



Ruaridh Stewart/Zuma Press

CASE 1: Trader Joe's—Managing Less to Gain More

In a space one-fourth the size of its competitors, the average Trader Joe's stocks approximately 4,500 products—a mere 10% of those typically found in a supermarket. Affectionately nicknamed "TJ's" by its loyal customers, the company stands for unique quality items.

Take a walk down any Trader Joe's aisle and you'll see the fundamentals of management at work—planning, organizing, leading, and controlling. It's one reason TJ's has become more than just the "average Joe" of food retailers.

Corner Store to Hundreds More

In 1958, Joe Coulombe, an MBA from Stanford Business School, started a "7-11 style" corner store in the Los Angeles area, which soon grew into a chain. While Coulombe was on vacation in the Caribbean, the Trader Joe South Seas motif resonated with him, particularly when he witnessed firsthand tourists proudly returning home from their travels with hard-to-find food delights. In 1967, he opened the first Trader Joe's store. Twelve years later, he sold the chain to the Albrecht family, billionaires and owners of discount supermarket chain Aldi's, based in Germany.

How did this retail grocer attract an obsessive and diverse cult of followers? Much has to do with its corporate culture, which includes everything from how the company meticulously plans store locations, manages employees, and crafts purchasing and branding strategies . . . and more.

Upside-Down Pyramid

Rather than being given orders, crew members—nonmanagerial employees—are coached. They are supported by "mates" who assist the "captain" or store manager. The store culture is customer-focused, yet laid back. Knowledgeable, friendly, and enthusiastic crew members make placement decisions solely on customer wants and needs. Shoppers are led by cheerful guides to culinary discoveries such as lime and chili cashews, salmon jerky, ginger almond and cashew granola, and baked jalapeño cheese crunchies.

People and Culture

Trader Joe's aggressively courts friendly, customer-oriented employees by highlighting desired soft skills—such as "ambitious and adventurous, enjoy smiling and have a strong sense of values"—as much as actual retail experience. Employees earn more than their counterparts at other chain grocers. Store managers, hired only from within the company, are well compensated. After all, they know the Trader Joe's culture and system inside and out. Future leaders enroll in training programs at Trader Joe's University.

Private-Label House Brands

Most Trader Joe's products are sold under a variant of their house brand—Italian food under the "Trader Giotto's" moniker, Mexican food under the "Trader Jose's" label, vitamins and health supplements under "Trader Darwin's," and Chinese food under the "Trader Ming's" label. The house brand success is no accident. According to now-retired Trader Joe's President Doug Rauch, the company pursued the strategy to "put our destiny in our own hands." You won't find mass-marketed brands at Trader Joe's, but this helps keep costs low and may also increase its appeal to customers as a source of unique products.

TJ's follows a deliciously simple approach to stocking stores. (1) Search out tasty, unusual foods across the globe; (2) contract directly with manufacturers; (3) label each product under one of several catchy house brands or private labels; and (4) maintain a small stock, making each product fight for its place on the shelf. Most of TJ's research and development dollars are spent on travel by its top buyers or "product developers." They go on "product finding missions" to bring back the most unique products at the best value. There's another level of buyers, called category leaders, who manage hordes of vendors and food suppliers eager to land their products on the shelves of Trader Joe's.

Economic Food Democracy

Ten to 15 new products debut each week at Trader Joe's—and the company maintains a strict "one in, one out" policy so as to not increase the total number of unique products it sells. Items that sell poorly or whose costs go up get the heave-ho in favor of new blood, something the company calls the "gangway factor." If the company hears that customers don't like a product, out it goes. Still, discontinued items may be brought back if customers are vocal enough, making Trader Joe's control function the model of an open crowd-sourcing system. "We feel really close to our customers," says Audrey Dumper, vice president of marketing for Trader Joe's East. "When we want to know what's on their minds, we don't need to put them in a sterile room with a swinging bulb. We like to think of Trader Joe's as an economic food democracy."

On to the Future

Shares of Trader Joe's stock are owned by the Albrecht family and not sold to the public. The company stays hyper private and media-shy. It's very guarded about revealing producers of their store brands, and suppliers operate under a Trader Joe's "cloak of secrecy." So, what does the future hold? Will growth threaten Trader Joe's coolness and appeal for employees and customers alike?