

## Transcript — Episode 15: You Asked. We Answered.

Matt: Here's a quick taste of this episode of inside trader Joe's.

Tara: We are here today with a couple of special guests to help us answer questions about Trader Joe's.

Matt: Some of them are real doozies. There's some tough stuff here.

Tara: How come there's no Wifi at Trader Joe's?

Jon: Was that submitted by one of my kids?

Group: (laugh)

Matt: “Hey, Trader Joe's, why don't you be just like every place else?”

Mitch: Absolutely not.

Tara: “Why don't you carry diapers?”

Jon: Over to you, Mitch.

Tara: (chuckle)

Tara: From the Trader Joe's mothership in Monrovia, California.

Matt: Let's go Inside Trader Joe's.

*[Theme music and store bells ring two times.]*

Tara: I'm Tara Miller, Director of Words and Phrases and Clauses...

Matt: And I'm still Matt Sloan, the Marketing – Product guy.

Tara: You know, if people weren't so curious about Trader Joe's, we wouldn't have the Fearless Flyer or our Instagram or Pinterest or Youtube or this podcast.

Matt: And we probably wouldn't have a national chain of neighborhood stores either. So thanks for being so inquisitive about Trader Joe's.

Tara: A few episodes back, we invited our podcast listeners to email us their questions about Trader Joe's and you did not disappoint.

Matt: And we don't want to disappoint you. Some of our Trader Joe's Crew Members are here to answer as many questions as possible. Even the hard ones.

Tara: Jon and Mitch, can you do a little like quick intro of yourselves and tell folks who you are, what you do, why you're here. Those are big existential questions I know.

Jon: Okay. I'll start. Hi, I'm Jon Basalone, President of Stores at Trader Joe's, something that sounds important but...

Matt: But really is.

Jon: I've been with Trader Joe's for 29 years now.

Jon: Started in Santa Barbara as a Crew Member. Uh, when my criteria for finding a job was that I wanted to be able to wear shorts to work.

Tara: (chuckle)

Jon: Over to you, Mitch.

Mitch: My name is Mitch Heeger and I'm the Executive Vice President for Marketing and Merchandising. So I'm lucky enough to oversee those two departments and work with a great group of people and deliver great products to our stores. I've been with the company for 42 years. Just celebrated my anniversary.

Tara: Whoa!

Mitch: A long time. I hate to say it because it makes me feel so old.

Matt: But you were 3 when you started.

Mitch: Exactly. Yeah.

Matt: That's incredible. So we have between you two, over 70 years of Trader Joe experience here.

Mitch: Wow.

Matt: We'll give you the early bird special on the way out.

Tara: (chuckle)

Matt: That is a lot of experience and a lot of time taking care of this business. So this is a perfect setup to answer these questions

Jon: Fire away.

Matt: We really got a ton of questions and this is a great one; it's so powerfully simple. How do you get to know what customers want?

Mitch: It's a good question. And you know, we pride ourselves on listening to our customers and we always say that, you know, customer votes with their dollars. We're always looking at, you know, products that sell really well. We're always looking at products that may not sell as well. So if something's not selling as well, we'll discontinue that product.

Matt: We don't have an ever expanding store. It's small.

Tara: And I think that leads to another question that actually did come in from a few customers. "Is it possible to get advanced notice if a product's going to be discontinued?"

Mitch: We have tried that before. And it seems like every time we try, we fail. Either the product is in some areas really successful, so stores just jump all over it and it goes to one area. Or stores see that, "Oh, that's gonna be discontinued. And it's kind of a bad seller anyway," so they don't order it, and it sits in a warehouse.

Jon: I'm down to my last jar of pickled green beans. I bought 10 cases back in 1988 or whenever it was.

Tara: (chuckles)

Mitch: And you had the inside scoop on that too.

Tara: Yeah. So you knew.

Matt: Jon, this is one for you. I'm going to read this. "Why oh, why can't you expand the store to double capacity? The aisles are tight, and the store is jammed with humans on a mission. Shelves are packed and variety is limited." I think "humans on a mission" could be a whole sub-podcast here, but... What do you have to say to that? Like, why don't we just make the stores bigger?

Jon: We want our stores to be small and intimate, feel like a neighborhood store, and maybe you do literally and figuratively bump into somebody or a Crew Member and can talk about what you're buying or products or, or what's going on in your lives, that sort of thing.

Jon: [ECHO-Y...] Having a cavernous store with wide aisles... [echo]... sounds appealing, but I think when you actually go in and start shopping in that environment, it's a little cold and, and maybe not, not as friendly as, as it could be.

Matt: The size of the store has some other business implications. We're selling food. Most of it doesn't get any better as it sits around. And the faster we sell through our inventory or the inventory turn, the better it is for everyone buying that stuff because it's fresher.

Tara: Jon, we received another question. "How come there's no Wifi at Trader Joe's?"

Jon: Was that submitted by one of my kids?

Group: (laugh)

Jon: We're sort of holding out on that, you know, that Elon Musk will be able to deliver that to the entire world and then we won't have to answer the question or worry about it. Folks are there to, to shop and it's a... generally speaking... not a long period of time that people are in the store.

Mitch: Sounds like that was submitted by the Crew Members.

Matt: Well, I was just going to say we actually have a great source of wireless information... The crew! I mean, they're there.

Tara: There's a whole crew at Trader Joe's that actually has information about products, is knowledgeable about what's in the store. If they have a question, they don't have to go online.

Matt: There's so many places that do that now, and we're conspicuously different. "Hey, Trader Joe's, why don't you be just like every place else?" And that's the spot that we're in, to just say, "We choose to be not that."

Jon: Perfect example of that.

Tara: As if our wardrobe didn't already say that.

Matt: Okay. Here's one that came in from the podcast mailbag, and this one was written on a piece of paper. "We know early on you offered made-to-order sandwiches. Is that something you'll consider bringing back in the future?"

Mitch: Absolutely not.

Matt: Thank you. Okay, good.

Group: (chuckle)

Mitch: It was in the mid 80s.

Mitch: During the hours of 11 and 1 people were frantically making sandwiches and -- hundreds and hundreds of sandwiches -- and these were great sandwiches, but everything in the store basically shut down because there was so much focus on the sandwich shop. With the way our business is now, I can't see us having that kind of focus on a program like that. Those people worked hard. I mean, and they were great. And I was sorry it went away. It was a great sandwich!

Tara: I'm going to go for another question that we received from a podcast listener. "My question is regarding what makes a product seasonal or one time only and how is a customer to know? Part two, have you ever made any seasonal items permanent or do you plan to?"

Mitch: There are some seasons where it's really clear. Halloween through New Years. It's pretty clear that that's kind of our holidays. That's what we talk about. But then you have spring, you have summer. We have Joe Joe Cookies, you know, very successful Joe Joe Cookies. So we've come out with Neapolitan Joe Joe's, which I think we kind of call it "spring/summer." In our minds they're seasonal. In our customers' minds, they're there and then they're not, so it can be kind of frustrating.

Jon: One of our most famous seasonal products ever... was Mashed Potatoes. So our frozen Mashed Potatoes -- which are amazing, they come in little pucks and you just warm 'em up -- they were seasonal for a long time, and people just kept asking us constantly, "When is mashed potato season?" So now it's an everyday product.

Mitch: And I think one thing that we want to do, and we've certainly talked about it in the merchandising group is changing the terminology from seasonal to limited buy. And limited buy, it explains it a lot more. They kind of know what they're getting into.

Tara: One of the things that we do is constantly introduce new products. And if we took all of those limited buy or seasonal type products and made them every day, there'd be no room in the store to introduce new products. So by making some things come and go, that gives us the ability to introduce other things that can come and go that you can, it's like something new to like and then you can get that again next year.

Matt: We've got another question. Jon, "What training do Crew Members receive regarding small talk at the register? Is there a special crash course in this?"

Jon: The instructions we give our crew right when we hire them, it's pretty simple. It's three things: Be yourself. We hired you for a reason. Be genuine. There are no scripts. It's not faked or anything like that. And be nice! We can train them how to run the register and how to stock the shelves, but the interactions? Not much training. It's sort of this natural ability that our Crew Members develop over time. You can kind of tell right away, does this person want to talk? Are they busy? Are their thoughts somewhere else? Do they just want me to work as fast as I can to get them on their way? Or, are they interested in my opinion on the ending of Game of Thrones?

Matt: So I want to play a round of "True or Not."

*[Game show music begins]*

Matt: All right, so.. True or not? Our Crew Members are made to compliment a purchase in every single customer's basket. Do you have to say, "Boy, I like that salsa, too"?

*[Game show buzzer]*

Jon: No.

Matt: So, not true.

Jon: Not true.

Matt: Okay. True or not? Do Crew Members have to check in with what your plans are for later that afternoon or the weekend?

*[Game show buzzer]*

Jon: Not True.

Matt: Okay, good. Good. So I guess that's real.

Jon: What *are* your plans?

Matt: Well, actually, we're having a birthday party for the middle child.

Jon: Wow.

Matt: Do you have any "True or Not" small talk?

Tara: Here's another one: Did you find everything you were looking for?

Matt: Oh yes, true or not? Is that mandatory?

Jon: By the time the customer because it's too late to ask that question anyway.

*[Game show buzzer]*

Jon: Not True.

*[Light applause]*

Tara: All right, moving on to more questions. Here's a good one. "Why are there some -- a few, in parentheses -- products that are sold under their own brand names and not the Trader Joe's brand?"

Mitch: When you look at our store and our products about probably -- excluding wine -- 85 to 95% are private label, Trader Joe label. But there are some products throughout the store, whether it be a Kringle or an energy bar, particular cereals, that we've decided just to keep the branded product because our customers are looking for that. It resonates with them as a great product. If we can have a great value on that and that's something that our customers want, there's a place for that for, again, maybe 10% of our products.

Jon: Is "branded labels" too jargony?

Matt: Let's take a quick little Jargon Alert here.

Jon: Do you have a sound drop when you do a Jargon Alert?

Tara: Yeah

*[Newsflash electronic noise]*

Matt: Grocery Retail Jargon Alert: Branded versus private label. What on earth do these things mean? Branded is basically a national brand. It's a consumer packaged goods, CPG, type of product. It's that brand of razors, that brand of Cheese Whiz. Wait a minute, that is a brand. Okay. But you know what I mean? Versus private label. And private label is actually even more confusing. Private label is just another version of a brand. It just happens to be a different brand. So I actually don't even think of Trader Joe's as being private labeled. Trader Joe's is a brand, and our brand stands for certain things. And that's that difference where you hear like private label, no brand, own brand, self brand branded. Enough of the branding, let's just talk about the stuff, but that's kind of the jargon breakdown.

Tara: Every Trader Joe's looks like Trader Joe's. But every Trader Joe's looks different at the same time. We did get a question in our podcast mailbag. "Some stores are a lot smaller than the ones I grew up in. How do you figure out where everything goes?"

Jon: What we're trying for is a very consistent feel and experience in all of the stores, but the shape, size, layouts and all that... We can pretty much wedge a Trader Joe's into any space that's in a great location. We have stores that are in former armories or former movie theaters, and we're looking at one now that used to be a bowling alley.

Matt: Just one aisle! That would be amazing.

Jon: One long aisle. It really helps to reinforce in the customers' minds: This is *their* Trader Joe's. There's not another one like it. Of our 488 stores, none of them are exactly alike.

*[Game show music begins again]*

Matt: So let's play another quick round of "True or Not." Jon, true or not? You determine the planogram for every store, and you decide how many facings each jar of pasta sauce gets.

*[Game show buzzer]*

Jon: Not true.

Matt: Not true. Mitch Heeger, true or not? Category Managers on your team manage categories by the square inch?

*[Game show buzzer]*

Mitch: Not True.

Matt: Not True.

Tara: Explain that a little bit, because that just sounds weird.

Jon: Wait a minute. I think we need the Jargon Alert Sound on that.

*[Newsflash electronic noise]*

Matt: Plan-o-gram, it's a thing. And most retailers, not just grocery stores, but a lot of retailers determine how each store looks down to the square inch. They send out a plan, and those people in those other companies' stores execute the plan. And a lot of times those plans are backend funded by the brands. So you make a peanut butter, you make a bag of chips, you pay for more inches on the shelf, and those other stores make money off of that placement. We don't have any of that nonsense. S we don't really look at... Chips have to have so many linear feet always or coffee doesn't have to have X number of shelves. Each store orders what they think that they would like to try to sell.

Mitch: We're going to find the products, we're going to deliver on the value, and let the stores do the rest. We're all Trader Joe's and they know that what we've ordered and what we have in the warehouse, they're going to sell. But we're not telling them how to do that.

Tara: Moving... forward...

*[Sound of papers shuffling]*

Matt: We get a lot of very interesting things that are from incredibly intelligent people.

Tara: We have a lot of listeners who are, um, they're in business, they're in education. So they're journalists or they're professors or they're, um, consultants for, you know, big consulting companies.

Mitch: Wow. A lot of pressure there.

Jon: Yeah.

Tara: Let's see. What's a good one? "How do you feel about the retail arbitrage strategies being propagated via your products?"

Matt: We need a whole Jargon Alert on that.

[*Newsflash electronic noise*]

Tara: Basically, how do, how do we feel? How does Trader Joe's feel about other folks selling our stuff online?

Jon: Well, we don't like it. It really starts to get me a little fired up actually, because part of the reason why our prices are so low is because of how productive and how much work is put in throughout our company from the buying department all the way through to Crew Members and how hard they work. And when someone comes in and buys the product off the shelf and sells it at a higher price to somebody out there who may not know what the real price is in a Trader Joe's, it's not fair on a lot of levels. You know, it's, um, I don't even know where I was headed, because you got me so emotional about this! Yeah, I need to go...

Mitch: I think about two different products. We had this huge phenomenon with Cookie Butter. Stores would order 10 cases and someone would come in and say, "I'd like 10 cases" and they'd just wheel it out for 'em. So our customers that are coming in every day are not able to find this product. Most recently has been the Everything But The Bagel seasoning where we had people go on, come in the store, clear the shelves, put it online or whatever, for two or three times more. Customers that are coming in every day can't get that product at the great value that we want them to get it at.

Jon: I've calmed down a little bit now, so maybe I can answer this a little more reasonably.

Group: (chuckle)

Jon: When someone is selling our products on their own online to other places, it essentially is watering down our brand. Our store is our brand, and we're set up that way on purpose that our products are meant to be sold as part of an overall customer experience. And maybe something that we've mentioned on past podcasts.

Matt: This situation's really, really tricky for us because we understand that people might live in Juneau, Alaska, and want that Cookie Butter, but we don't have a store there. And opening a store there might not make sense for us for a long time. Maybe ever. Boo. Sorry, Juneau.

Tara: (laughs) Sorry, Juneau.

Matt: While we're on this topic, this is a good one, another question in from listeners: "Mail order, online ordering, delivery. What's up?" That was the question... "What's up?"

Jon: Yeah. So should I just go back to my last answer, right? Our brand is the store.

Matt: And so that necessarily means like a real store for us, right? Like, it's not an online store, it's an actual place.

Tara: What you lose when you start putting things online for someone to just do that or order their groceries online and then just pick them up at the door, what you lose is the sense of discovery.

Jon: Absolutely. The real magic in our stores is when people find all that stuff that isn't on their list and not just from a, "Hey, that really helps us grow our business" and all that kind of stuff. It's also fun and interesting for our customers to have that experience. We'll ask them, "Are you finding everything on your list?" And, "How much stuff is in your cart that isn't on your list?" And it's amazing. It's about 50/50.

Tara: Sometimes I pick up the phone, and it's someone asking me, saying, "We have a great program that you could use to sell online." Every single time I take one of those calls and I explain what we do and why we do it, that call ends with, "Oh, you actually know who you are, you know who your customers are, and you understand how your business works." And "Thanks."

Tara: This question comes up every now and then, and we did receive it. "Why don't you carry diapers?"

Jon: Over to you, Mitch.

Tara: (chuckle)

Mitch: It really gets back to, you know, the size of the store. We've had requests for it before, many things that we just, we don't have the space for. We know that customers are gonna say, "If you only had baby food, I wouldn't have to go somewhere else." That's not true. They're still going to have to go somewhere else and, and I find myself going somewhere else. Everybody does. I enjoy going to Trader Joe's, so I'm going to go there two or three times a week, and then I know I have to stop somewhere else for those other essential products that they just don't carry.

Jon: But we love your kids.

Mitch: Give 'em stickers.

Tara: Give 'em stickers. (laughs)

Matt: Mitch, this is a question for you. "Does Trader Joe's commission specific products to be made or does Trader Joe's just hunt down products that someone is already making or is it a combination of the two?"

Mitch: It's a combination of the two. We have a team of innovators and developers that kind of have an idea of what they want and they go track down a vendor and say, "Hey, we'd like you to make this for us." In many cases, it's not being made already. It basically is our product and our concept.

Jon: Rarely is it, "Oh, hey, you make that in that label. Just make it for us in our label."

Mitch: Yeah, we're looking for unique products, those exciting products that customers come in for.

Tara: I'm thinking of the Shakshuka.

Tara: I mean, that's on restaurant menus everywhere, but I've never seen it at retail.

Mitch: I remember when it came to the tasting, many of us were not familiar with it.

Jon: I think we talked for 30 minutes about whether or not it should include an egg.

Tara: We did!

Mitch: We can't emphasize enough how important the tasting panel process is, having a group come together on a weekly basis and make some decisions, based on what we think our customers are gonna want.

Jon: If it can't be delivered at a price that makes sense for our customers, then we just won't do it.

Matt: So our allegiance, if you will, is with our customers. So we're not beholden to the vendor, our supplier, but we have a partnership with them.

Tara: We pay our suppliers when they deliver the product, um, and we pay them in full. And um, we don't expect them to pay us to put their product on the shelf. That drives up cost on every single level.

Matt: Other retail organizations might be a little bit jaded about that and they might feel that, "Well, you know, I rent out my shelf space and I make money there and I have cooperative advertising, I make money there," and we're not interested in those things. And so it really is about stuff that sells well.

Matt: All right. So, here's a question that came in from podcast listener. In more than one episode, you've talked about taking risks with new ideas and then once you have commercial success, other retailers jump on the bandwagon. Does that frustrate you?

Jon: It's kind of flattering. That's fine because we're on to the next thing.

Matt: Let's do one more.

Tara: I don't know if this is even an answerable question, but what's been the least successful product?

Mitch: We thought that muffin tops would be a really good product because everybody likes to take the top off the muffin, because the rest of it's, you know, kind of dry.

Jon: Yeah, there was a Seinfeld episode about muffin tops. "Top of the Muffin" was the name of the shop.

Mitch: Maybe that's where we got the idea.

Group: (laugh)

Matt: Thank you for your time, both of you guys.

Mitch: Awesome. Thanks.

Jon: Thanks for having me on the podcast.

Matt: Anytime.

Tara: Before we go, we'd like to talk about some new products coming into the store soon. We can't give you exact dates on most of these things, but we can say that they should all be coming into the store at some point over the next few months. Matt, what's on your mind?

Matt: I've been thinking about the map of Italy. And if Italy is a boot and you go way down to the toe, you're in Calabria, and we have what's known as Bomba... B, O, M, B, A. Italian Bomba Hot Pepper Sauce. It's very simple, it's almost a sauce, almost a tapenade, consistency of a spread. It's basically fermented Calabrian peppers chopped up. Some oil, some salt, a little bit of basil. It's very spicy. It's very reflective of Calabrian cuisine. It's this flavor bomb. It's delicious stuff. I can't wait to throw that on some al dente pasta, maybe on a grilled flatbread.

Tara: I had the opportunity yesterday to see some photos of the farm where these peppers are grown, and the peppers are just so vibrantly red, and they dry them. And their red hue just increases, and they become more vibrant and as they dry and as they ferment, apparently they get even spicier.

Matt: I'm excited about this.

Tara: I gotta say I'm really excited about a candy product that's coming in that are referred to as Organic Beary Tiny Gummies. You heard me, Beary, B, E, A, R, Y. they're little teeny tiny gummy bears, and they're being made for us in France using colors derived from fruits and vegetables, and their flavor is just so bright. And they're soft but they're not too soft and that they're just chewy enough. They're kind of awesome. Really good.

Matt: We have what we're going to call Coffee Lovers Espresso Beans coming out. Now we do a land office business in Chocolate Covered Espresso Beans. They're great. This is a version of that. And there are three flavors, if you will, of chocolate covered espresso beans, a Mocha, a Latte, and an Espresso. It's a little 2 ½ ounce bag, which if you ate the whole bag, you'd be like going wacko.

Tara: Okay. So here's another one. Let me grab the jar. The actual name of the product is Creamy Pink Primavera Pasta Sauce. Lots of alliteration there. Yes, tomato is the first ingredient, but the second ingredient is beets. I am not a fan of beets, but this is a delicious sauce. What you get from the beets instead of that regular earthy flavor is you really get the sweetness when you combine them with the tomatoes. And so the sauce has a real natural sweetness, but there's zero added sugar in this sauce. I love it.

Matt: And I've got another jar thing here, and this is a preserve, a fruit spread. It's made for us. It's actually comes from Belgium, and the company behind this has a lot of experience making jams and preserves. This is a strawberry rose fruit spread, and it's this beautiful combo. It makes me think of the crown set of strawberries, which is the first flush of berries on a strawberry plant and the first roses of spring.

Tara: If I remember correctly, that's a limited buy, right?

Matt: Hopefully it won't last long.

Tara: We bought one big quantity, and when that's gone, that's all we have.

Tara: Okay, one more that I'm thinking about and really looking forward to are these Crepe Wafer Cookies.

*[French street music begins]*

Matt: So I would describe these as... You finally make it to Paris, you're on vacation. And so the highlight tour says, if you're going to eat an ice cream in Paris, you go to Bertillon on Ile Saint Louis, which is this little island in the middle of the Seine right in the middle of Paris. It's a wonderful ice cream place. and you get ice cream, and it's like, "Whoa. I get like a free little cookie," which is a very European thing. If you're here in the States, you don't get a free cookie.

They're very light. They're very crispy. But I would think of, it's like, you get back home, and you're still missing Paris, and you wish you were at the ice cream shop. At least you've got these cookies!

Tara: These are delicious.

Matt: Thanks again for all of the questions. We really wish we could get to all of them.

Tara: But remember, you can ask any Crew Member at your neighborhood Trader Joe's questions like these, anytime.

Matt: And thanks for rating Inside trader Joe's on Apple Podcasts or wherever you get your podcasts.

Tara: Oh and Matt, there's a new development in the podcast world. If you Google "Inside Trader Joe's" or even just "Trader Joe's podcast," you can find our episodes in the search results and even listen right there in your browser.

Matt: Whoa. Of course, if you really want to make sure you catch the next episode when it's released, click the free subscribe button on your podcast App. It is free and it's worth every penny.

Tara: Until next time, thanks for listening

Matt: And thanks for listening.