TRADER JOE’S

CHUCK WAGON MARKETING PROPOSAL

December 7, 2011

Eric Buselt
Chelan David
Katie Jolly
Steve Nichols

Source: Trader Joe’s
<table>
<thead>
<tr>
<th>Table of Contents</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Situation Analysis</td>
<td>3</td>
</tr>
<tr>
<td>Product</td>
<td>4</td>
</tr>
<tr>
<td>Target Markets</td>
<td>8</td>
</tr>
<tr>
<td>Competition</td>
<td>10</td>
</tr>
<tr>
<td>Pricing</td>
<td>12</td>
</tr>
<tr>
<td>Distribution</td>
<td>14</td>
</tr>
<tr>
<td>Promotion</td>
<td>17</td>
</tr>
<tr>
<td>Conclusion</td>
<td>21</td>
</tr>
</tbody>
</table>
Trader Joe’s is not your run-of-the-mill grocery chain. One of the hottest retailers in the U.S., Trader Joe’s boasts over 350 stores in 31 states. Last year, the privately held company’s sales were roughly $8 billion, about the same as Whole Foods, its primary competitor. Trader Joe’s, however—meticulous in its product offerings—sells $1,750 per square foot, twice as much as Whole Foods.

Trader Joe’s targets the educated middle-income consumer who appreciates a variety of foods from around the world. While not considered a health food chain, the specialty grocer does stock a wide array of organic products and healthier options, which many consumers equate with the Trader Joe’s name. Many of its goods would have been considered gourmet in the past, but are now mainstays in American households. Think craft beers, artisan cheese and specialty coffee. The key to Trader Joe’s success lies in its ability to stay one step ahead of Americans’ changing appetites.

While the rise of Trader Joe’s—headquartered in Monrovia, Calif.—has been meteoric, the company does have significant room for growth. Nearly half of Trader Joe’s stores are in California. The greater Seattle area has 13 locations. In contrast, the states of Texas and Florida currently have none.

With no online ordering, folks in many parts of the country don’t have access to Trader Joe’s offerings. The $12 billion vending machine industry would provide an outlet for Trader Joe’s to expand its presence without the costly outlays associated with brick and mortar locations (Mintel, 2011).

The timing is perfect. There are growing concerns about the nutritional value of merchandise in vending machines, and the healthy segment of the U.S. vending market is estimated to be only about four percent of the total vending market.

A vending machine that provides consumers with the ability to purchase meals a la carte—with a touch screen menu that lists calories and nutritional value—could help Trader Joe’s reach a much wider audience and propel the food retailer into a major player in the vending machine industry.

“I think such a vending machine would be a win-win for the public as well as Trader Joe’s,” says Cathy Evers, a Trader Joe’s enthusiast who dedicated a Facebook page to the grocer (personal communication, November 17, 2011).
NEW PRODUCT PROPOSAL

PRODUCT

Americans are busier than ever before. As new technologies make us increasingly accessible, the lines between work and personal life are becoming blurred. Pressed for time, meals on-the-go are becoming the norm and prepared meals the exception.

Fast-food options abound for the time-strapped consumer. However, healthy alternatives are rare. Currently, there is an untapped market for healthy food that is affordable, accessible and convenient.

The introduction of a vending machine with healthy choices representing the major food groups would be groundbreaking by itself. Add the capability of selecting entrees and sides based on calorie levels and nutritional value, and the seeds are in place for a revolutionary breakthrough.

Thanks to advances in machine technology and increased awareness about the perils of unhealthy eating habits, healthy vending is poised for significant growth. And Trader Joe’s is perfectly positioned to capture substantial market share in this fledging category.

Since opening its doors in Southern California in 1967, Trader Joe’s has embodied creativity and innovation, elevating the process of shopping for food from a chore to a cultural experience. The combination of hard-to-find imported goods from around the world, paired with Charles Shaw branded wine, or “Two-buck Chuck,” and organic staples has proven to be a winning formula.

Trader Joe’s has a loyal, almost rabid following. It is not uncommon for queues to form outside of new locations. A woman was overheard grumbling at the grand opening of the Union Station branch in New York, “Are you serious — this line’s for a grocery store?” before promptly taking her place in line (Keohane, 2006). Apple retail stores no longer corner the market for bringing exciting must-have products to the marketplace.

So popular is Trader Joe’s that the company website has a location request form. The good folks of Riverhead, N.Y., have even started a location request group on Facebook. “This group is for people who are tired of having to drive miles and miles to get the benefits of a Trader Joe grocery store,” reads the description of the Facebook group.

“Trader Joe’s chooses its markets carefully,” says Supermarket News editor David Orgel. “They will wait a while to come out to a new place. There is a lot of pent up demand for Trader Joe’s. Customers will travel farther to [shop at] one (personal communication, December 5, 2011)”
The demand for Trader Joe’s is there. Vending machines can serve as the catalyst for reaching new droves of eager customers. Universities, offices and airports constitute ideal settings. Based on geographic considerations, different products can be added to the mix upon completion of the initial test market phase, much like Trader Joe’s does in its stores. For instance, in the Southwest—where there are large concentrations of Hispanics—it makes sense to offer a higher proportion of Mexican products. This approach can also help keep products local, reducing costs and impact on the environment.

For nearly 45 years, Trader Joe’s has refrained from traditional advertising tactics. The consumer-friendly monthly newsletter/catalog titled *The Fearless Flyer* epitomizes the grocer’s down-home approach. Full of recipes, product origin stories and other tidbits, the mailing is far from a hard sell.

Fancy POP displays are absent. In fact, point-of-sale signage on the shelves explaining unique product offerings are often created by employees. There is nothing fancy, just a piece of paper, marker and description. “Sale,” according to the company’s website, is regarded as a four-letter word. No coupons are distributed. If a customer is unhappy with their purchase, they get a refund, no questions asked.

The company carefully curates its product offerings. Typical grocery stores carry around 50,000 stock-keeping units (SKUs). Trader Joe’s sells roughly 4,000 SKUs. About 80 percent of the stock bears the Trader Joe’s private label brand (Kowitt, 2010) Because Trader Joe’s constantly introduces new merchandise, products that don’t sell well are phased out.

Defining characteristics of the Trader Joe’s shopping experience include employees dressed in trademark Hawaiian shirts, bells that signify the need for another register to be opened and stickers being passed out to squirmy children.

Based on Trader Joe’s tremendous success we will not be deviating from the current branding strategy for the rollout of vending machines. Keep it simple and they will come. Sell healthy fare. Label the products. Rotate items on a regular basis. Refund customers who are unhappy with their purchase.
Trader Joe’s ChuckWagon

A vending machine exclusively selling Trader Joe’s products will be a sensible line extension for the company. The machine, Trader Joe’s ChuckWagon, will offer choices from each of the following groups: entrée, side dish, dessert and drink. These groups will be organized by column, allowing users to easily choose a complete meal or just an item or two. Examples of entrées to be offered in Trader Joe’s ChuckWagon are sushi, microwavable pastas, salads and deli sandwiches on whole wheat bread. Side dishes include fresh fruit, multi-grain chips and organic carrots, and consumers can choose from frozen yogurt, oatmeal cookies and organic dark chocolate squares for dessert. Drink options will include water, iced tea and organic fruit juice.

Trader Joe’s ChuckWagon will focus on providing healthy options to consumers and all nutritional information will be available on an LCD touch screen to help make informed decisions. Like Trader Joe’s stores, product selection will change frequently based on popularity. If an item does not sell well, it would quickly be replaced. This approach will be especially beneficial in workplace settings where many consumers purchase from the same machine frequently and prefer a variety of choices.

All items will carry the Trader Joe’s name rather than national brand names. This is consistent with Trader Joe’s store operations, where approximately 80 percent of products are private-label. This will not only help keep costs low, but will differentiate Trader Joe’s ChuckWagon with a respected brand not found in other machines.

The vending machine market abounds with myriad options. We recommend looking into machines that are capable of dispensing both cold and fresh items, allowing for a greater variety of products to be offered. The machines should also be fairly simple, as to maintain consistency with in-store operations. A glass front is desirable so customers can easily view all options. The Trader Joe’s logo will be prominently displayed on the front of the machine in order to differentiate from competing machines. Vendweb.com, based in Bessemer City, N.C., offers the All In One Vendor, an option we recommend for the ChuckWagon launch.
The machines will be equipped with credit and debit card options for payment in addition to a cash option. This is especially important in catering to Millennials, as this group of consumers tends to prefer cashless payment options. Additionally, customer satisfaction will be a priority, much like it is in stores. Using LCD touch screen and Internet technology, an unsatisfied customer will be able to enter the reason for their dissatisfaction (wrong item dispensed, poor quality, etc). They will immediately receive a code that can be used as a credit towards future purchases in any Trader Joe’s ChuckWagon. Incorporating the cashless payment and touch screen technology can be made easy with a device from VendScreen, a company that has developed a product that integrates with your current vending machine. Not only can this add-on accept credit and debit card payment and display nutritional information on an attractive touch screen, but it also assists with real-time inventory tracking. This will help ensure that items are never out of stock and keep customers satisfied.

Once Trader Joe’s establishes a base of profitable vending machines, we recommend exploring eco-friendly options for the machines. Integrating options such as solar energy and LED lighting will likely resound with Trader Joe’s consumers. Additionally, overhead costs tend to be lower with energy-efficient machines. Since this is a new emerging technology, however, we suggest waiting for the market to develop more in the United States before exploring this option. Once Trader Joe’s has solidified its operations for several vending markets, eco-friendly machines may be a very viable alternative to the standard vending machine.
TARGET MARKETS

The primary target market for the Trader Joe’s ChuckWagon is office-working professionals between the ages of 18-44. This group consists of those who fit Trader Joe’s original target demographic of young professionals (Trader Joe’s Targets, 2003) and the current target demographic of the growing multinational population (Llopis, 2011) and who are most likely to use vending machines as a regular resource for meals (Maras, 2011).

We have identified several secondary target markets as well. First, the Millennial generation, people born between the early 1980s and early 2000s, should be considered because they are most likely to buy healthy and organic products (Mintel, Organic Food and Drink Retailing, 2009), they represent the largest portion of the population, and since they are just beginning their careers and starting families, they are more time-crunched and desire convenience. Second, parents of children under the age of 18 represent an opportunity because they are among those who make the most frequent use of vending machines, are concerned about the health of their children (Mintel, Food and Drink Vending Trends, 2011), and experience guilt when they purchase junk food from a vending machine for their children (Mintel, Food and Drink Vending Trends, 2011). Hispanics should be considered a secondary target market because they will experience the largest population growth through 2016 and represent the largest segment of blue collar workers in manufacturing plants where vending machines are densely concentrated (Mintel, Food and Drink Vending Trends, 2011). Finally, Trader Joe’s popularity with young, trendy audiences suggests college campuses would be a potentially profitable secondary market.

Office settings recently overtook manufacturing plants as the location with the highest concentration of vending machines and are the most strategic location for ChuckWagon vending machines; in 2010 offices had a 28.5 percent share of vending machines in the U.S. and manufacturing plants had 26.5 percent (Maras, 2011). White-collar workers are concerned about price primarily in light of the recent recession, but convenience and variety are strong concerns as well because of their busy schedules (Mintel, Food and Drink Vending Trends, 2011).

Airports are the next most strategic location due to the frequent air-travel behavior demonstrated by both the primary and secondary targets (Mintel, Leisure Travel, 2009). Finally, public areas in locations where stores have been requested by interested markets through the Trader Joe’s website could be a way to address the existing demand for their products and discover evidence of that location’s viability as a market for a Trader Joe’s storefront.
Challenges that are relevant to the target markets are the lack of consumer trust and understanding for food labels such as “natural” and “organic.” Most consumers erroneously believe that a food product labeled “natural” must meet a government standard. In fact, 30 percent of consumers do not trust either term. This indicates an opportunity to educate consumers as a means to market the ChuckWagon vending machine products (Mintel, Organic Food and Drink Retailing, 2009). Preference for store-bought products is high even among vending machine users; 66 percent of adults over the age of 18 with Internet access who use vending machines to purchase items would rather purchase food from a store. Another issue is that desired vending machine items are often out of stock, and there is a lack of variety in available options. Finally, the vending machine industry is elastic with a high degree of consumer price sensitivity especially in light of the recent recession (Mintel, Food and Drink Vending Trends, 2011), so price is a primary concern for Trader Joe's ChuckWagon target markets, an issue they seem to have already addressed. "I do as much shopping as possible at Trader Joe's because of the prices," says Elizabeth Payne, an actress in Los Angeles (Palmeri, 2008).
COMPETITION

Customers have many options when it comes to finding a meal quickly and inexpensively. They might reach for their spare change to get a cheap snack from a vending machine or run through McDonald’s drive-thru for several value menu items, among many other options. This section analyzes these direct and indirect competitors to Trader Joe’s ChuckWagon.

According to Automatic Merchandiser’s 2011 State of the Vending Industry Report, its major food categories, manual foodservice ($5.39 billion), candy, snacks and confections ($4.04 billion) and vended meals ($877 million) all lost revenues in 2010, mirroring the decline in vending machine profits overall (Maras, State of the Vending Industry, p. 24). The ChuckWagon will earn sales particularly in the snack and vended meal categories, due to its product mix of granola bars and side items along with Trader Joe’s refrigerated and stable-shelf meals.

While vended meals only make up a small portion of industry sales (4.5 percent), several brands are active in the category (Maras, State of the Vending Industry, p. 24). For example, Kraft Foods has used branded vending machines to sell a variety of its product lines, including Tombstone Pizza (sold to Nestle Foods in 2010), grilled cheese sandwiches and french fries. Hillshire Farm, Nissin and Wonder Pizza of Italy are other brands that have used branded vending machines to sell hot meals (Sietsema; Katayama; Kuban). Other machines may sell frozen or refrigerated foods, such as cheeseburgers, burritos or Oscar Mayer Lunchables (Maras, 2011). Vended meals are also very popular internationally, particularly in Japan (Suzuki). The lack of competition in branded machines represents a clear growth opportunity for Trader Joe’s, particularly considering the brand’s niche popularity, established frozen-food product line and strong industry vended foodservice sales.

Competition for ChuckWagon sales comes from many direct and indirect sources, which partly reflect the changing workplace dynamics brought on by the economic recession and surging preferences for healthier foods.

Direct Competitors

There are many options available for consumers hungry for cheap, convenient food. Primary among these direct competitors are other vending machines. These machines most frequently vend “junk food” products, such as candy, soda and bagged snacks, although some machines also sell hamburgers, sandwiches, pizza, hot dogs, burritos and other convenient meals. Fast-food restaurants are another key competitor, particularly those with drive-thru windows or with food court placements in or near campuses and businesses.
Direct competitors for the ChuckWagon include:

- Traditional product-mix vending machines (soda, candy, e.g.)
- Healthy vending (example: Fresh Healthy Vending, http://www.freshvending.com/)
- Vended meals from hot and cold food machines (Jofemar Easy Lunch, MealTime Satellite Vendor)
- Self-serve food and drink kiosks
- Fast-food restaurants and food stands
- Convenience stores
- Cafeterias, food courts, kitchens and on-site meal providers

**Indirect Competitors**

National trends towards healthy eating and the economic recession have increased the impact several potential indirect competitors may have on ChuckWagon sales. Consumers are eating at home more often, meaning that grocery stores, food wholesalers and farmer’s markets could all influence ChuckWagon sales.

Indirect competitors for the ChuckWagon include:

- Supermarkets and other grocery stores (NAICS 445110)
- Specialty food stores, including natural foods markets (NCAIS 445230)
- Warehouse clubs and superstores, such as Wal-Mart and Target (NAICS 452910)
- Home-made meals and snacks

Top grocer competitors include:

- Costco Wholesale ($88.915B, Warehouse Clubs, Hoovers, 2011)
- Kroger ($82.189B, Grocery Stores, Hoovers, 2011)
- Target Corporation ($67.39B, Target Corporation, Hoovers, 2011)
- Safeway ($41.050B, Grocery Stores, Hoovers, 2011)
- Whole Foods ($10B, Specialty Food Stores, Hoovers, 2011)
- Trader Joe’s ($8.5B, est., Trader Joe’s Market, 2011)
Pricing

While Trader Joe’s can take cues from its store pricing when setting its vending prices, we recommend looking at several factors when setting the pricing policy: selecting the pricing objective, determining demand, estimating costs, analyzing competitors’ costs, prices and offers, selecting a pricing method, and selecting a pricing method.

Trader Joe’s must first select a pricing objective. Since the company is new to the automated vending market, we recommend that they strive to gain maximum market share. This involves setting relatively low prices in hopes of getting large numbers of loyal customers. The vending market is fairly price sensitive, so this pricing objective can be successful. Many other options are available to customers, such as other vending machines, grocery stores and quick-service restaurants. Additionally, since many of the items in the ChuckWagons are perishable, a high turnover rate is desirable.

Next, Trader Joe’s must determine demand. Currently, this is very difficult to estimate. Through several test markets, Trader Joe’s will be able to better estimate demand. Since demand will vary based on price, several price points should be used in the test markets. Keeping other variables such as location type and foot traffic as constant as possible, different prices should be tested in different machines to see the affect on demand. When looking at results from these test markets, factors such as location should be carefully considered. An airport will likely generate different demand than a workplace, for example.

After determining demand, Trader Joe’s should estimate costs. Since many of the products will be similar to items sold in stores, the company will have a good starting point for estimating costs. Additional factors must consider are different packaging necessary for vending machines, vending machine purchase costs, operator and logistical costs and any leasing costs for space. Vending machine purchase costs will be a large initial cost. Machine costs, of course, depend on the options included, but a minimum outlay of $6,000 can be expected for a machine described earlier, including cashless payment options and touch screen technology. Operator and logistical costs will be dependent on the frequency of maintaining products within the machine. Leasing costs for space will vary based on location. Some locations will likely be much less expensive than others. An airport, for example, will likely charge much more than an office park. Researching these areas in advance will reduce any major surprises when executing the plan.
Additionally, competitors’ prices and offerings need to be analyzed carefully. What other alternatives to Trader Joe’s ChuckWagon do customers have? Do these offer more or less value than Trader Joe’s? In many of the targeted settings, such as workplaces, there are few complete meal options that do not require driving. Many customers will view this as increased value and be willing to pay more than a typical vending machine purchase that may not be as satisfying as a meal. In an airport for example, many quick-service restaurant options require a wait for food to be prepared. Additionally, options are often unhealthy and fried.

Many travelers simply do not have time for this and would be willing to pay a slight premium for a quick, healthy meal. “I often pay ridiculous prices for unhealthy food at airports. I would gladly pay a little more for healthier food that I can grab quickly,” said Amanda Groves, a frequent-flying Millennial (personal communication, November 20, 2011). Prices cannot be so high that the customer is willing to drive to avoid the high price or compromise on nutrition, however.

Much like the physical Trader Joe’s stores, we suggest that utilizing a value pricing method of setting prices for the ChuckWagons. According to the website, “Sale” is a four-letter word to us. We have low prices, every day. No coupons, no membership cards, no discounts. You won’t find any glitzy promotions or couponing wars at our stores. If it makes you feel any better, think of it as all our items are on sale, day in and day out.” This consistent display of everyday low pricing should be carried over to the ChuckWagon. Customers expect to see fairly low, consistent prices for high-quality offerings.

Lastly, Trader Joe’s needs to determine the final price of its vending products. This will vary based on the item, but we suggest that a complete meal should fall into the $5 - $10 range. This is comparable to what customers spend at quick-service restaurants that are typically not as convenient or as transparent with nutritional information. Additionally, this price range falls in line with Trader Joe’s store pricing policy, as it is low enough to be considered a good value. We recommend using test market results to help determine exact pricing for each item, which will be explored further in Distribution.

If Trader Joe’s feels it must increase its prices in the future due to cost inflation or a desired higher profit margin, it should carefully consider options before alienating customers who expect consistent, low pricing. First, implementing a very small price increase (or JND, just noticeable difference) is one option to increase revenues while keeping customers relatively happy. Increasing prices by a large percentage will likely force customers to look elsewhere for convenient meal options. A second alternative is to replace product choices with lower cost options. Trader Joe’s should not compromise on quality, however, since it prides itself on offering high-quality products. Its mission is to bring customers “the best products at the best prices.”
**DISTRIBUTION**

Trader Joe’s mission, according to Mark Mallinger, a Pepperdine University business professor who has done extensive research on the company, is to be a nationwide chain of neighborhood specialty grocery stores (Li, 2011). Presently, the greatest concentration of Trader Joe’s is on the West Coast: 198 of the 365 stores are in California, Oregon or Washington.

On the retail level, Trader Joe’s targets locations with high penetration levels of middle class, college graduates who are health conscious. We will follow these same principles with vending machine locations.

By strategically positioning ChuckWagons in key markets on the West Coast, Trader Joe’s can increase penetration while monitoring sales levels and gauging general interest in anticipation of a national rollout. We recommend the following test markets based on large numbers of educated, white-collar workers, interest in health foods, and proximity to universities and airports:

- California – Palo Alto, Pasadena, Riverside, San Jose, Westwood, Whittier
- Oregon – Corvallis, Eugene, Portland
- Washington – Olympia, Seattle, Spokane

The test markets represent a variety of population sizes – some urban, some rural - stretching over 1,000 miles.

<table>
<thead>
<tr>
<th>Test Market Populations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>California</strong></td>
</tr>
<tr>
<td>Berkley</td>
</tr>
<tr>
<td>Davis</td>
</tr>
<tr>
<td>Fresno</td>
</tr>
<tr>
<td>Palo Alto</td>
</tr>
<tr>
<td>Pasadena</td>
</tr>
<tr>
<td>Riverside</td>
</tr>
<tr>
<td>San Jose</td>
</tr>
<tr>
<td>Whittier</td>
</tr>
<tr>
<td><strong>Oregon</strong></td>
</tr>
<tr>
<td>Corvallis</td>
</tr>
<tr>
<td>Eugene</td>
</tr>
<tr>
<td>Portland</td>
</tr>
<tr>
<td><strong>Washington</strong></td>
</tr>
<tr>
<td>Olympia</td>
</tr>
<tr>
<td>Seattle</td>
</tr>
<tr>
<td>Spokane</td>
</tr>
</tbody>
</table>

Source: US Census Bureau 2010
We want the initial rollout to be representative of diverse populations, yet manageable in scope. Each of the proposed test markets already has at least one Trader Joe's location. Ultimately, the goal would be to take the vending machines nationally, which would allow Traders Joe’s to test new markets and measure geographic preferences for the fraction of the cost of establishing new retail outlets.

Cities with more than 500,000 inhabitants we will receive 50 vending machines. Cities with populations of 250,000 to 500,000 will receive 25 vending machines; cities with 100,000-250,000 will have 10; cities with fewer than 100,000 will have five. Each machine will be located at least five miles from the nearest Trader Joe’s store to prevent cannibalization.

Locating Chuck Wagons on university campuses makes sense on a number of levels. Educators personify the average Trader Joe shopper: intellectual, progressive, influencers. Campuses are also flush with Millennials, a group that has a high propensity for vending machine purchases. In addition, the core standard base of campus populations, 18-24 year-olds, represent a coveted demographic that can potentially turn into loyal, life-long customers.

Vending machine operators have traditionally relied on workplaces which offer an attractive audience of employed consumers. In recent years, there has been a shift from placing vending machines in manufacturing locations to office locations. In fact, according to Automatic Merchandiser’s 2011 State of the Vending Industry Report, 28.5 percent of all vending machines in 2010 were in offices, up a full 9 percent from 2007. On the flipside, vending machines in manufacturing locations dropped by 9.4 percent over the same time period (Maras, State of the Vending Industry, pg. 19). We will follow this trend by installing Chuck Wagons in select offices with 100+ employees, a strategy that lends itself well to reaching Trader Joe’s target audience of middle-class, educated citizens.

Because manufacturing locations still represent the second largest concentration for vending machine placement we will also position at least one vending machine per market in a manufacturing plant. Having vending machines in manufacturing plants provides access to the fastest growing population in the United States: Hispanics, who account for nearly one-third of all blue collar workers.

Schools and workplaces represent the most likely locations to generate the highest percentage of usage on a monthly basis. Nearly half of respondents to Mintel’s custom consumer survey about vending machine habits indicated they use vending machines at schools at least once a month, while one-third said they use vending machines at the workplace.
Airports represent another opportunity for Trader Joe’s vending machines. Filled with captive middle-class travelers, many loathe of the standard fast-food fare available on concourses—and painfully aware of the dearth of in-flight meals—airports provide an ideal outlet to reach new consumers with an affordable, healthy alternative.

A presence in airports not only allows Trader Joe’s to cater to travelers who are already familiar with their fare, it also allows the company to reach residents in areas without brick and mortar locations—potentially laying the groundwork for future expansion. As an added bonus, international travelers have the opportunity to sample products which would be a huge boon should Trader Joe’s ever enter global markets.

Based on design, product and innovation, we will position ChuckWagons as something to enjoy, rather than a mere convenience. In order to create a vending machine that symbolizes Trader Joe’s originality and exuberance, we recommend enlisting Vendweb.com to help with the process. Based in Bessemer City, N.C., Vendweb.com is a leading vendor equipment supplier.

We advise using the All In One Vendor—capable of vending snacks, beverages, and cold and frozen foods—as a model, and adding cutting-edge features. Components to add include custom graphics, a calorie counter and cashless payment system.

Because Trader Joe’s is new to the vending machine business we recommend working hand-in-hand with an operator partner. ARAMARK and Sodexo are both well-established companies that would serve as strong collaborators. While the term “vending” is synonymous with automation, it is flesh-and-blood personnel who are ultimately responsible for the planning and support of a successful vending program.

Our distribution architecture will be a hybrid model between a one-level channel and two-level channel. Trader Joe’s private label represents the vast majority of the company’s sales. As such, the ChuckWagon will consist entirely of private label selections.

Trader Joe’s will manufacture and deliver the product to an operator partner who will stock the ChuckWagons. The operator, acting in the capacity of an intermediary—rather than a wholesaler—will be responsible for maintenance, upkeep and replenishing items. Electronic inventory monitoring will be done remotely so items are never out of stock.

Of course, Trader Joe’s will be actively involved with the process. The Trader Joe’s brand has been carefully cultivated for over four decades. The vending machine product and image must align with the retail store experience. Quality control is essential. By dedicating a team of quality control specialists who regularly inspect the ChuckWagons, Trader Joe’s will retain control over the product. The decision to relinquish stocking duties and maintenance allows Trader Joe’s to focus on its core strengths while increasing its presence in the marketplace through a convenient, accessible outlet.
Promotion

Trader Joe’s is not a typical grocery chain and promotes itself differently than its competitors. Trader Joe’s is a low-profile company that eschews advertising agencies and television commercials completely. It prefers to let its employees and customers serve as ambassadors for the brand. There is also no official Trader Joe’s Facebook or Twitter page, although its fans have created pages related to the company on social media sites. The ChuckWagon will need a well-planned promotional strategy to effectively enter the market.

Goals and Strategies

Even with Trader Joe’s loyal following, the successful promotion of the ChuckWagon needs specifically targeted marketing goals and strategies in order to succeed. Several key goals associated with promoting the ChuckWagon include:

- Producing a profitable extension of Trader Joe’s stores to new and current customers through the ChuckWagon system.
- Driving traffic to ChuckWagon systems as well as Trader Joe’s stores.
- Boosting customer pull/interest.
- Successfully marketing the system without betraying the company’s traditional low-profile promotional approach and unique corporate culture.
- Ensuring that each ChuckWagon placement at least breaks even.

A primary promotional strategy will be to use Trader Joe’s existing marketing channels to promote the system with a strong reliance on word-of-mouth promotion from customers and employees. This will keep creative costs down and engage loyal customers with news and information about the ChuckWagon. Other key strategies will include:

- Winning over businesses, schools and organizations that host the machines to promote them in their internal communications.
- Using social media buzz as an indicator of ChuckWagon awareness among customers and to influence potential machine placement.
- Engaging current Trader Joe’s customers with strategies that are consistent with the company’s traditional methods of marketing itself.
**Media Selections**

- **Word of Mouth**  
  Heavy promotion would potentially turn fans away from the traditionally low-profile Trader Joe’s image. Instead, the company should mainly rely on its loyal fans to spread the word about the ChuckWagon. Whether a potential customer hears about the ChuckWagon through a social media site, from a friend or at their local Trader Joe’s store from an employee, this type of interaction should remain encouraged.

- **The Fearless Flyer**  
  *The Fearless Flyer* is Trader Joe’s corporate publication which it describes on its website as “kind of like a newsletter, a catalog and a bit of a comic book all at the same time.” The Flyer also represents a key channel for spreading the word about the Chuck Wagon. It is distributed electronically through email or through direct mail which allows the company to position the ChuckWagon through targeted zip codes.

**Social Media and Website**

Although Trader Joe’s does not maintain its own social media pages, a cursory search of Facebook revealed more than one hundred pages with titles like “Bring Trader Joe’s to Boise!” and “Trader Joe’s + Staten Island = Perfect Together.” This type of behavior shows the vocal nature of Trader Joe’s customers as well as the demand for Trader Joe’s products across the country. It is easy to imagine similar pages asking for ChuckWagon placements on campuses or in offices.

The Trader Joe’s website (www.traderjoes.com) can be utilized to introduce the ChuckWagon and build awareness by adding system images, placement maps, product mixes and other helpful information. Furthermore, areas where Trader Joe’s is requested would be a natural choice to introduce the ChuckWagon to as a well to address the existing demand and test the area’s viability for a new storefront.
Other Traditional Media

Although Trader Joe’s does not typically spend large amounts of money on traditional marketing channels, it has used radio advertising, sponsorships and press releases in promotional capacities. Boosting radio ad plays and increasing visible sponsorships in areas with ChuckWagon placements would help boost brand recognition, while press releases will primarily alert the media to future system placements. News stories covering the ChuckWagon’s introduction to the target market would bring immediate attention and boost awareness.

Other Promotional Remarks

Some common promotional strategies that might be used for competing machines or systems should not be used in promoting the ChuckWagon. Promotions should remain consistent with Trader Joe’s grocery store marketing. For example, promotional strategies such as in-store coupons or discount cards for use in ChuckWagon purchases could potentially help drive traffic but run contrary to the culture inside Trader Joe’s stores, where coupons, large discounts or shopping cards are never used in favor of reliable low prices. However, free cookies and other small items are regularly given away in stores, and incorporating a similar strategy may work with the ChuckWagon if customer selections are occasionally dispensed with a free box of cookies.

ChuckWagon Launch

Selecting a new location for a ChuckWagon vending system should carry with it a similar type of buzz that Trader Joe’s grocery stores often experience. Customers will enjoy Trader Joe’s food in new convenient locations. A careful launch strategy will drive traffic immediately and promise return visits, while also adhering to Trader Joe’s low-profile marketing approach.
Several important pieces of the promotional strategy before, during and after the launch include:

- Spreading news about each future launch through Trader Joe’s marketing channels (word-of-mouth, website, e-newsletter, The Fearless Flyer, etc.) to create buzz.
- Partnering with future host locations to promote the ChuckWagon’s upcoming placement on-site.
- Encouraging local media to cover the launch of the ChuckWagon by sending Trader Joe’s traditionally short-and-sweet press releases to local media such as city and campus newspapers and TV and radio stations.
- Increasing radio advertisements leading up to the launch, as well as increased sponsorship spending in ChuckWagon placement areas.
- Recommending grocery store employees to encourage patrons to try the ChuckWagon.
- Having employees on-site regularly at ChuckWagon placements to interact with users and ensure that Trader Joe’s unique product labeling and other cultural trademarks are retained.
- Requiring meticulous maintenance of ChuckWagon systems to ensure quality control and avoid keeping unpopular or underselling products in the mix.

**Budget Considerations**

Since much of the ChuckWagon’s promotional strategies will use existing marketing channels, costs should be extremely low. This ensures that ChuckWagon marketing remains a cohesive part of Trader Joe’s overall corporate culture. Primary costs in the tactics above include purchasing radio advertising space, the costs of new or increased area sponsorships, and the increased costs associated with employee payment. Although each placement may vary with how much Trader Joe’s wants to spend to promote it, we recommend an average budget of about $10,000 per market. This may vary based on location due to prices of ad space or sponsorships if any is used.
CONCLUSION

On the retail level, Trader Joe’s has thrived by targeting middle-class, health-conscious consumers. They offer a limited amount of distinctive products that are proven sellers. They provide stellar customer service, and inspire employees and customers to trumpet the brand.

We will follow this successful strategy for the Trader Joe’s ChuckWagon line extension. The ChuckWagon will provide healthy options to consumers at affordable prices. As a new contender in the vending machine category, consumers will be able to choose an entire meal with elements from all food groups and nutritional value will be easily visible. Items will be stocked based on popularity. They will carry the Trader Joe’s brand because it is synonymous with quality. We will effectively reach the target market with the placement of ChuckWagon vending machines in offices, universities and airports.

We are confident the groundbreaking ChuckWagon will appeal to Trader Joe’s current target market and also reach new customers. The ChuckWagon will be used as a conduit to establish a presence in new markets. Such an approach will allow Trader Joe’s to expand geographically and will reduce the need for costly expenses associated with brick-and-mortar establishments.
References


References, Continued


Image References

