or produce. Instead, it featured an extensive frozen food collection. It also tended to sell fruit by the piece rather than by the pound. Beth Kowitt of *Fortune* visited one of the company's Manhattan stores and commented, "Make no mistake: A typical family couldn't do all its shopping at the store. There's no baby food, toothpicks, or other necessities. But for this crowd of urbanites and college kids, Trader Joe's is nirvana."[37]

Trader Joe's buyers scoured the globe for interesting new products and tried not to follow trends. Instead, they tried to identify new products that customers had not experienced previously. They also avoided trade shows, which featured products that every other retailer could see. Because the company stocked limited varieties of each product, its buyers purchased very large quantities of each SKU at low prices. This enabled them to purchase goods directly from manufacturers, rather than working through distributors or wholesalers. Trader Joe's did not charge suppliers to slot their products on the retailer's shelves, unlike many rivals. Moreover, the company paid its suppliers promptly, rather than trying to stretch out its accounts payable for as many days as possible.[38]

Trader Joe's maintained a dynamic product mix that made shopping at the store feel like a treasure hunt. Merchants strove to introduce 10–15 new products per week. As a result, they had to eliminate 10–15 products each week. Some changes occurred because special seasonal items were introduced or discontinued. In other cases, the buyers ruthlessly cut products that did not meet sales goals. Employees became adept at consoling customers searching for discontinued products.[39] Coulombe explained how he pursued a scarcity strategy quite deliberately:

> I learned that lesson with vintage wines. There's only so much 1966 Lafite Rothschild. So we deliberately pursued a policy of discontinuity, as opposed to, say, Coca-Cola, which is in infinite supply. For example, we had the only vintage-dated, field-specific canned corn in existence, and it was the best damned canned corn there was. But there was only so much produced every year, and when you're out, you're out.[40]

The company required its vendors to maintain complete secrecy about their relationship with the retailer. Trader Joe's did not want rivals or customers to know how and where it sourced its private label goods. Suppliers often wanted complete secrecy as well, because they were providing Trader Joe's a much lower-cost version of their branded product, which might be selling at higher prices at Whole Foods or other retailers. Occasionally reports did surface in the media about Trader Joe's vendor relationships, and reporters questioned how unique some Trader Joe's products really were. For instance, *Fortune* reported that Stonyfield Farm supplied Trader Joe's yogurt on the East Coast, and Pepsi's snack division produced the retailer's line of pita chips. [41]

Customers Trader Joe's claimed that 80% of its customers had attended college. The company described its target market as "intelligent, educated, inquisitive individuals."[42] It focused on people who were health conscious, enjoyed travel, and liked trying new things. Tony Hales, a store captain, described the clientele: "Our favorite customers are out-of-work college professors. Well-read, well-traveled, appreciates a good value."[43] Industry consultant Kevin Kelley described the target customer as a "Volvo-driving professor who could be CEO of a Fortune 100 company if he could get over his capitalist angst."[44] One article about the company described the customers as follows:

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> These are people who wear sunscreen, even over their tattoos; who travel on frequent-flier miles and with the Lonely Planet guide rather than a *Frommer's*. People who play guitar and pay their taxes. Who roller-blade or bike to work on the days they're not driving the minivan. Who dress their kids in tie-dye but have really good car seats. Such folks might have unfortunate thoughts about their fellow Americans while waiting in the sun for a parking space, but they would never, ever yell at them out the window.[45]

Trader Joe's enjoyed a cult-like following. Many customers launched online efforts to persuade Trader Joe's to open a store in their region. They created Facebook fan pages, wrote cookbooks featuring meals prepared with the firm's products, and waited in line for hours before a new store grand opening. Founder Coulombe joked, "My children say that the Albrechts own the business, but I own the cult."[46] One customer, Cherie Twohy, explained her passion for the company:

> I've always been a Trader Joe's groupie. I grew up in Southern California, as did TJ's. . . . As I became more interested in food and cooking, I found myself cruising the aisles of different TJ stores, as they expanded, first in California, and then across the country. When I got ready to open my own cooking school, Chez Cherie, I decided to see how much interest there might be in classes focused on cooking with Trader Joe's products. They've been so popular and are a ton of fun to teach. In 2009 I was contacted by a publisher interested in doing a Trader Joe's cookbook. Since I'd been doing the classes for years, it seemed like a natural next step. The first book came out in November 2009 and so far has sold over 70,000 copies![47]

Several years earlier, CEO Dan Bane wrote a letter to employees describing why he felt Trader Joe's customers had become so loyal to the company. He explained, "Our people are warm and friendly. It's fun and an adventure. They find unexpected products. They experience cheap thrills. Our people are helpful and knowledgeable. They know that we have tested each product to ensure quality and satisfaction. They trust us."[48]

Marketing Trader Joe's marketed primarily through its Fearless Flyer as well as occasional radio ads, and never ran television ads. The company produced the flyer and wrote the radio spots itself rather than hiring an advertising agency. Employees rather than professional actors starred in the commercials. In addition, one or more employees in each store served as the resident artists who produced quirky hand-written signage. Trader Joe's specifically chose not to employ a public relations agency. Bane explained, "They are a waste of money. If you give your customers great products at great prices, why do you need one?"[49] Many customers had learned about Trader Joe's through word of mouth.

Unlike many grocers, the company did not have a loyalty-card program. Trader Joe's also did not offer or accept coupons.[50] The Fearless Flyer provided information about various products, but it did not advertise weekly sales. If customers were not satisfied with a product that they purchased, they could return it with no questions asked. The firm explained its pricing philosophy in the frequently asked question section of its website.

> [Q:] Do you have weekly specials or sales on your products? [A:] "Sale" is a four-letter word to us. We have low prices, every day. No coupons, no membership cards, no discounts. You won't find any glitzy promotions or couponing wars at our stores. If it makes you feel any better, think of it as all our items are on sale, day in and day out.[51]

If customers searched social media platforms for information about Trader Joe's, they would not find any official company Facebook pages or Twitter accounts. Trader Joe's had not created any such material. However, they would find a great deal of content generated by fans of the company.

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Hundreds of fan pages existed on Facebook: the "traderjoesfan" Facebook page had accumulated over 550,000 "likes" as of July 2013.[52] Customers also routinely created pages to try to persuade the company to open a location in their towns. Such pages often attracted more than 5,000 followers in a matter of weeks. One fan's Twitter account—@traderjoeslist—described the "yummy, healthy Trader Joe's items" on her shopping list. She had more than 39,000 followers.[53] Customers uploaded videos to YouTube as well. More than 880,000 people had viewed one fan's "If I Made a Trader Joe's Commercial" video.[54]

Some experts bemoaned the absence of a company-led social media strategy. Nicole Spector of Direct Marketing News wrote, "But no matter how 'awesome' and 'amazing' Trader Joe's influence on its fan base is, marketing experts concur that not having an authoritative voice in social media is a weakness."[55] She gave the company a zero in the social media category on her marketing scorecard. Sarah Mayer and Jennifer Ashley of Infiniti Marketing Solutions commented, "We think they are missing a great opportunity to spread the loyalty and the customer experience outside of their store. Their customers are talking about them in Twitter, on Facebook and beyond, so why not get involved in that conversation?"[56]

People Trader Joe's continued to adhere to Coulombe's strategy of paying staff more than they might expect at rival grocers. New part-time hires typically earned $12 per hour. Full-time employees earned approximately $50,000 per year. Store captains grossed more than $100,000 per year. Trader Joe's also contributed 15.4% of employees' pay to retirement accounts. The company even offered some health care benefits to part-time employees. According to *Businessweek*, the health care policy made the store "a haven for artists, musicians, and other creative types who wouldn't normally seek supermarket jobs."[57]

Trader Joe's tended to receive many applicants for each job opening. When the company opened its first store in Kansas City, it stopped taking applications after receiving 1,000 inquiries. The company eventually hired 50 people from that applicant pool. When hiring, Trader Joe's sought extroverted individuals who could empathize with customers. Mark Gardiner, a former employee, described the type of people with whom he had worked:

> Trader Joe's also extracts a ton of value from one of America's least-utilized natural resources: the pool of artsy, creative, college-educated young people who graduate without the hard skills that would allow them to get technical jobs. As it turns out, kids who graduated from their college theater program and (surprise!) couldn't get a job acting; kids who got their bachelor's degree in history and then realized (oops!) there aren't too many job openings for historians . . . lots of those kids make great customer-service employees. . . . These kids especially show their value in an environment where they're empowered to do whatever it takes to make sure customers are happy, and they're given some creative leeway. Many of them come to work at Trader Joe's and feel really appreciated and (bonus!) that coming to work is almost an extension of their social life, because they're surrounded by people like themselves.[58]

When new employees ("crewmembers" in Trader Joe's lingo) came onboard, they received 10 days of training. Gardiner described the training he received before the grand opening of the firm's Kansas City store:

> We had spent ten days of indoctrination before the Grand Opening. . . . I use the word *indoctrination* to describe those first ten days, because the actual training was minimal. Admittedly, most of the day-to-day work on the floor of a grocery store is menial. But I was still struck by the ratio of time spent discussing values, compared to time spent discussing

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> process. . . . What we did do, for hours, was listen to the Hawaiian shirts talk about Trader Joe's company values and the ways Trader Joe's was different from other stores.[59]

Trader Joe's did not trumpet its mission statement during these training sessions, as some companies did. However, it emphasized the organization's seven core values: integrity; we are a product-driven company; at Trader Joe's we create WOW customer experience every day; no bureaucracy; we are a national chain of neighborhood grocery stores; KAIZEN!; the store is our brand.[60]

Trader Joe's wanted its employees to become familiar with the company's products and therefore encouraged them to try various items throughout the store. Each store received an expense account that provided the funds for employees to sample new foods. Further, employees received a 10% discount on their purchases. Of course, the company also provided many sampling opportunities for its customers. If one walked through a Trader Joe's on a weekend, one might find a handful of different sampling stations.

Trader Joe's expected its employees to be generalists, not specialists. To that end, crewmembers learned how to do every job in the store. And the company promoted from within whenever possible. While employees did specialize at times (e.g., the resident artists who made the signage), they tended to rotate roles not only from day to day, but hour by hour. In fact, managers typically did not allow crewmembers to work at the checkout stations for more than two hours at a time. And each hour a different crewmember played the role of "helmsman," greeting customers as they entered the store.[61]

Another unique feature of Trader Joe's was that it discouraged its managers from making announcements to crewmembers over the intercom system. Instead, the company implemented a bell system to communicate key messages. The firm's website explained the Trader Joe's version of Morse code: "One bell lets our Crew know when to open another register. Two bells mean there are additional questions that need to be answered at the checkout. Three bells call over a manager-type person."[62]

Although many retailers restocked their shelves almost completely at night, when no customers roamed the aisles, Trader Joe's did not adhere to that common industry practice. One could find crewmembers replenishing shelves even during peak shopping periods. However, managers stressed that helping customers should always take priority over stocking shelves. If customers needed help finding an item, crewmembers walked with them to the product's location rather than just directing them to a particular aisle.

While restocking shelves, crewmembers sometimes realized that the store had run out of certain items, and managers gave them latitude to make adjustments on those occasions. Gardiner explained that "crewmembers are told to fill empty spots with products they do have."[63] In fact, product displays shifted constantly so as to keep the shelves looking full. Gardiner commented, "That means stocking shelves, which could seem like a mind-numbingly tedious job (and it is one) is also a task that involves making a constant series of adjustments."[64] Store managers, too, did not have to adhere strictly to a "planogram" developed by the corporate office. They could adapt how and where products were displayed based on their understanding of the local clientele.

Some observers marveled at how happy the crewmembers always seemed. Writer Carmel Lobello wrote, "So what's the deal? Is there booze in the water cooler in the break room? Are they all having sex? Or are they really just that jazzed about selling $2 jars of chicken satay peanut sauce?"[65] She interviewed a long-time employee who told her, "When you hire friendly 'people-people' and then when you take good care of them with really good benefits and a really good hourly wage it's a self-

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fulfilling prophecy." He also explained that crewmembers often chose to "hang out together after work."[66]

At times, crewmembers also marveled at how friendly customers often were with one another. Gardiner described one interaction his wife had with another customer at his store: "My wife was shopping in what we call the HABA aisle (. . . 'health and beauty aids') when a total stranger started a long conversation about the oatmeal soap. That's just not the kind of thing that happens in regular grocery stores. Where do people comfortably initiate conversations with strangers?"[67]

Looking Ahead

In 2013 Trader Joe's continued to expand across the nation, but more rapidly than in the past, although still at a measured pace relative to most retailers. Based on surveys of employees, *Forbes* and Glassdoor.com ranked Trader Joe's on their 2013 list of the "Top 50 Companies to Work For" in the U.S. Many experts continued to marvel at the firm's success.[68]

A feature article in *Fortune* heaped glowing praise on the company, although it did offer a few words of caution. Writer Beth Kowitt questioned whether the company might lose its "charm" and "quirky cool" as it expanded. One former employee explained, "In the early days we never tried to be the neighborhood store."[69] In other words, he believed the local-neighborhood feel of those early southern California stores was more authentic. Kowitt cited other ex-crewmembers who worried about growing bureaucracy at the company as it implemented new processes and procedures. Mark Gardiner expressed some concern as well. He described how recent changes had led to increased competition among employees seeking advancement.[70]

Despite those concerns, customers around the country continued to clamor for a new store near them. Julie Merrill created a Facebook page to persuade Trader Joe's to come to Utah, and she attracted nearly 4,000 fans to her page. In June 2012, she heard the news that Trader Joe's was coming to her state. Merrill described her reaction to the local ABC affiliate: "I was psyched. . . oh my gosh!"[71] Deb Sussman waited in line for hours on November 30, 2012, when the Salt Lake City store finally opened. She told reporters, "I have written over 50 letters to get them to come here."[72] Many thought that Merrill or Sussman would be the first customers to enter when the Salt Lake City location opened its doors for the first time, but that was not the case. David Stinson walked in first when the store's captain, Rory Violette, cut a giant lei at the entrance and welcomed customers into the store at 8:00 a.m. Stinson had camped out overnight to be first in line, having arrived at 4:00 p.m the previous afternoon.[73]

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Exhibit 1 Top 12 Supermarkets in the United States (ranked by revenue)

Rank	Company[a]	Grocery Sales[b] (billions)	Square Feet of Selling Area (millions)
1	Wal-Mart	$118.7	195.5
2	Kroger	61.1	104.0
3	Safeway	35.5	53.6
4	Supervalu	28.2	48.9
5	Ahold USA	26.2	31.9
6	Publix	22.8	38.6
7	Delhaize America	18.6	45.4
8	H-E-B Grocery	13.0	15.0
9	Lone Star (Winn-Dixie)	10.4	24.6
10	Meijer	9.2	12.5
11	Whole Foods	8.8	7.0
12	Trader Joe's	7.6	3.7

Source: Progressive Grocer, "The Super 50," May 2012, http://www.progressivegrocer.com/inprint/article/id2735/artimages/PG/PG052012_table38.pdf, accessed September 2013.

[a] The list excluded warehouse clubs such as Costco, BJ's, and Sam's Club.

[b] The sales data included grocery merchandise only. The author (Progressive Grocer) omitted sales for other merchandise sold in these stores, including apparel, electronics, appliances, etc. Therefore, the sales figures here did not match published revenue reports by these companies.

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Exhibit 2 Comparative 2011 Financial Performance of Selected Retailers (in $000s)

	Whole Foods	Kroger	Safeway	Supervalu
Revenue	$ 10,107,787	$ 90,374,000	$ 43,630,200	$ 36,100,000
Cost of Goods Sold	$ 6,571,238	$ 71,494,000	$ 31,836,500	$ 28,081,000
Gross Profit	$ 3,536,549	$ 18,880,000	$ 11,793,700	$ 8,019,000
SG&A and Other Expenses	$ 2,988,929	$ 17,602,000	$ 10,659,100	$ 8,538,000
Operating Income	$ 547,620	$ 1,278,000	$ 1,134,600	$ (519,000)
Net Income	$ 342,612	$ 602,000	$ 516,700	$ (1,040,000)
Total Assets	$ 4,292,075	$ 23,476,000	$ 15,073,600	$ 12,053,000
Total Liabilities	$ 1,300,770	$ 19,510,000	$ 11,384,500	$ 12,032,000
Total Equity	$ 2,991,305	$ 3,966,000	$ 3,689,100	$ 21,000

Source: Annual Reports of each firm.

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Exhibit 3 Trader Joe's Store Locations (as of July 2013): Existing Stores and Future Openings Announced by the Company

State	# of Stores		State	# of Stores
California	172		Missouri	5
Illinois	20		Florida	4
New York	19		Kentucky	3
Washington	19		New Mexico	3
Massachusetts	18		South Carolina	3
Arizona	14		Wisconsin	3
Virginia	13		Colorado	2
Oregon	12		Indiana	2
New Jersey	11		Nebraska	2
Texas	11		New Hampshire	2
Pennsylvania	9		Tennesee	2
North Carolina	9		Delaware	1
Maryland	8		District of Columbia	1
Minnesota	8		Iowa	1
Georgia	7		Kansas	1
Connecticut	7		Maine	1
Michigan	6		Rhode Island	1
Nevada	6		Utah	1
Ohio	6		Louisiana	1

Source: Adapted from "Where in the Dickens Can You Find a Trader Joe's," http://www.traderjoes.com/pdf/locations/all-llocations.pdf, accessed July 22, 2013.

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