**A Case Study on Trader Joe's**

## **Introduction**

This report will examine Trader Joe’s, a small chain, California specialty store that has grown into a treasured American staple with 474 locations across 43 states. How has Trader Joe’s successfully differentiated themselves from huge competitors like Whole Foods? The answer lies in their market orientation which implements a strong customer-driven approach. Success is further achieved through a unique product mix of private label items and a shopping experience that has cultivated a a beloved brand with a loyal customer base.

## **A Brief Overview**

Trader Joe’s (TJ’s) traces its quirky, cool, roots back to California where it opened its doors in 1967 thanks to the original Joe – Joe Coulombe (Trader Joe’s, 2018). The name serves to provoke imagery of traders on the south seas. This nautical motif has remained with the company over the years and is synonymous with its charming store brand.

In 1972, TJ’s launched its first private label product – a bag of granola – and never turned back (Trader Joe’s, 2018). Now stores are comprised of over 80% private label items which have fostered a loyal customer base. According to Mallinger and Rossy (2007), TJ’s targets higher educated consumers since they tend to be more open to the unique product offering that the stores provide. However, with its roots in California, it is likely that an additional consumer segment was health food savvy shoppers which has led the store to provide healthier (e.g., organic) versions of many of its products. While TJ’s maintains that it is a specialty store, it has a stereotype of being an unpretentious, good value, health food store, differentiating it from Whole Foods which has earned the nickname “Whole Paycheck.”

From the beginning, Trader Joe’s mission was to provide quality food and drink at a good price. Creating value for its customers has been central to its mission. As they put it: “We just focus on what matters — great food + great prices = Value”. TJ’s is able to offer everyday low prices due to its private label items which they buy directly from suppliers. The quality of the items speaks for itself through the volume of sales. According to a report by Super Market News, TJ’s made 13.3 billion USD in sales in 2017. While Whole Foods is still ahead at around $16 billion USD, the fact that TJ’s is competing without selling national brands and keeping prices low is impressive.

Over the years, Trader Joe’s has acquired somewhat of a cult following of adventurous eaters. New products are constantly being added to shelves, others are retired, while the true favorites remain like Mandarin Orange Chicken, Triple Ginger Snaps, and Cauliflower Gnocchi, just to name a few. These Trader Joe’s branded treasures are not the only thing that keep customers coming back. The company has truly redefined the shopping experience through its elevated customer service and trademark cool, casual vibe.

## **Trader Joe’s and Market Orientation**

Trader Joe’s marketing orientation can be observed through its integrated, customerdriven strategy which allows the company to provide value to shoppers, not just through its products but also through the storewide culture it creates. Kotler and Armstrong (2016) describe successful companies as those with “a passion for understanding and satisfying customer needs…that motivate everyone in the organization to help build lasting customer relationships based on creating value” (p. 28). This is exactly what TJ’s has achieved through customer focus and their internal company structure.

## **Customer Focus**

According to Kohli and Jaworski (1990), customer focus is the main element in a market oriented strategy. The bedrock to TJ’s success is the special relationships it creates with its customers. These relationships serve as the company’s primary tool for gathering market intelligence. According to Matt Sloan, VP of marketing product, TJ’s uses no customer data, instead “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” (Yohn, 2018). This strategy has worked remarkably well over the years. TJ’s engages with customers through their friendly, helpful, and knowledgeable staff. They encourage customer feedback which can be submitted online, by comment boxes at each store or in person to a staff member. This allows Trader Joe’s to customize the offerings of each store to fit the particular needs of the shoppers in that location. TJ’s commitment to its customers is demonstrated through its return policy which states: “Our Product Guarantee: We tried it! We liked it! If you don’t, bring it back for a full refund, no questions asked”. This not only allows TJ’s to receive product feedback, it also breeds a sense of trust between the company and the customer. Narver and Slater (1990) describe customer orientation as “the sufficient understanding of one’s target buyers to be able to create superior value for them continuously”. By creating an open, comfortable dialogue with its customers, TJ’s is able to learn exactly what their customers value and respond to their needs efficiently. This face-to-face, customer-driven strategy has been so successful that TJ’s utilizes no big marketing schemes. According to the head of marketing, Tara Miller, the biggest marketing expense that the company has is the “demo-station” where product samples are handed out every day at each store. Beyond that, Trader Joe’s produces the a monthly flyer – “The Fearless Flyer” -that tells stories and interesting facts about new products. Interestingly, TJ’s relies mainly on word of mouth from its customers to promote it’s products and brand. This signifies how strong and successful it’s customer-centric approach has been.

## **Company Structure**

Trader Joe’s high standard of customer service is achieved by a companywide effort that promotes its market-oriented philosophy. According to Kohli and Jaworski (1990), market orientation is successful when it is clearly communicated to and adopted by all members of an organization. To integrate their market orientation, TJ’s seeks out employees who will uphold their company values. All employees go through training that includes “skills in communication, teamwork, leadership, and product knowledge”. This investment in employees is essential to TJ’s high level of customer service. Kohli and Jaworski (1990) state that market orientation requires a coordinated effort and the more connected an organization is across departments, the greater the market orientation of that company. TJ’s fosters an environment of “togetherness” where employees share the responsibility of all tasks from shelf stocker to cashier. They offer excellent wages and provide the opportunity for growth within the company. In fact, each supervisor was once a bagger. Even the CEO, Dan Bane, is known to still go in and work shifts at stores. Trader Joe’s customer focused philosophy is imbedded in its employees at a grass roots levels and stays with them as they progress through the company allowing them to implement it at every step along the way. Within Trader Joe’s, the market orientation seems to have created a beneficial ecosystem that has improved the internal functions of the organization and in turn created a greater focus in responding to the needs of its customers. As Kohli and Jaworski (1990) suggest, “a market orientation appears to provide a unifying focus for the efforts and projects of individuals and departments within the organization, thereby leading to a superior performance”.

## **Responding to the Market**

Understanding customers’ changing needs is essential to a market-oriented strategy (Kohli & Jaworski, 1990). Trader Joe’s rather minimalistic technique of gathering market information seems like it may put them at a disadvantage when it comes to responding to the market. However, through the years they have adapted their product mix to evolve along with their customers preferences. For example, the rising trend of health conscious shopping over the years inspired TJ’s to eventually make sure that all of its private label items were free of trans fat, artificial flavors, and artificial preservatives as well as being non-GMO. Furthermore, while they do not consider themselves a health food store, TJ’s hosts a huge array of organic options. Responding to market needs has allowed them to keep their current customers happy and also appeal to a larger market as they expand their product offerings.

## **Trader Joe’s: The Brand**

Trader Joe’s is able to enhance its brand through its unique core product (i.e., its food) and through its augmented product (i.e., the shopping experience). Baines et al. (2017) state that “successful brands create strong, positive, and lasting impressions through their communications and associate psychological feelings and emotions, not just their functionality” (p. 374). Trader Joe’s achieves this by treating their store as their brand. It is not just their products and it is not just the shopping environment, it is the two together.

## **The Product Line**

Like most grocery stores, TJ’s carries the staple products that people buy frequently and are available in most stores. Little thought or habit goes into purchasing such goods and brand is less important. However, it is how TJ’s creatively innovates their product lines that sets them apart from their competition. They offer all the staples, but they also offer unique, never seen before versions of these products (e.g., chili lime tortillas vs. plain corn tortillas or cookie butter vs. peanut butter). These unique products help shoppers differentiate them from competitors’ options thus strengthening the Trader Joe’s brand.

Furthermore, it seems that TJ’s understands the concept of the Product Lifecycle (PLC) which refers to a series of stages a product goes through from development to its eventual decline. As stated on the TJ website: “If an item doesn’t pull its weight in our stores, it goes away to gangway for something else” (Trader Joe’s, 2018). Understanding the lifecycle of their products is crucial to TJ’s success as the continually innovative product mix has become an integral part of their brand. Kowitt (2010) writes that, “the genius of Trader Joe’s is staying a step ahead of Americans’ increasingly adventurous palates with interesting new items”.

New product development involves a series of connected steps from idea generation to commercialization. At Trader Joe’s, some ideas for new products come from customer input. However, TJ’s is also committed to anticipating customer needs and bringing customers products they did not know they wanted. Baines et. al. (2017) state that in regard to product development, “the procedures adopted by an organization reflect its attitude to risk, its culture, strategy, the product and market, and above all else, its approach to customer relationships” (p. 368). The nature of Trader Joe’s relationship with its customer dictates its product development. It allows TJ’s to produce something new and potentially risky because they have faith in their loyal customers who trust the Trader Joe’s brand. In the development of its products, Trader Joe’s enlists “product developers” who travel the world looking for traditional, tasty, and interesting foods that can be translated to their shelves (Inside Trader Joe’s, 2018). This has allowed Trader Joe’s to develop an extremely diverse product mix that truly represent the flavors of the world, from China to India to Mexico and beyond. The company creatively packages the items sourced from different countries or regions with names like Trader Giotto’s (Italian food), Trader Ming’s (Chinese food), and Trader Jose’s (Mexican food). This packaging is not only a nod to the countries that inspired the food, it is memorable and brand strengthening.

## **The Shopping Experience**

Just as important as the tangible products a company offers is the augmented product it offers as it can be the factor that separates them from a competitor. The shopping experience created by TJ’s is its augmented product. Kowitt (2010) describes Trader Joe’s as “an offbeat, fun discovery zone that elevates food shopping from a chore to a cultural experience”.

Walking into TJ’s feels like walking into a fancy farmer’s market, but the ambience remains down to earth and fun. All workers wear Hawaiian shirts, employees are referred to as “crew members,” store supervisors are “mates,” and managers are “captains” (Trader Joe’s, 2018). There’s no intercom system but rather a maritime bell that crew members use to communicate. Kids run around trying to find the hidden stuffed animal for the chance to win a lollipop. Every sign and product description is made in chalk by a team of locally sourced artists. Employees are available to answer any questions but are not pushy salespeople. Baines et. al. (2017) say that “by developing positive emotional links with a brand, consumers can find reassurance through their brand purchases” (p. 376). Trader Joe’s provides this special atmosphere that customers have learned to associate with their brand and which encourages them to keep coming back.

The Future Trader Joe’s refers to itself as “a national chain of neighborhood grocery stores”. This juxtaposition is its greatest challenge – how does one grow yet remain small? Yes, their product mix is innovative and delicious, but the cornerstone of their success is rooted in the customer experience. If they they lose this charm, they will effectively put themselves on the same competing level of generic grocery stores and health food grocery stores. In order to maintain their competitive advantage, they need to keep all the quirks that grew their brand into what it is today.

## **Conclusion**

The success of Trader Joe’s is rather remarkable. From the outside TJ’s seems like it would be a niche grocery store that would only cater to a small segment. In reality, it is a niche market that has something for everyone. Their success demonstrates the power of market orientation, and in particular, the power of genuine customer care. By offering a unique and worldly selection of tasty treasures paired with a fun and easy shopping experience, they have successfully differentiated themselves from any other grocery store chain.

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