

Analysis on Trader Joe's

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Trader Joe's is an American chain of grocery stores headquartered in Monrovia, California. By 2015, it was a competitor in "fresh format" grocery stores in the United States. Trader Joe's mission is to provide customers the best food and beverage with information required for them to make buying decisions. They highly concentrate on customer satisfaction delivered with respect. This analysis includes two main porter forces which are driving Trader Joe's (TJ) marketplace in grocery industry, following with challenges faced by TJ and some recommendations on how it can tackle them to withhold the marketplace.

Porter's Five Forces:

There are 5 porter forces that reflect competitive environment of an industry, by including these forces in strategy will ensure the profitability of the products in long run. Within industry, profitability depends on competitive rivalry, threats of substitutes, bargaining power of suppliers, bargaining power of customers and finally threat of new entrants.

We will begin by focusing on "Threats of substitute" and how TJ can tackle it to change the dynamics of grocery industry.

Threats of substitute:

Trader's Joe have relatively high threat of substitutes due to wide growth of competition in grocery industry. Though it offers customers the best food and beverage by applying competitive approach, there are some challenges due to competitors as described below

1. For example, Dollar tree which is a small discount store supplying necessary products at a fractional price of the cost at supermarket. Which ultimately targets to reduction in profits by lowering the product prices in order to satisfy customers.
2. The great discount deals from major retailer giants like Walmart, Costco, will ultimately emphasis on grocery sales. Due to economics of supply the products produced at large scale will benefit the retailers to offer great deals to attract customers. Whist at TJ, the products are uniquely produced with TJ brand and can't encourage the greater deals of discounts.

Besides grocery industry face a continuous problem with substitutes, TJ mitigate it by creating their own brand of wholesome, organic, and healthy foods. In addition, it creates most of the products similar with big brands with lower prices.

Recommendations:

1. TJ should focus on needs and expectations of its customers to strengthen the differentiation basis. So, that the customers get satisfied with great products instead of deals.
2. Should try to increase switching costs by improving relationships with customers. Therefore, the loyal TJ customers will be strongly associate with TJ brand and its products.
3. Trader Joe can reduce the threat of substitute products or services by clearly emphasizing how its offered product/service is better than the available substitutes

Bargaining Power of Buyers/Customers:

The bargaining power of TJ customers is very low. Trager's Joe have extremely loyal and cult following. TJ focus mainly on educated and under paid people as end customers and whilst end buyers are the one having operating stores where there is no bargaining power. So, the concentration of buyers to industry and switching cost from one store to other is negligible. On the other hand, sales of TJ are high due to providing unique products, which are not typically found at

supermarkets with their own TJ brand. By analysis TJ holds top 12th grocery store marketplace in USA. Besides, there are some factors that may contribute to power of TJ customers like

1. More concentrated buyers base will increase their power. As having products specific to group of customers will ultimately raise the power to consumers
2. Having low switching cost may help customers to switch to any other alternative which leads to drop in profits
3. Revealing secrets of unique products will give chance for backward integration and getting substitutes in the market which will decrease the demand for TJ products and ultimately bargaining power of customers increases

Recommendations:

1. By increasing the customers and diversifying the products by entering new markets will ultimately mitigate the power of customers and helps TJ to lead market with good profits
2. Focusing on marketing and advertising the TJ brand, will increase the popularity of products which are available only in TJ stores.
3. Online presence is required to increase customer base by getting more exposed which is currently missing. As the no of stores are less and its impossible to beat competition without online source.
4. Should invest more on R&D to produce more unique products to attract new customers. By targeting new customer base leads to great demand of TJ products which is the main strength of TJ.

Competitive/Differentiation strategy of Trader's Joe:

TJ incorporated a strategy which is different from competitors and representing TJ as a new shade of grocery store. Well knowing the customers and maintaining brand value is the main factor for TJ success. It also includes replacing products within short span due to its small store space and to

maintain good quality which is completely different from the retailers like Walmart. Main qualities of TJ which helped it to take top spot on grocery retailer market are

1. Providing high quality products for low price
2. Unique and limited products with TJ brand
3. Well decorating stores with local styles and friendly staff

SWOT:

Briefly listing the strengths, weakness, opportunities, and threats of TJ

Main strengths of Trader's Joe include customer loyalty, brand name and quality

Weakness: Nondisclosure of supplies, small stores, phase out of customer favorites, shortages

Opportunities: Demand for TJ products, expanding no of stores

Threats: Increase of competition, substitutes, low barrier, deals.

Conclusion:

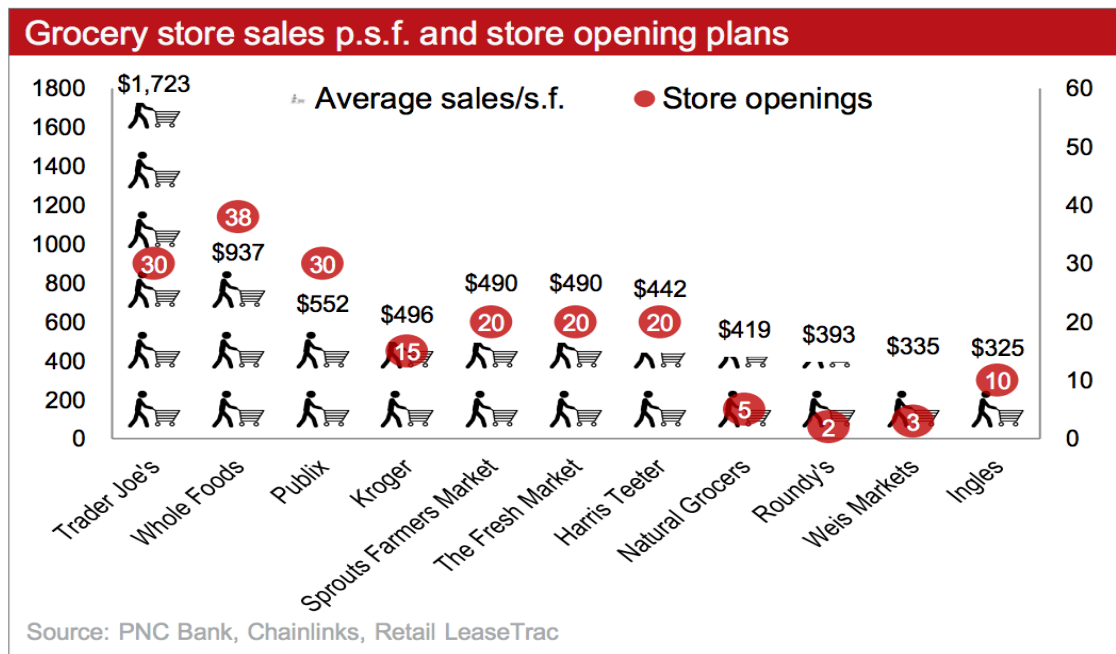
I like to conclude that TJ is doing well (ref Pic 2) with its strategy to compete with other competitors by well differentiating products and retaining loyal customers. With the growing competition of grocery chain if TJ starts concentrate on online market by providing online service will results in great profits and ultimately expand the brand power. Being close to small customer markets is what limiting the TJ business. TJ can tackle its challenges with competitive advantage and retain its position as top grocery retailer(ref.Pic 1).

Reference:

<https://www.traderjoes.com/faqs/general-information>

<https://www.businessinsider.com/trader-joes-sales-strategy-2014-10>

Pic1



Pic 2

