

## Transcript — Episode 2: It's about Values

*[Store setting noises... beeping at the cash register, distant conversation]*

Tara: How long have you been shopping at Trader Joe's?

Xavier: I've been shopping at Trader Joe's for 10 years.

Tara: Why do you shop here?

Xavier: I shop here because of the deals. I'm a marketing person. You guys are marketing people, so innovative, interesting, engaging. Yeah, I'd like to see how you guys work with retail and work with bringing in brands and how you do your own brands. I like bringing home good food, all of that stuff.

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

Matt: Let's go INSIDE TRADER JOE'S.

*[2 bells ring at a Trader Joe's store]*

Matt: We're in the kitchen getting ready for a Trader Joe's Tasting Panel, and it looks like we're going to be evaluating some products that might be headed to the shelves in your neighborhood store, maybe later this year. Maybe not. I'm Matt Sloan.

Tara: And I'm Tara Miller. Thanks for listening to this five part series that takes you Inside Trader Joe's. The theme of this episode is values. Values aren't just good deals on good products. There are actually seven values we try to live buy at Trader Joe's every day.

Matt: And not to be schmaltzy, but many Trader Joe's crew members will tell you (lots of 'em,) that these values have helped each of us in our own lives, too. It's true.

Tara: Later on we're going to share the history of Trader Joe's, including a few words from Joe himself.

Matt: Yes, Virginia. There is a Trader Joe.

*[Orchestra warming up by playing a note together]*

Dan: I'm Dan Bane. I'm the Chairman and CEO of Trader Joe's. I view my job as more of a, uh, a person who is conducting an orchestra and working things so that that Crew Member is taking care of customers, and has all the tools that they need to do a great job.

*[Sound of conductor tapping baton on a music stand]*

*[Large chorus bursts into singing a loud chord progression in perfect harmony... "ah, ah, ahhhh"]*

*[Applause in a large theatre]*

Dan: What I wanted was a song that everybody could understand and sing together. So seven things that we teach all over the country, all new Crew Members.... One of the key things would be integrity.

Dan: And if you boil it down, it means treating people the way you'd like to be treated, a little golden rul-ish.

Crew Member 1: #1's integrity...

Crew Member 2: Our 2<sup>nd</sup> value is product driven company...

Crew Member 3: Wow customer service...

Crew Member 4: No bureaucracy...

Crew Member 5: Kaizen...

Crew Member 6: The store is our brand...

Crew Member 7: We're a national chain of neighborhood grocery stores.

Jay Jay: The company values are so rich that they're not something that... and a lot of people may think this is corny but... are not just in the store for me. They transcend into my personal life, and how I treat other people and how I expect people to treat me... and I think that's the biggest thing, integrity.

Dan: One of the key values guides in Kaizen. And for us that means, everybody in the company owes everybody else a better job every day, every year in what they do. Because of that, we don't really do budgeting, which – as a recovering CPA is, you know, heresy – but we don't do budgeting. We just expect our stores to do a little bit better every year. They create their own targets. And it's really paid off some big dividends for us.

Tara: One of the things that makes Trader Joe's different is that we taste everything before we decide to sell it.

Matt: While we're not secretive, there are some things that we do that are closed off and really among them are our Tasting Panels. We want the Tasting Panel to make decisions on behalf of our customers. So none of our vendors, our suppliers, can buy access or be present or help sway those decisions. It really is all about that product and... Is it great to eat? Or drink?

Tara: We once let a newspaper reporter into the Tasting Panel, and photos were taken only if the Tasting Panel wore bags over their heads.

Matt: It was a great looking group. I mean, the bags were just a necessary requirement.

Matt: The tasting kitchen as a place shrouded in the secrecy that it is, is interesting. It's a harsh environment... fluorescent lighting, gleaming, white counter tops, no fun inspirational posters. There's no kitten saying, "Hang in there," although maybe we should put that in there. There's nothing in there that makes it comfortable. It's like a cold war interrogation booth, because we want the products that succeed to go through this like ultra Darwinian exercise to say that they could stand up even to that harshest light of critical evaluation.

Matt: We all love the glass of wine that we had on the Amalfi Coast after a long day traipsing up and down the Cinque Terra, but that same wine tastes differently at 10:00 AM under fluorescent lights on a Thursday.

*[Glass bottle breaks]*

Matt: And if it's great at that Thursday, then we know we've, we've really got something. So we want to remove the romance for a little bit. We want to remove that story that we'll so carefully tell and really just focus on the thing itself. Is that thing great? And if it's great and it has this really nice story, then we know we've got something interesting that we'd love to share with customers.

*[Noise of people assembling in a busy open room]*

Producer (in hushed tone): The Tasting Panel's meeting right now, so... follow me!

*[Kitchen clatter]*

Developer 1: So (RESTAURANT NAME BLEEPED) is known as probably one of the best Italian restaurants in LA. They have a dish there called tagliolini al limone, and it's, yes, it's one of my favorites, too. So it's made with lemon cream and parmigiano reggiano. Very simple dish, and this was the inspiration for what I'm proposing today. It's a shelf stable pasta sauce in groceries. Our version is made with cream, parmesan cheese, butter, lemon juice concentrate, basil, salt and spices, so very simple ingredient deck. So we would be in this 15 ounce jar for \$3.49. This is served with spaghetti and a little

bit of shaved parmesan and romano on top and a little bit of pepper. I have the sauce on the side if you just want to taste it.

Panelist 1: The flavors are so bright. It's really a nice sauce, it's really good. It's heavy and creamy, but it kind of still tastes light, which is magical.

Panelist 2: Did that pass?

All Panelists: Yeah, oh yeah. (laughs)

Developer 2: So I think thin Joe-Joe's are great, don't get me wrong, but today I have a cinnamon toast version for you in the classic format. As you know, we've been looking for a lot of new seasonal in-and-outs so I'm proposing this for sort of the January, February, March timeframe. We would be \$1.99 for 10.5 ounces, which is in line with our other Joe Joe's. This is just a really fun cookie. It's got sort of a cinnamon sugar dusting on the cake part, the cookie itself, and then there's a cinnamon and vanilla bean filling. Um, it's really fun. It's really different, and I think you'll enjoy it so please give it a try.

Panelist 2: Does anyone think the cinnamon has something approaching like... it's like Big Red gum.

Panelist 3: I think there's too much cinnamon.

Developer 2: If I'm going to promise cinnamon, I want to deliver cinnamon. But if there's too much, we can definitely back it down.

*[Returning to side conversation]*

Tara: So we have a group of people who convene on a regular basis, and basically we eat, but we eat with intention.

Matt: Membership is granted, and you are chosen to be part of this group, and it's a diverse array of Crew Members.

*[Back in kitchen]*

Developer 2: And then to wrap things up, I have a product that I'm really excited about today. It is a popcorn that is rolled in salted caramel and then rubbed in chocolate.

*[Returning to side conversation]*

Tara: And our intention is to figure out what tastes great, and what our customers are going to love.

Matt: Does the combination of great quality and great price make itself so known that we have to bring this in, because every time we bring something new in, we got to get rid of a thing or two to make some space.

*[Back in kitchen]*

Developer: All right, to rein the conversation back in, do we feel like a salt level is enough? Do we feel like this delivers if you're getting a salted caramel?

*[Returning to side conversation]*

Tara: Someone might say, "Well, you have dog treats. I mean, who tasted the dog treats?" The dog treats get tasted by panel members' dogs.

Matt: I will cop to having eaten some biscuits intended for animals other than humans recently, but I can say with conviction, we taste everything.

Tara: Yeah.

Producer (off mic): What does a dog biscuit taste like?

Matt: Well, it depends (edit: Um, I've, I've, I've tried some.) I actually tried this one thing recently that I was like, I don't know if I should've eaten that. It was a salmon, sweet potato treat. Um, it was pretty fishy.

Tara: Ew, those are bad.

Matt: I haven't eaten tuna for cats. Um, just, just full disclosure.

Producer (off mic): You gotta draw the line.

Matt: Gotta draw the line.

*[Back to kitchen]*

Developer 3: Well thank you all. I think that's all we've got.

*[People murmur as they disband. Chairs scoot back into place.]*

Tara (off mic, recruiting someone to be interviewed): Want to talk to for like a minute? Nothing's live, so don't worry.

Tara: This is Jenny. Jenny is one of our product innovators, and I'll let Jenny tell you what that means.

Jenny: So we basically travel the world to find products for Trader Joe's that you can't find anywhere else. We, we basically try to find the things that make the treasure hunt for our customers so fun.

Tara: Sort of the things we don't know we want or need until we taste them and then we need them.

Jenny: So we have Tokyo coming up in March and I mean, as you guys know, Ramen is really hot, so we're gonna see some suppliers and hit up some restaurants. It is my first time.

Producer: Do you have tasting panel nightmares?

Jenny: Not yet, (laughs) but now I will, thanks. No, I have nightmares about missing my flights. (laughs)

Matt: Up next, the history of Trader Joe's.

*Matt:* But first... Ready for more ideas on products to try from Trader Joe's?

Jay Jay: I'm Jay Jay Sweiss.

Matt: She's our store Captain... that's manager... in Sherman Oaks, California.

Jay Jay: Hands down my favorite new item is our cookie in a dish, the frozen one. We had it yesterday, the crew, and I've had it at home. So it's amazing. It's just FAN-tastic. It's crazy how good it is. It really is.

Tara: My new favorite is the jackfruit yellow curry. Have you had that?

Jay Jay: Oh, that is really good. Very spicy and delicious.

Tara: So where should we start? At the very beginning?

Matt: That is a good place to start.

*[Tinny-sounding vintage news reporter: The king of rock n' roll, Elvis Presley, checks into Camp Chaffee, Arkansas, to begin his two year Army hitch, courtesy of the Memphis draft board. Meanwhile in Washington, President Eisenhower meets with leaders of Congress... (Fades)]*

Matt: It's 1958, and Joe Coulombe, Joe, takes over a small chain of convenience stores around the LA area. These are called Pronto Markets. The whole idea is fast. It's Pronto. It's quick, right? And they're convenience stores, before we really even know what convenience stores are. This is before 7/11 becomes the thing that it is. These are little tiny corner markets.

Tara: The kind of place where you could get anything from, say, a pack of gum to some pantyhose to a box of ammunition.

Matt: It's really a special assortment, and I mean it's like, who would make sense of this? Nobody could. Nobody did, so it changes.

Tara: We'll let Joe pick up the story from here.

*[60s style guitar rock]*

Joe: I spent 10 years running Pronto Markets. Towards the end of that, I really did not like the convenience store formula.

Matt: Joe is the classic entrepreneur. Joe's really good at looking for, finding and developing opportunities.

Joe: The demographics were changing in the United States because of the GI Bill of Rights, which was the largest experiment in mass higher education in the history of the human race. And I thought that these people would want something different.

Tara: The first Trader Joe's store opened in 1967 in Pasadena, California. That store is still there. It's still operating. It still has the same parking lot.

*[Birds chirping, street traffic, shopping carts stacking...]*

Tara: Rosalio Medina is the current store captain. That's what we call our store managers.

Rosalio: People come in and ask, "Is this really the first Trader Joe's?" I had a guy the other night he was here, I think it was aunt was in town from Japan. "My aunt wanted to come here. This was a place she wanted to come see." And I was like, that's pretty cool.

Tara: Why did Joe choose the nautical theme for the stores? Why did he make the folks who worked there "traders on the high seas"?

*[Nautical music featuring whistling sailors begins...]*

Joe: I'd been reading a book called *White Shadows in the South Seas*, and I'd been to the Disneyland jungle trip, and it all coalesced. And that is why, to this day the employees wear Hawaiian shirts. And, uh... It kind of sorta worked.

Tara: Back in the early days of Trader Joe's, they made sandwiches in the stores. They cut and wrapped cheese in the stories. It was almost like a deli counter kind of experience, but in a tiny little store. And they sold lots of wine.

Matt: We actually sold sandwiches by the inch and I always wondered like, did someone say like, "Give me an inch long ham on rye?" Who ordered, like, a two inch sandwich? But maybe someone did.

Tara: There weren't a lot of customers at the beginning though.

*[Cars driving by quickly on a city street]*

Tara: Robin Guentart worked for Joe back then, and he can tell you they'd do almost anything to get you into the Trader Joe's.

Robin: In the beginning, the store was not a success. In fact, it was scarily quiet. It was so bad that Dave Hetzel and I took turns dressed in a gorilla suit flagging people in.

*[Playful humans grunting like gorillas, cars honking as they passed]*

Matt: And then in 1972, a total game changer for Trader Joe's... A new reason to love Trader Joe's was born.

Tara: The 1972 breakthrough. Not to be confused with the 1972 break IN. That was Washington. This was Los Angeles, different story.

Matt: Granola.

Tara: Not just any granola though. This was the first private label Trader Joe's product. And after granola, Joe never looked back.

Joe: You didn't have to worry about all of the soft drink salesmen coming in, and the bread salesmen coming in, and the potato chip people coming in. You're just focused. And that solved so many problems. (laugh)

*[Singing: "There ain't nobody gonna do it for you, you got to find your own way..."]*

*[Opening bell at the New York Stock Exchange, commotion on the trading floor]*

Tara: I think it's fair to say most companies go through CEOs like we might go through a pair of shoes, you know, it's like, "Oh, the earnings were down this quarter, we need to replace our leadership. The wind is blowing west. We need to change our leadership."

Matt: Well, it's interesting to think about a business that is a little over 60 years, a little over 50 years as Trader Joe's, and having through that entire stretch of time three CEOs. That's weird in the best possible way. And so Joe, the founder, is leading the company for the first 30 years. He is central casting, dyed-in-the-wool entrepreneurial spirit.

Joe: It's the quality of the people which sets Trader Joe's apart. Forget the merchandise, forget the all the other stuff, it's the quality of the people in the stores.

Matt: Joe starts this, sows the seeds of the idea and grows it to a point where he thinks it is basically what it could be. It's almost, it's almost limited by what he could physically cover in a day actually driving around from store to store. And in 1988 when Joe retires, Trader Joe's has 19 stores. John Shields takes over as CEO, the company goes from 19 to 150 stores. And really, John Shields has been described as the architect of Trader Joe's growth. He saw that this could expand beyond the original base – that area around Pasadena, California – and to facilitate that growth, John understood that de-centralized decision making, this idea that the Captain runs the ship was really important. In 2001, Dan Bane takes over as chairman and CEO, we have 150 stores and we go up to now 474 stores and growing and counting, and Dan not only saw the opportunity to really capitalize on this growth directive, but also to formalize the strategy, to really focus the business and make Trader Joe's what I think is the best grocery store in the world.

Jon: It's great that we've only had three CEOs.

Tara: That's a Crew Member named Jon Basalone. And his more formal title, which is not on his name tag, is President of Stores.

Jon: What's really great is that it was sort of the right CEO at the right time throughout our history. I think that's really what's happened.

*[Shuffling of papers, someone clearing his throat]*

Producer (off mic): All right. We're ready for coconut oil.

Matt: Well... (nervous laughter).

Tara: The jokes just write themselves. (laugh)

Tara: So sometimes we're on trend and sometimes we're ahead of the curve

Matt: And sometimes we're so far ahead of the curve, it might seem like we've gone around the bend.

Tara: Right. Like what happened with coconut oil.

Matt: Exactly, with coconut oil. Once upon a time going back several years really before the general public understood that tropical oils like coconut oil were no longer deemed bad for you but were actually thought of as being good... Before then, we thought we'd try selling coconut oil and we were excited, and we brought it in in a big way and we completely missed the timing of it. We were out ahead of everybody's interest in it and it really was a failure and it took us a long time to get through the product to sell it slowly, painfully slowly and we thought we are not going to make that mistake again. Flash forward a couple years and we start hearing from customers that like, "Hey, we're seeing coconut oil. We'd like to buy it from Trader Joe's because we want you to do that Trader Joe's thing where the price is really good," and we kept resisting and I remember the category manager at the time working on the grocery products where the coconut oil would really live kept coming to the tasting panel and kept presenting it and the panel kept saying, "Don't you remember when we had all that stuff in the warehouse and we don't want this?" And finally, after multiple sessions and really because of the number of customers saying, we would love to see this in your stores, we tried it again and it was a runaway hit. We had a terrible time keeping up and keeping in stock actually for the first year and a half. And so we thought, "Wow, this is amazing! You know what we should do now because there's been so many interesting studies and different pieces of writing about red palm oil. And red palm oil is a new tropic oil with great health attributes. This is when we should have really recognized what the Tasting Panel does. We taste, and the flavor of the red palm oil, which is just not that great, but we were too caught up with the idea of it and we thought that we're going to capture lightening in a jar twice as it were... coconut oil onto red palm oil. We brought it in in a big way. We put it into Fearless Flyer, I think I remember that.

Tara: We certainly did.

Matt: And no one wanted it. And we were just way too, way too far out ahead of this. And maybe, *maybe*, there's a red palm oil in our future that customers might want. I don't know.

Matt: You're listening to a 5 part series that takes you Inside Trader Joe's. If you like Trader Joe's and you even liked this podcast, rate us on Apple Podcasts or wherever it is you found this.

Tara: Oh, we'd like that. And here's what's on the next Inside Trader Joe's.

*[Montage of brief excerpts from next episode:]*

Matt: This just also in from the mailbag here. A lot of Crew Members get this question a lot. How many Hawaiian shirts do you have?

Dan: I'm not sure I can provide a count.

Ray: At the demo station, you never know what you're going to be. You may be a nurse, you may be a secretary, you may just be a counselor. You are many things back here because everybody come to the table, as the bishop would say, from a different place of enlightenment. (laugh)

Jay Jay: You made me cry.

Tara: That was.... You couldn't stage that, right? Because... Sorry. You're not an Academy Award winning actress.

Jay Jay: I'm a horrible actress.

Matt: On this episode, we're going to be informative... and seriously not too serious.

Xavier: I was just telling the gentleman at the register that I read the Fearless Flyer cover to cover.

Joe: I wrote the Fearless Flyer all those years.

Tara: A cross between Mad magazine and Consumer Reports...

Matt: In hindsight, we probably should have known that some of those products were going to be misses.

Tara: Like what?

Matt: We thought chunk pilchard in a can would be great.

Tara: That's on the next "Inside Trader Joe's."