

## I. EXECUTIVE SUMMARY

### OVERVIEW

Trader Joe's was founded in 1967 in Pasadena California; its primary goal is to provide thousands of healthy, unique, but reasonably priced grocery items. The grocery store seeks new and delicious foods made naturally and cruelty free. Trader Joe's has become one of the leading natural grocers over the past few decades. This grocery store has made over \$8 billion dollars in annual sales. The company has opened more than 360 domestic stores in 30 states. Trader Joe's continues to expand their footprint across the nation creating \$1,723 in sales per square foot of floor space, more than triple the industry average of \$521 and 77% higher than the market share leader Whole foods at \$973<sup>1</sup>.

Their strategy is to offer fewer SKU's<sup>2</sup>, approximately 4,000 with nearly 80% of those products being privately labeled. By carrying a fewer number of products, the chain leverages increased volumes per SKU which enables stronger pricing leverage on their external suppliers. This allows the store to maintain affordable pricing. Trader Joe's continues to increase in popularity by attracting a variety of demographics to their store.



### PROBLEM STATEMENT



Trader Joe's does not have any traditional form of advertising other than word of mouth, a weekly newsletter, billboards and in-store advertising. The company needs a way to market their unique and unknown foods to existing customers and a way to reach out to potential new customers to expose them to the outstanding products available at their stores. Many of the products at Trader Joe's are quirky and may seem unapproachable to potential new customers - resulting in only the most adventurous customers trying the broader spectrum of SKUs. Since word of mouth is so central to Trader Joe's store success, the chain needs new ways to expose customers to a broader array of products while also delivering a scalable, new-customer acquisition strategy to fuel their continued growth.

<sup>1</sup> <http://www.businessinsider.com/trader-joes-sales-strategy-2014-10>

<sup>2</sup> Stock keeping unit

## OBJECTIVES

Primary goal: Utilize an indirect marketing strategy to attract and retain new customers and broaden the breadth of SKUs that existing customers purchase from Trader Joe's while remaining consistent with the company's brand promise and values

### Key Performance Indicators

- To increase local, same-store grocery sales in targeted markets by 10% annually
- To deliver a 5% increase in the number of customers for targeted stores annually
- Increase targeted store's wine revenue for featured wines by 20% in 1 year

## EXECUTIVE SUMMARY FOR ADVERTISING STRATEGY



Open 5 "Spotlight Cafes by Trader Joe's" each within a 10 mile radius of an existing store that is currently performing at or slightly below the corporate store average. Each Spotlight Cafe will exclusively serve meals and featured wines that are available for purchase at the local Trader Joe's grocery store. These comfortable and convenient cafes will prepare meals from scratch in-house while strictly following the same recipes of the pre-prepared items available in their grocery stores. These spotlight cafes will expose customers to available products, reach new customers that currently don't shop at Trader Joe's and direct these customers to their local stores through a variety of pricing and loyalty promotions.

## TARGET MARKET

The primary target market for this campaign will be middle to upper income, urban professionals in their 20's-30's living within a 10 mile radius from an existing Trader Joe's. The secondary target market will be the friends and families of the targeted market.

## BUDGET

This advertising strategy will require an initial budget of \$1,000,000. The budget covers costs to open 5 "Spotlight Cafe by Trader Joe's" restaurants and advertise those new cafes with social media and local event and word of mouth advertising, as well as in-store advertising.

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## II. DESCRIPTION

### COMPANY BACKGROUND

Trader Joe's is a privately owned natural grocery store chain. It provides a large variety of organic fruits, natural meats, wines, imported foods, specialty frozen foods, and Trader Joe's-brand snacks. The company started in the 1950's and has expanded rapidly.

In 2016 Trader Joe's had \$8 billion in annual sales. They are in the top 75 retail stores of 2016. They are also one of the lowest advertising driven companies in the US. Trader Joe's advertising consists of a weekly newsletter called "The Fearless Flyer"<sup>3</sup>. This newsletter displays the top selling foods, the newest additions, and the weekly deals. The difference from an average grocery store ad and "The Fearless Flyer" is the level of detail for each product showcased. Although this is an effective advertising route for existing customers willing to share their home or email address, it fails to reach new, potential customers.

The goal of this campaign is to reach new customers using a non-traditional, innovative indirect advertising strategy. By opening up small cafes in densely populated towns with the targeted demographics, Trader Joe's will expose new customers to their products and expose existing customers to new products. When consumers visit the "Spotlight Cafe" and taste the delicious and unique food, they will be informed that these exact food items are available at the neighborhood Trader Joe's grocery store, less than 10 miles away. The effectiveness of this strategy will be measured by comparing the sales baseline at the local Trader Joe's store and comparing those sales after the local Spotlight cafe opens. Since 80% of the estimated 4000 SKUs at a Trader Joe's is private label, the company will have access to ingredients and recipes

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<sup>3</sup> <http://www.traderjoes.com/fearless-flyer>

and their bulk buying will provide a cost advantage relative to local competing restaurants. The pricing strategy for the Spotlight Cafe will be to price their food at a 20% discount to local restaurants to attract customers for the value they are delivering. The food at the grocery store will be another 20-30% discounted over the cafe pricing giving customers a strong incentive to purchase the products from their local Trader Joe's.

## RESTAURANT MARKETING STRATEGY

The Spotlight Cafe strategy is to attract customers from local restaurants. This Cafe will provide comparable or better quality foods and will set their pricing at a 20% discount to similar offerings at other restaurants. The below market prices will lure consumers into the cafe and expose the Trader Joe's foods. While in the Spotlight Cafe, customer will see in-store advertising pointing them to their local Trader Joe's. The Spotlight Cafe will maintain the same quirky atmosphere that Trader Joe's is known for and customer service will be a focus. The cafe will be an extension of the Trader Joe's stores while also serving as a comfortable and convenient place to enjoy a fantastic meal.

## THE RESTAURANT

The Spotlight Cafe will be a casual cafe style restaurant. The ambiance will parallel Trader Joe's stores and the staff will also wear the same casual uniform. This cafe will have standard chairs and tables and an area for customers to order their food; It will be a self-order and self-sit restaurant. The food will be prepared from scratch in the store, in on-site kitchen. The menu will include 15 of the most popular pre-prepared frozen meals sold in the grocery store that remain permanent on the menu, and 5-10 new foods that rotate monthly on the menu. The food will be prepared exactly like Trader Joe's packs them in the store. This allows the consumers that

desire to purchase the food they enjoy in the cafe, in the grocery store. There will be a large wine menu, that allows the consumer to order a glass of one of the hundreds of wines Trader Joe's offers. This increases exposure to many of the wines Trader Joe's grocery store imports.

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### **III. OBJECTIVES OF THE CAMPAIGN**

With such a high demand for organic and natural food, Trader Joe's has an opportunity to expand their market of pre-prepared, "cook at home" groceries with paired wines. The Spotlight Cafe is not designed to be a Profit and Loss center. Rather, the strategy is to minimize costs and ideally breaking even while attracting new customers to the local Trader Joe's and growing sales..

The Key Performance Indicators of this strategy (measuring the success of this campaign)

- To increase local, same-store grocery sales in targeted markets by 10% annually
  - To deliver a 5% increase in the number of customers for targeted stores annually
  - Increase targeted store's wine revenue for featured wines by 20% in 1 year
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### **IV. IDENTIFICATION OF TARGET MARKET**

Primary Market: The primary market are those that will be attracted to the all natural and organic restaurant. For this campaign the following criteria are as follow:

Demographic → Ages 20's-30's, educated urban professionals, middle to upper income.

Geographics → Areas located within a 10 mile radius of an existing Trader Joe's grocery store.

Psychographics→ Those with an interest in healthy and gourmet foods

Secondary market

Demographic→ Friends of the primary market, individuals who show interest in healthy and organic food

Geographics → Areas located within 10 miles of an existing Trader Joe's grocery store.

Ideal location examples: Portland's South waterfront.

- Flooded with young urban professionals
- Individuals who care about natural and organic foods
- Middle to upper income
- Tend to shop at more trendy casual cafes
- Have a short commute to the Lake Oswego Trader Joe's Grocery store



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## V. LIST OF ADVERTISING MEDIA SELECTION NECESSARY FOR THE CAMPAIGN.

Because the Trader Joe's target demographic is young professionals in their 20's-30's, the first line of advertising will start with standard social media presence.

### **Social Media**

→This includes blogging, tweeting, and facebook. The target demographic tends to use more technology related advertising in their day to day lives. Prior to store opening, Twitter will promote updates of the progress of construction of the new restaurant. After opening, Twitter will highlight new offerings and quirky events being held at or near the cafe. Facebook will create pages for customers to review both the food and overall experience after they visit the restaurant. Small coupons and promotions for the

opening day should be available on social media as well. This will be a minimal cost. (\$10,000)

### **Sporting events**

→The second line of advertising will include promoting the new restaurant at sporting events such as the breast cancer awareness run, Saint Patrick's day run and other marathons. This strategy will target young health enthusiasts, who care about all natural groceries. A small tent will be set up next to the event where workers dressed in the recognizable Trader Joe's uniform will be handing out pamphlets that promote the opening of the Spotlight cafe. They will also hand out cowbells and other noise makers with the Trader Joe's Spotlight Cafe logo on them. The Tent will hand out Trader Joe's beverages that suit the weather. In cold runs in the winter, the tent will hand out warm hot chocolate; In hot weather, cold lemonade or juice will be supplied as well. This will help brand the Trader Joe's name as being approachable and welcoming. Pictures of the new Cafe and details will be available at the source as well. (\$8,000)

### **In-store Advertising**

→The last line of advertising is in-store advertising at the local grocery stores. This will include signs and informational pamphlets encouraging the consumers to try out some of the most popular and delicious Trader Joe's foods.(\$1,000)

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## VI. SCHEDULE OF ALL ADVERTISING PLANNED

<p>First Quarter January-March</p>	<p>January-March: Creation of the first 5 Trader Joe's Spotlight Cafe. Social Media will track and update the progress.</p>
<p>Second Quarter April-June</p>	<p>April: Grand Opening of the Spotlight Cafe, In-store advertising, Extreme social media presence (promotional coupons), Falcon 15K relay run event (April 15th). May: 5k/10k Walk/Run for the animals (May 6th). Continual Promotional coupons available at the events and the grocery stores. June: Greatful Dad Run (June 17th).</p>
<p>3rd Quarter July-September</p>	<p>July-September: Assessment of the second quarter sales. Continue to emphasize in-store advertising. If the advertising at the events are successful, continue at the following: Color Funfest 5k (July 22nd) Run for the Fallen (August 13th)</p>
<p>4th Quarter October-December</p>	<p>October-December: Evaluate the sales of the second and third quarter at the Spotlight cafe. Evaluate the increase in sales of specific items in the grocery store. Continue to promote in the store, and continue to offer coupons and groupons to be used at the Spotlight cafe. Asses if the market is going in the right direction, and if the campaign is succeeding.</p>

## VII. SCHEDULE OF ALL SALES PROMOTIONAL ACTIVITIES PLANNED

April 2017: Grand Opening Event. This event will include local celebrities opening the doors to the restaurant. They will explain that these meals are available in pre-packaged forms at the Grocery store less than 10 miles away. Giveaways, Raffles and games will be present on the opening day. Only on the Grand opening will customers receive 20% off their bill. There will



also be several promotions in the first 2 weeks of the grand opening. When the restaurant receipt is presented at the local trader Joe's, the customer will receive 15% off of their groceries at their neighborhood Trader Joe's.

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### VIII. BUDGET

Advertising Approach	Cost	Break Down
Social Media	\$4,000 (1 year)	Online advertising will include updates on twitter and facebook, Promoting the tents at the sporting events
Sporting Events	$\$500 \times (5 \text{ events}) = \$2,500$	This includes the cost of the tent, the spot, the materials distributed at the event, and printing promotional coupons to distribute, for 5 events.
In-Store Advertising	\$1,000	This includes printing pamphlets that are handed to the customer upon check-out, This also includes signs all around the store. (enough for 5 stores)
Trader Joe's Spotlight restaurant	$\$198,500 \times (5 \text{ stores}) = \$992,500$	This will cover all the costs for rent, standard construction, a start up food supply, tables and chairs and a store sign. (5 stores)

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### XI. STATEMENT OF BENEFITS TO CLIENT

The Trader Joe's Spotlight store will expose the delicious, all natural and organic foods to grow Trader Joe's customer base and expand the products that existing customers purchase. With individual store average annual sales of \$22M, a 10% increase represents of \$2.2M of

incremental revenue per Spotlight Cafe. Assuming a 15% gross margin on their private label goods, this \$2.2M of incremental revenue results in a \$330K incremental margin delivering a positive \$130K per Spotlight Cafe after expenses. After the initial trial phase of this campaign, Trader Joe's can scale this strategy across their 360 stores nationwide delivering \$118.8M of incremental margin.

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## **XII. BIBLIOGRAPHY**

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