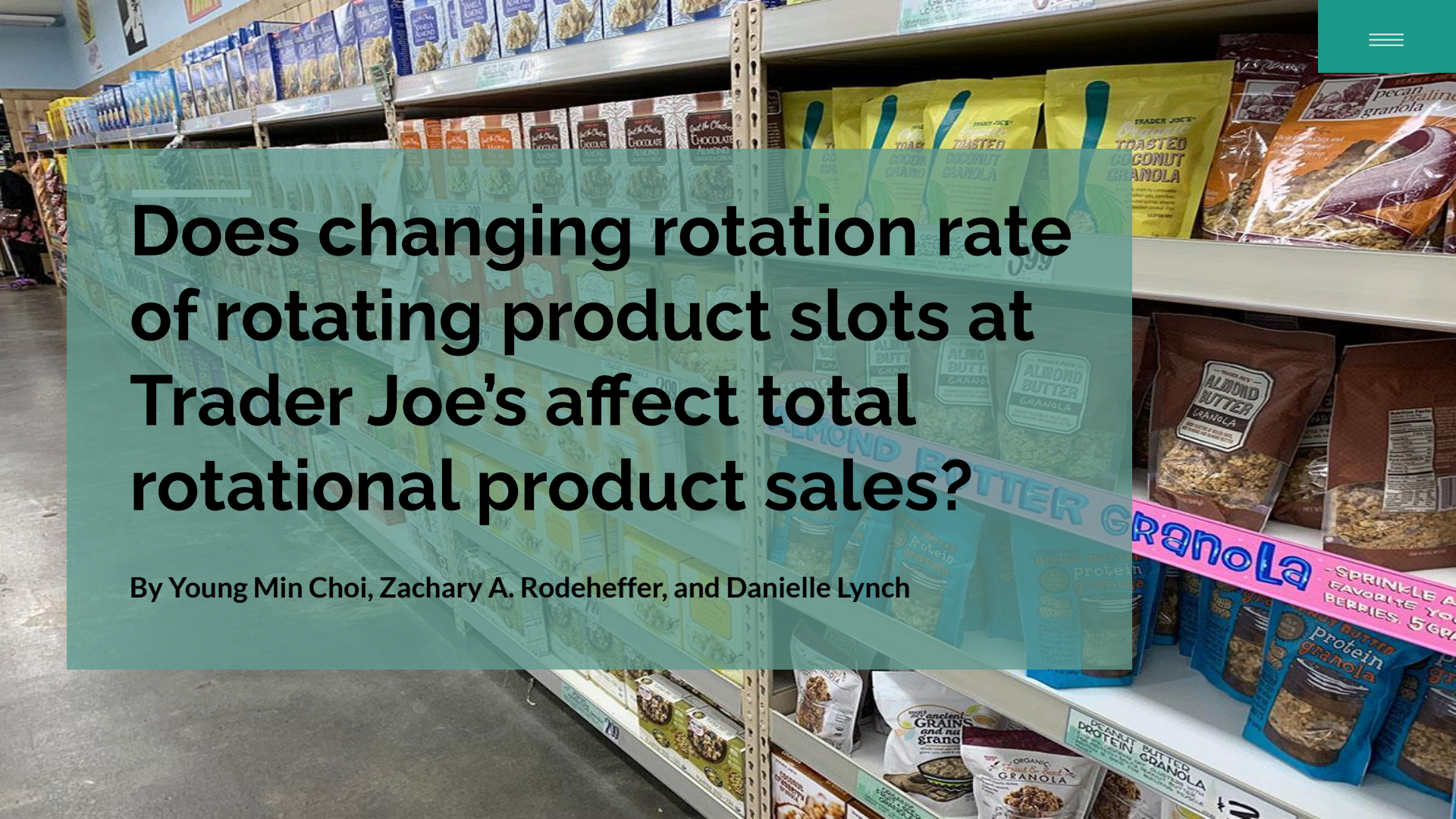


Does changing rotation rate of rotating product slots at Trader Joe's affect total rotational product sales?

By Young Min Choi, Zachary A. Rodeheffer, and Danielle Lynch

Strategic Priorities of Trader Joe's

- *Maximize profits while offering innovative* and *unique* products available at affordable prices and fostering unique, employee-customer-centric environment

A description of Trader Joe's rotation model

- Trader Joe's has two product types
  - Rotational
  - Non-rotational

- Rotational = "Limited time only"
  - Aligns with strategic priorities!

Could altering rate of rotation amongst rotational products affect total rotational product sales?

Experimental Design

Program evaluation experiment

Stores will be randomly selected into treatments via **stratified randomization.** The randomization will simply be communicated to store manager.

4 Stratas:

1. High Traffic Small Store
2. Low Traffic Small Store
3. High Traffic Big Store
4. Low Traffic Big Store

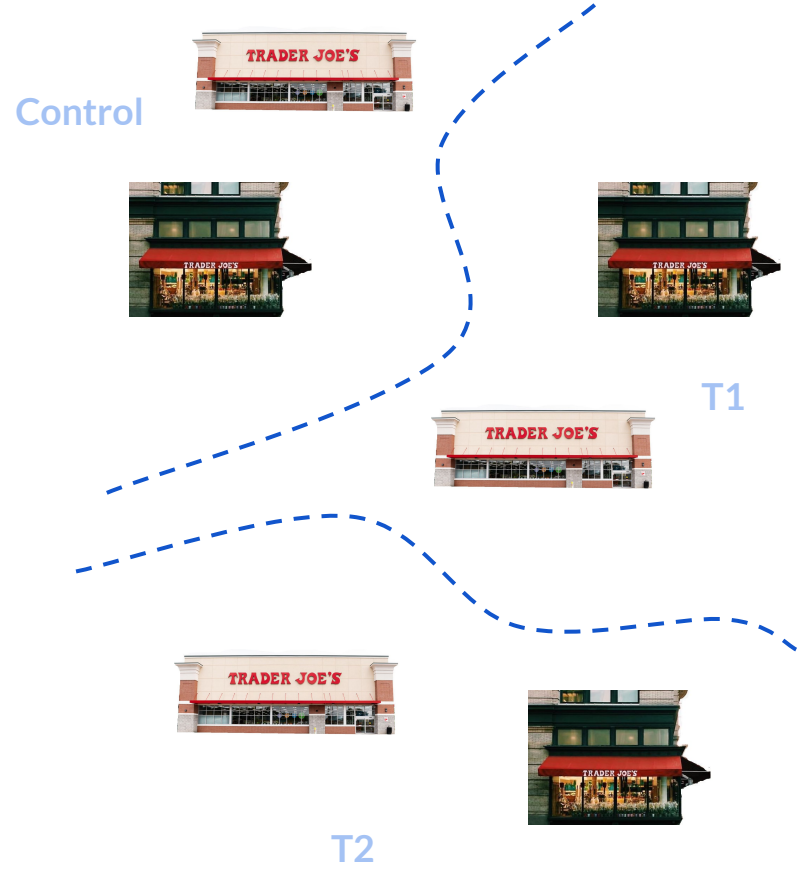
Treatment

Experiment length: **6 months**

- Want time for customers to become “accustomed” to treatment

Random assignment to 3 Treatment Groups

- **Control:** Will remain with status quo rotational schedule (example: Monthly rotation)
- **T1:** Will be scheduled at 1.5 rate of status quo
- **T2:** Will be scheduled at 0.5 rate of status quo



Sample Size

Best case: 505 Trader Joe's stores in U.S. - use as many as possible

Minimum needed: 390 (132 stores per treatment)

- Did research on average sales for different locations of Trader Joe's stores and the percentage of those products that are rotational to come up with sample size figure
- Confidence level **90%,** statistical power **70%**

Treatment Effect

We'd like to proceed with a treatment effect of around **4%**

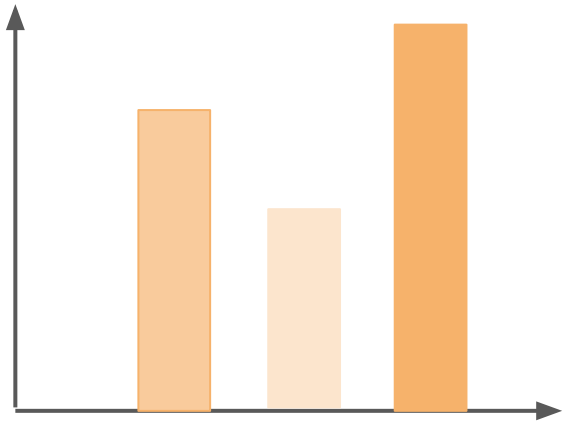
- based on our research into store sales and ratio of rotational products, we think this will amount to an average of around **$200,000** over 6 mo.
- We think this would be an adequate effect to justify investment

Outcome measurement

Our outcomes of interest:

- **Total sales of rotational products per store**
- Why aggregate by store?
  - Trader Joe's wants to emphasize the *entire store* as the brand

Can easily be tracked through accounting documentation

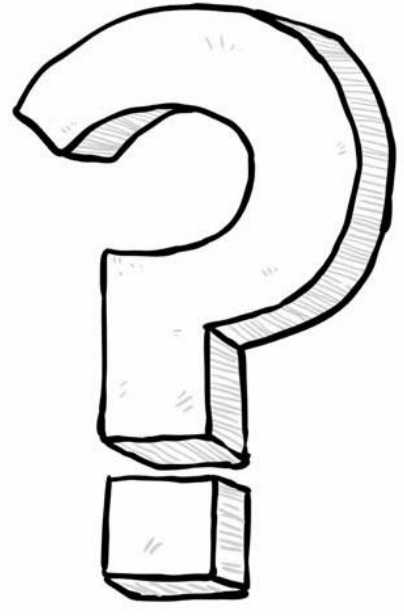


Our Hypothesis:

Trader Joe's stores with higher rotation rate will have higher rotational product sales due to increased 'novelty' demand of rotational products.

Potential Limitations and Caveats

- Ratio of non-rotational to rotational products should be kept consistent as possible
- Low projected statistical power, due to relatively limited store.



How Would This Be Implemented?

- Operations workflow already in place within stores

Possible Negative Implications to Consider:

- Will this affect storage space in the facilities?

Thank you.