

Transcript —Episode 25: Trader Joe's Update on COVID-19: Our Supply Chain & Sharing with Our Neighbors

Tara: I'm Tara Miller, the Director of Words and Phrases and Clauses at Trader Joe's.

Matt: And I'm Matt Sloan, the Marketing - Product guy and that's what we usually talk about on Inside Trader Joe's. Stories about products, where they're from, the people who discover and research them so that you can discover them too. And the hardworking crew members that makes sure that those products are in our stores. And we talk about how Trader Joe's is a little different than other grocery stores and why we're proud of that.

[Cheery upbeat music begins.]

Tara: Based on the feedback we received to Episode 23 of Inside Trader Joe's, it's clear to us that many of you really want to be kept up to date about what's happening at Trader Joe's during the COVID-19 crisis.

Matt: Our number one goal is keeping you and our crew safe. That hasn't changed, but how we can best do that keeps changing because as we receive new information about the virus and as our country's response to the situation changes, we adapt at Trader Joe's because this stuff changes daily.

Tara: In this episode of Inside Trader Joe's, we'll talk about some of those changes and how the work happening at Trader Joe's is evolving as a result.

[Music ends.]

Tara: To get started here, let's go back in time a little bit. Let's backtrack to like a couple months ago, maybe a little bit less..

[Upbeat music begins.]

Tara: ...when the current crisis surrounding COVID-19 really first started to have an impact in our stores.

Matt: Yeah, there was this immediate reaction to provision up.

Tara: Yeah.

Matt: I mean up like we've never seen before.

Tara: You want to make sure you're going to be able to have food to feed yourself, to feed your family. I totally get it. It was a shock to our system because you would walk into a Trader Joe's that is always filled with product and the shelves in many cases were just empty.

Matt: Our stores were already busy and already selling a lot of product and to have, in some cases, that volume double, well it just ground the support system to a halt. If you have more truckloads than you can process, more deliveries than you can accept, things just get clogged up. And that's what happened.

Tara: We have a finite amount of product that sits in our distribution centers waiting to be delivered to our stores. So our buying department, those folks manage that inventory very closely to make sure that there's not too much, but that there's enough and that's always a balancing act. So suddenly we were selling this huge volume of product and those trucks were moving out to stores as rapidly as possible. And sometimes stores were getting multiple additional deliveries daily and weekly. The product in the warehouses kind of disappeared. So that is why you were finding that there wasn't the pasta you wanted and there wasn't the rice that you wanted.

Matt: When we were seeing increases of 100%, so a doubling of business, that could have been even larger because that's all that we had. We thought we had a certain number of weeks of supply and it turned out it wasn't anything like that at all. And you often react in a situation like that by ordering more. All of those extra orders are coming into the distribution center and then things changed again.

Tara: Right.

Matt: And through social distancing mandates or people acknowledging those guidelines and directives and changing their habits and shopping less often, and all of a sudden that volume is very different, very low.

Tara: Let's go back a little bit because I want to talk about some of the things that the folks on our buying teams, very specifically, were doing during that phase of this that was really the huge impulse. Almost like a panic buy.

Matt: The buying team was calm and methodical and really looking at 'what do we need' and 'how can we best fill that need'. And it turns out by looking in places other than the usual places. You might see a five pound bag of rice where we previously only sold a one pound bag of rice.

Tara: Right, at least for a time there are pasta options at Trader Joe's that don't say Trader Joe's on them. Because we didn't have the time to have more product with our name on it shipped from Italy as quickly as we needed it. But there was other Italian pasta that fit our quality specs that was available to us that we were able to bring in.

Matt: Sure, and you think about Italy as a point of origin lately. Difficult situation there for sure.

Tara: And then while all that work is going on, they're also ensuring that what we're bringing in and offering to our customers offers a value because we, you know, we have a very specific methodology for choosing products. Sure, we like

something that tastes great, but it also has to represent a value for our customers but I'm going to share the toilet paper story.

Matt: I'm sitting down.

Tara: (laughs) I opened up my email one morning and there was an email from someone I didn't know who was an executive at an international hotel chain saying, you know, "Our business is down. We're not using a lot of the things that we've contracted for. We have some of this, we have some of that." So I forwarded that email to the folks who manage our buying teams and I instantly got a message back from one of the folks on our buying teams who just said, "Toilet paper!!" with big exclamation marks at the end. Within a week and a half, we had made a deal to buy toilet paper from this large international hotel chain that suddenly didn't have guests staying in their hotel rooms. You get to a Trader Joe's when they have it in, because it comes and it goes and it's, you know, it's there and then people buy it and it's gone. And it comes back. But we're selling individual rolls of toilet paper that were originally intended for use in hotel rooms.

Matt: Those weren't retail ready packages and specifically they didn't have what's known as a universal product code, the barcode, the UPC, so these didn't scan at the register. And for a lot of retail businesses, that would be a make or break deal. But we figured out that, you know what, our crew is smart, they're capable, we can figure out how to do this. We can ring it up manually. And that's what we've been doing. I just love how it's summarized in this store sign that I saw...I'll just read the sign to you. "April break getaway canceled? Don't worry. Now you can enjoy a hotel toilet paper experience in your own bathroom." And you know, kudos to the crew at Saugus, Massachusetts store 506, the crew and Captain Claudia. But you know, taking an opportunity to have a little bit of fun, but also embracing something new.

Tara: We didn't use that opportunity to take advantage of our customers in a way that other retailers seem to be doing.

Matt: What do you mean?

Tara: I heard a story from a relative yesterday who had been in a national chain drug store and bought a single roll of toilet paper for \$4.

Matt: Whoa.

Tara: We're selling that toilet paper from the major hotel chain for what, 69 cents a roll?

Matt: Yep. While we don't know maybe the particulars of that situation, what we do know is that we don't change our prices unless our costs change, period. And we are loath to raise retail prices. So we'll often absorb costs over a period of time while we really figure out what the marketplace for that product is going to do. Where the costing is going to shake out. And you know, we've seen a lot of things these days where there are, you know, businesses out there trying to take advantage of the situation.

Tara: It seems that we will hopefully be back in stock on Trader Joe's toilet paper, like on a regular basis by the first week of May. And that's really just been about our supplier being able to ramp up production enough to meet demand. It's happening, but it's just, there's only so much they can do so quickly.

Matt: You know, if you're producing effectively 24 hours a day, it's hard to go above and beyond that. You really can't.

Tara: I think there's a lot at play in the whole idea of supply chain. Right now, we are not selling as much, let's say, refrigerated product. So like dips and salads and fresh produce and things like that. We're not selling as much of that as we normally do. But if we suddenly tell our suppliers, "Mmm, we don't want that right now," it's entirely possible that supply chain could disappear. Because if we're not ordering a product, then they are not making the product. And then when we do want the product, will they still be able to make the product?

Matt: It is a balancing act that is a work in progress and we're learning on a daily basis how to better balance.

Tara: How our stores are different from a lot of other retailers, we don't push products out to our stores, generally speaking. Generally speaking the stores order what they need.

Matt: If we're not pushing out product, instead we're filling orders based on a pull system. We might've planned for a 100 of something, but stores pulled 30.

Tara: Right.

Matt: And then we made a commitment for the 70 and we've got to figure out what to do with that.

Tara: That's where the Neighborhood Shares program, that's part of our everyday work, that's where that has really become even more important during this crisis.

Matt: Sure, very basically, that is about not wasting food.

[Music ends transition into next section.]

Jenn: My name is Jenn and I support our stores' donations program, which is otherwise known as the Neighborhood Shares program.

[Music begins.]

Jenn: And that is our longstanding commitment to donate a 100% of products that go unsold but are safe for consumption. I also like to say "fit to be enjoyed" because we donate flowers and our HABA products as well.

Matt: We have more than 500 stores, so that's a lot of stores to support.

Jenn: We empower them really to make the best decisions for their store and their communities. We have over 700 nonprofit partners supporting our stores.

Matt: Within the crew at each store there's a designated crew member, a person who's the donation coordinator, and they're trying to piece together a puzzle that is getting stuff picked up every day of the week.

Jenn: Yes. Some of our larger volume stores have pickups twice a day.

Matt: Donations never sleep.

Jenn: Yes, that's a good way to put it.

Matt: Well, thanks, Jenn.

Jenn: (laughs)

Matt: So good. Do you, I mean, yes you sleep. So what's new now with this program?

Jenn: We have a higher number of partnerships. I made a great effort with the stores to really find new nonprofit organizations that can benefit from our donations. And that goes for our stores and our warehouses too.

Tara: Volume of product going out of our stores to our customers has slowed down because fewer people are shopping. The stores don't need to order as much from the warehouses so we have more product sitting in our warehouses that would otherwise simply go to waste if we weren't actively looking for people who needed it.

Matt: Major kudos to the merchandising group,

Tara: Yep.

Matt: .. the buyers covering those categories who we're seeing this pattern develop.

Tara: Yep.

Matt: And rather than waiting until it was too late, they were seeing, you know, across categories like fresh meat and within dairy, yogurt and cheese and even things like guacamole or hummus or fresh juice and smoothies, that we are going to have a train wreck of product if we don't figure this out sooner than later and it would all go to waste.

Jenn: I can just speak to a recent donation that I worked on over the weekend and it was a very large donation and it took a team and we all worked tirelessly to make sure that each distribution center or warehouse was able to share this large donation with our food bank partners across the country.

Matt: So over this past weekend, over 310,000 packages of stuff didn't go to waste.

Jenn: You're absolutely right.

Matt: The first time I've heard that today, Jenn. I appreciate that.

Tara: Don't get used to it.

[Transition.]

Tara: What's changed within the store that they need additional partners?

Jenn: Some stores have a higher volume of product right now that needs a home and it's already a challenging time for everybody involved in our greater community. There's now these groups that are kind of rethinking donations and they're receiving our donations and they're creating meals and then redistributing a wholesome meals to community services in the neighborhood.

Tara: Making meals for families and then distributing the meals instead of just the products themselves. And that's, that's new. I haven't heard of that being done with our stuff before.

Matt: I'm curious how the phone call goes. So let's role play a little bit. So I'm like the person on the phone, the other side. So you're calling one of these partners or a potential donation recipient of food rescue organization.

Jenn: Sure. So typically..

Matt: Roll with this...it's like, "Hey, it's Jenn. I hope you're sitting down cuz I've got some great news."

Jenn: (laughs...role playing) "Hi, it's Jenn. I'm calling from Trader Joe's."

Matt: What do they say?

Jenn: (potential recipient) "Oh my God! I love Trader Joe's!" (laughs)

Matt: Okay good. Then what happens?

Tara: (laughing)

Jenn: "We are a neighborhood grocery store so what better way to share in our communities. I would love to talk about a partnership with your nonprofit organization and see how maybe our neighborhood program and what we do with the care and redistribution of our products aligns with the work that you do."

Matt: Do they ever ask why we discontinued the Peppermint Joe Joe's ice cream?

Jenn: (chuckles) They don't.

Matt: Okay.

Tara: So what's the most frequently asked question you get from donations partners?

Jenn: What requirements I have to meet in order to become a partner of Trader Joe's?

Matt: So what are they?

Jenn: While we appreciate individuals and their grassroots style, we do have to ensure that all of the organizations that we donate to are tax exempt valid nonprofit organizations. And that's step one.

Jenn: In 2019 alone we donated nearly \$384 million of food and beverage to our partners.

Matt: You know, I'm just going to interrupt this podcast because after recording that segment, we took a closer look at recent numbers at the amount of food our stores have shared with their neighborhood donation partners. And since March, more than \$51 million in food, which is about 12 million meals have gone to those groups that we count on for help in achieving our goals, to not waste food. And thinking about those numbers, \$51 million, 12 million meals, I'm so impressed and grateful for the crew.

Jenn: It makes me emotional.

Tara: It's emotional because it's truly impacting the lives of people every single day, in every one of our neighborhoods.

Jenn: You know, we're all at home right now trying to find joy in things that are around us. And I think finding joy in a meal with your family is one of the most simple but great things that we are able to experience together, but also what's on our table. And maybe we received it by way of donation and just knowing our shares recipients are the same as our customers. Maybe they didn't walk through our line that day, but they walked through a line and they have our product, they are our customer.

Matt: The crew in every single store, they're, I mean to say that they're stoked about this as an understatement, they really do an amazing job with it.

Jenn: I think that it's just important for our customers to know that we really care about this work and that it has been an ongoing effort for many, many years. In more recent years we've provided a little bit more structure to it because we now understand the huge impact that it has in our communities.

Tara: Thank you, Jenn.

Jenn: Thank you.

Matt: Thanks for coming by.

[Music ends. Transition.]

Tara: Something we want to do right now that we did a couple of episodes ago is check in with some folks at the Trader Joe's stores in your neighborhoods, just to see how things are going.

[Hold music.]

Matt: So I'm on hold at the Glendale, California store. Just waiting for Fredo to wrap something up.

[Hold music ends.]

Fredo: This is Fredo.

Matt: Hey Fredo it's Matt from the office. Can you hear me?

Fredo: Yes I can.

Matt: How are things at the store this afternoon?

Fredo: Pretty good. Nice and calm.

[Music begins.]

Matt: Is that because of the number of people or something that you're doing there or a combination?

Fredo: I think it's a combination of both. Everything's kind of working like clockwork right now. Everyone's kind of calm. Everyone can kind of shop. Everyone has enough space.

Matt: You sound like you're doing well. How are you feeling these days?

Fredo: You know, it was up and down, but as of recently, I think for lack of a better word, I think things have normalized in a way and we are finding a new normal. So I'm feeling good, I'm feeling comfortable. I'm doing a lot of self care outside of work as well. So I think that has a lot to do with it. So yeah.

Matt: What do you see that's sort of new, either from other crew members or from customers?

Fredo: I think that we are all taking it day by day. The customers, while they're already pretty kind to us, they have just been so understanding and also caring and attentive and they're constantly giving us compliments and it's created this atmosphere that we are all in this together and we're kind of helping each other out that we help you, you help us kind of thing. And it's really brought the community a lot closer together.

Matt: Nice. Oh, that's so, so good to hear. I'm curious, what's been difficult, what has been a real challenge recently?

Fredo: Every week I think we experience something new, whether it's masks or you know, just new procedures or something. I think that every day we are constantly learning and we are evolving as well.

Matt: Interesting. And one of the things I'm curious about. I'm wondering how the Neighborhood Shares program is going these days. Are you still able to cover that work?

Fredo: We are. We are able to still work with our Neighborhood Shares partner. We actually had our fire department come in and also say, "Hey, we are doing this for our neighborhood. Is there anything that you guys can help out with?" And we're able to help them as well.

Matt: So what were you able to provide the fire department with?

Fredo: We were able to provide them with salads, any other excess foods that we had, mostly a lot of our fresh or items that they are able to give to our elderly community as well.

Matt: Oh, that's great.

Fredo: I've been really grateful actually throughout this entire like, you know, situation where it's not easy for any of us. I've learned three things. Slowing down helps a lot. Patience, taking day by day and especially a little bit of kindness goes a long, long way.

Matt: Wow. I mean if we could all just hang on to that, um, things might be okay. Well, you know, so good to talk with you. Thanks for taking time. I know that you guys are busy taking care of each other and customers and so we'll catch up soon.

Fredo: We'll do. You do the same.

Matt: And now Fredo if you could put me on hold because I don't know what the hold playlist is, but it's great. Seriously, and then also, could you go get Miggi if she's available and we'll talk to Miggi too.

Fredo: We'll do.

[Music ends.]

Miggi: Hi, this is Miggi. How can I help you?

Matt: Yeah. Do you have Prince Albert in a can?

Miggi: (laughs)

Matt: I've always wanted to play that crank call joke. Miggi it's Matt from the office at TJ's. How's it going?

Miggi: It's going well. Thank you so much, Matt. How are you?

Matt: Actually pretty okay, thanks. I'm just wanting to take a moment and check in with you and see what's going on.

[Music begins]

Miggi: Well, you know, it's extremely sunny and bright outside. You see people with their parasols now outside in line. So these are customers that know that they're going to be taking a few more minutes before they walk into the store.

Matt: So you're in Southern California and it's starting to get warm.

Miggi: We're getting our watermelon coming in, our corn coming in.

Matt: The last time we spoke with you, it was almost before Mother's Day, so it was like a year ago. Getting ready for flowers for Mother's Day is going to be a little different this year. Or is it?

Miggi: It is only because the priorities have all shifted. You know, everyone, yes, they will want to buy flowers even if it's for their neighbor that isn't their mother that can't get out of the house, that needs a little cheering up.

Matt: And that makes me think of earlier we were talking about our Neighborhood Shares program.

Miggi: Yes.

Matt: What's happening with that these days?

Miggi: So Larry, he connects with us on a daily basis, trying to make sure that what he is taking is still safe to eat for our community. The strawberries, the bread, whatever it might be. As far as flowers are concerned, that does break my heart because we would take the flowers in, you know, shopping carts around the block to the senior center. And we can't do that anymore, unfortunately, because they're our most vulnerable and we want to make sure that they're okay and that they're protected.

Matt: Sure, sure.

Miggi: What we did do, to just kind of giving customers hugs from a distance, was passing out these flowers at the exit. We can't necessarily get close to our customers physically, but we can, you know, show them that we still love and care for them very much with like, a bouquet. And so many people appreciated that.

Matt: Wow, that's really nice. Anything else that you'd like to pass along?

Miggi: You know what? I really miss all the babies and the moms. These are the customers that I would follow around and ask what the baby's doing now or like, are they rolling? Are they crawling? Are they walking yet? You know, I really, you know, it's impacting me greatly in that sense.

Matt: I mean, there's going to be a lot of catching up to do.

Miggi: A lot of catching up and we just need to kind of just keep each other, you know, safe and happy and it's, it's happening.

Matt: Well, Miggi, it was great to talk with you. Thank you so much for what you're doing and what you're doing with the crew there. I know that the customers really appreciate it, as do we. So good...

Miggi: Thank you.

Matt: ...to talk with you and hopefully we'll catch up soon.

Miggi: Absolutely. Thank you so much. You take care.

Matt: You, too.

[Music ends. Phone hangs up.]

Tara: You know, that conversation with Miggi was great for so many reasons. But knowing Miggi as I do, she's so much like so many of our crew members who I know personally who just have these really strong connections with our customers and are really missing those interactions. It makes me a little emotional.

Matt: A lot of households that I know, they sort of have like a designated driver for shopping, right? Like there's a person who's going out into the world and taking care of those errands and so, I know even when I'm in our stores I have crew members asking about my family and wondering what's happening cause they're used to seeing somebody there who's not me maybe.

Tara: Yeah.

[Transition to close.]

Tara: So if this episode of Inside Trader Joe's gives you the idea that we're learning, growing and adapting in this situation, you're right.

Matt: We have to. But here's what won't change. Our values, leading with integrity every day in every store.

Tara: Finally, in addition to our always amazing crew members, we want to say one more time how much we appreciate you, our customers. You've treated these challenging times as an opportunity for all of us to come together and help keep each other healthy and safe.

Matt: You inspire us every day.

Tara: And with that, we end as always, thanks for listening.

Matt: And thanks for listening.