

Trader joe's



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BUSTER**

Economical, technological, demographics, economical, political, and socio-cultural trends taken into consideration by Trader Joe's and help lead to their continuing success. When it comes to economic factor, Trader Joe's has performed well in all economic conditions. The company performs well in a weak economy because they offer low prices. In strong economy the company offers unique products which help them perform well.

Consumers are very price conscious, they are always looking for reasonable deals with healthier food. Trader Joe's carry quality products at reasonable prices which is rare. It has been seen that during economic downturn, people tend to shop more at grocery stores. When gas prices are high people have less disposable income but when gas prices are low they have more disposable income and are willing to try new items at grocery stores. Increase in income is resulting an increase in disbursement thus spending more on wide range of products which is helping Trader Joe's attract more customers.

However, with the outstanding performances Trader Joe's adapted with the economic trends, they have shown slow progress in technological trends. The company is yet to adapt to new technologies trends. Trader Joe's does not utilize any social media platforms, applications, web based services, or loyalty programs. Since, self-checkout and advertising through mobile apps are getting more common the company has not taken these trends into considerations. Utilizing technological trends to advertise and connect with consumers may positively influence Trader Joe's.

Demographic trends were taken into account in Trader Joe's strategy to note the population they are targeting. The population continues to grow and because the population is growing this means that it will have an impact on food consumption. Since, more and more immigrant move into the country it increases the population, and increase the needs and wants for food selection. Also, people in the current economy who are getting extra income chose to spend it on food that is organic, natural, and healthy for them. With competitive market, the trend is moving toward healthy products and low price options.

The socio-cultural factors of health consciousness, population growth, and age all have an impact in the trends of food consumption, which directly affect the way Trader Joe's carries out business. The government not only makes sure food is safe but also if it is regulated properly. Legal and political trends have educated people about more sustainable lifestyles and healthier eating habits. The increasing consumer concern over the purity and safety of food has led to the demand for organic and natural food. Trader Joe's attracts consumers by offering quality products cheaper than its competitors.

Trader Joe's has many strengths, weaknesses, opportunities, and threats. The company offers a unique shopping atmosphere will helps attract customers. The employees are seen wearing Hawaiian shirts and hand out samples of food and drinks to customers. Trader Joe's are known to have low turnover rates compared to their competitors because they offer good working conditions. The company prides itself when it comes to its employees. Trader Joe's employees help strengthen the brand and image.

The company select employees who are positive, enthusiastic, and who help convey the company's image to its consumers.

However, with incredible strengths that the company portrays, there are some weaknesses. The company's poor social media presence, lack of advertising, and limited product selection, has lead to concerns. Many opportunities can be implemented to overcome these weaknesses.

Expanding advertising to social media outlets can help target new customers and potentially increase profits.

Also, international expansion may be an opportunity for the company.

Alongside opportunities that Trader Joe's can implement there are many threats that have surfaced. The company is faced with old and new competitors. One specific competitors of Trader Joe's being Whole Foods Market, who aim to have more accessible prices for their private label brands, target more price sensitive customers as well as health conscious customers.

It is known that the Trader Joe's has been profitable. However, there is still some area of concerns. Using Porter's five forces Trader Joe's can better understand the competitiveness of their business environment. The five forces can help identify the company's potential profitability. The following will discuss Trader Joe's using the five forces model to determine how market forces may affect their company. Forces can help assist the companies to gain a broader picture of what affects the profitability of the organization and how to fix it. Also, by understanding the forces, Trader Joe's can shape these forces in their favor.

Industry Rivalry - Competitive rivalry looks at number and strength of competitors. For Trader Joe's industry rivalry risk is medium to high since the number of competitors is growing. Several grocers have developed over the past years and having a low level of product diversity can also increase competition. Trader Joe's core competitors have large numbers of capital as well as economies of scale.

Threat of New Entrants - Potential threat of new entrants is low to medium. Since there is extreme cost and capital requirements it is harder for other entrants to join. Finding cheap or health conscious suppliers would be difficult. Getting good quality food for cheaper price is hard to deliver but it is not impossible. However, a brand name like Trader Joe's which took many years to build, would be difficult for entrants. Also, given that Trader Joe's is a specialty grocery store, makes the threat of new entrants lower and because the company uses absolute cost advantages in many aspects of its business operations.

Threat of Substitutes - There is a medium to high threat of substitutes products from other industries in the market since customers have a variety of other places to shop at. Although, supermarkets are gaining market share and similar products are found elsewhere, Trader Joe's has an advantages since they have their own branded products.

Power of Suppliers - The power of suppliers is determined by how easy it is for your suppliers to increase their prices. Trader Joe's power of suppliers is moderately low. There is high competition amongst suppliers. Trader Joe's have an advantage because of their non-disclosure which makes it

undetectable to consumers if they changed their supplier. Trader Joe's never disclose their manufacturers or suppliers hence it allows them to get a better deal with respect to its competitors.

Power of Buyers - The bargaining power of buyers is the ability in which buyers can drive prices down or the quality up. Buyer's power for Trader Joe's is moderately high because of the large number of customers who have control over the price and quality of the products. Buyers are looking for the best products available but at the lowest price possible which can put pressure on the company's profitability in the long run. The more powerful the buyers, the higher the bargaining power of the customers.

In order to continue its success, Trader Joe's needs to consider the following alternative strategies regarding the concerns facing the company, such as the lack of advertising, the minimal selection of products, and lack in social media presence. The clearest strategy to implement in order to offset the lack in advertising is to create an effective advertisement by knowing the audience, deciding on a target location, planning a budget, thinking about the message the ad will send, and highlighting competitive advantages.

Advertising in magazines, radio stations, or even television programs would be a good place to start. This strategy formulation will not only help Trader Joe's reach a large audience, but will attract new customers. If done correctly, advertisement can be a key investment for businesses including Trader Joe's.

The second concern that Trader Joe's faces is the little selection of products which can be overcome by testing new products at certain stores across

the country. This can be done by studying competition, targeting ideal customers, researching the market, proper pricing, and developing a list of potential buyers. Having diversity in products is a key concept in maximizing profits. For example, Trader Joe's can consider providing its customers with healthier food items. Since, government regulations and society's are pushing toward healthy diets to help fight the obesity rates, people are more likely to pursue a healthy diet.

Lastly, a crucial strategy formulation for Trader Joe's to consider involve incorporating social media presence in the company that can help diversify themselves from competitors. Creating official pages on social media outlets, is inexpensive and mostly free. Trader Joe's can promote from within which will help them better connect with customers and will allow them to advertise. Absence in social media has prevented the company from realizing its benefits that would come from online shopping.

Its competitors such as Walmart and Safeway provide customers the option of online shopping on their application and web page along with in-store outlets. The company can create an app with flyers of weekly store sales, promotions, and online check-out options. Having a presence online whether it be a webpage or an application, will help provide the convenience of shopping from home as well as attract from traffic. The popularity of social media is a perfect opportunity for Trader Joe's because it allows them to become more active at minimal cost.

The value chain analysis, five forces, and swot analysis help provide Trader Joe's an insight of the supermarket industry. The company's competitive

advantage and current opportunities and threats can either help or harm the company's competitive sustainability in the future. Additionally, Trader Joe's can set themselves apart from their competitors by developing social media outlets, by increasing advertisement, and innovating new products in their stores.

The company has successfully created a brand for its company using various strategy compared to their competitors. However, to continue growth Trader Joe's needs to implement the following strategies which will ensure competitive advantages. Without these planned initiatives, other competitors can easily purloin these strategies and move ahead of Trader Joe's.