

TRADER JOE'S



MINERVA
Insights & Solutions

GLOBAL INSIGHTS REPORT

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**Discovering
Trader Joe's secrets**



FOREWORD & EXEC SUMMARY

FORGET EVERYTHING YOU KNOW ABOUT CULTURE

“Your internal corporate culture should be as unique as your external brand identity.”

Brand-culture fusion is the link between culture and brand that great organizations develop and leverage to power their performance. Instead of treating brand and culture as separate entities and losing the full potential of each in the chasm that forms between them, savvy leaders know that there should be an interdependent and mutually-reinforcing relationship between what their organization does on the inside and how it is perceived and experienced on the outside.

“At Trader Joe’s, we create an outstanding customer experience around the discovery and enjoyment of amazing food and beverages. It’s what we do, and our Crew is our bread and butter, alongside the Trader Joe’s Bread and Butter.”

This month’s main theme retailer is Trader Joe’s who has made a unique fusion of its culture and brand identity, That is what drives this retailer’s high customer loyalty.

In a nutshell, this edition provides :

Global Retail News highlighting a new IRI report on the state of Private Brand with latest PB shares across countries and macro categories ; Tesco and Carrefour strategic alliance ; New store format Dia & Go ; Amazon’s acquisition of online pharmacy PillPack ; Health related Nutriscore adaptation and Kroger launch of virtual wellness assistant app ; Home subscription service for toothpaste from Colgate ; Kraft eyeing Campbell Soup acquisition and precision pricing to combat discounters ;

New Product Trends puts a spotlight on Meal Kits and IFT 2018 product trends.

A guest topic from Joe Cook with a one-page synopsis on 7 core marketing KPI’s to track.

The latest market KPI: economic indicators, commodity prices and major currencies.

Our next monthly edition, for subscribers only, will address :

- Walgreens Boots Alliance: A world leading drug channel operator battling new challengers.
- Global culinary inspiration.
- Additional Product and Ingredient Innovation trends from IFT18 Annual Event and Food Expo.

Monthly topic : Discovering Trader Joe’s Secrets: US retailer Trader Joe’s differentiates itself by having cultivated throughout its history a unique culture and brand identity. At the core of the Trader Joe’s “modus operandum” is a focus on simplicity, better value and a fun shopping experience. Its success formula can be recapped as follows:

- Identify a strong brand identity and culture with a clear customer target.
- Hire the right staff, pay them well and keep them happy.
- Sell more from fewer (strong) products at affordable prices.
- Have profound product knowledge and create differentiated product lines with a story to tell under own private brand (avoid commodity products that only compete on price – hence scale always wins).
- Innovate - bring in new products regularly, imported products and seasonal in & outs.
- Create a unique, memorable fun shopping experience
- Guard your unique identity and culture.

Owner

Philip Cop

pcop@isminerva.com




Sources : Change This – Denise Lee Yohn – Forget Everything you know about culture – <https://changethis.com/manifesto/162.02.Fusion/pdf/162.02.Fusion.pdf>

GLOBAL RETAIL NEWS

Europe | Private Brand

Private label outperforms FMCG brands in Europe

IRI- https://www.iriworldwide.com/IRI/media/IRI-Clients/International/IRI-PL-Report_July-2018.pdf

IRI published its latest report on the state of Private Label across eight major Western economies markets during 2017.

Growing +4% year on year (yoy), private label value share across IRI EU markets is now 39.4%.

According to IRI, private label now outperforms national brands in more than half of the countries analyzed, including the UK, Germany, Italy, Spain (and the USA as well).

France and Greece reveal aggressive brand price cutting, diluting PL potential to win here. Private label share is highest in the frozen (47.1%) and chilled & fresh (44.8%) food categories (44.8%) with yoy share growth highest in the latter at the regional level.

7 out of 10 macros categories boost their share across the region yoy: ambient, baby, chilled, confectionery, personal care, homecare and pet food/care.

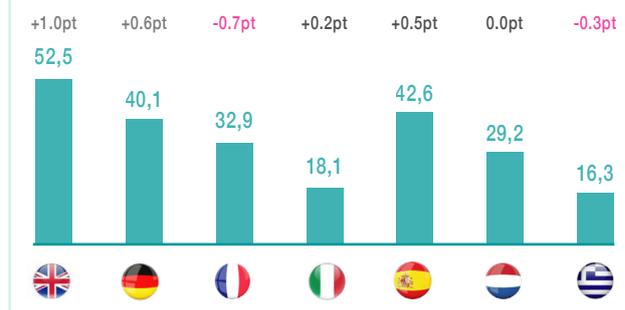
IRI's report points to three key reasons for this growing success:

1) Private labels' evolution to 'private brand' – innovative, consumer-focused ranges offering a finely poised balance between price and quality, which in turn earned more trust from shoppers who continue to search out the best value for money.

2) Retailers capitalizing on changing shopper trends – expanded ranges with investment concentrated on premium tiers in categories such as chilled ready meals, healthy snacking, affordable facial cosmetics, healthier food ranges, helping sway savvy shoppers from brands.

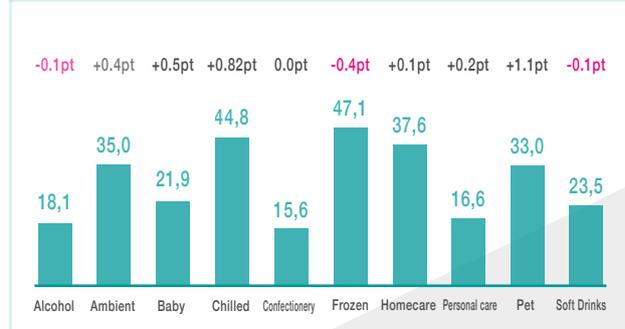
3) A broadening retail landscape – Growth of discounters, specialist retailer banners, and now the latest big wave of disruption courtesy of Amazon and Google who continue to expand their FMCG footprint at pace. With this, the online giants are creating a platform ripe for further PL expansion.

PL MAT value share and pt change vs a year ago/IRI EU countries



PL share highest and growing most in the UK, down in France

Macro Categories/MAT Value share % and ppt change yoy/ Total IRI EU Countries



PL EU share is highest in Frozen and Chilled. Most gain in Pet

Key Takeaways:

From imitators to disruptors - a distinctive, properly developed and supported PB program addressing evolving consumer expectations, is a must for any retailer's survival or growth. The right PB/NB price and promo strategies make the difference between success or failure.

Tesco and Carrefour strategic alliance

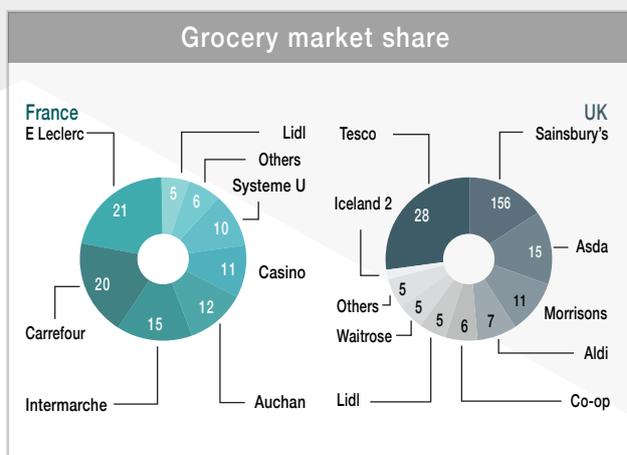
Europe | M&A

UK Reuters– <https://uk.reuters.com/article/uk-carrefour-tesco/retailers-carrefour-and-tesco-join-forces-in-strategic-alliance-idUKKBN1JS0HT>

Europe's largest supermarket groups Carrefour (CARR.PA) and Tesco (TSCO.L) have agreed to form a global purchasing alliance to demand better terms from major suppliers in the latest attempt by the industry to drive down costs. With combined annual sales of \$170 billion, the partnership is designed to secure a better deal from the likes of Nestle (NESN.S), Procter & Gamble (PG.N), Unilever (ULVR.L), Danone (DANO.PA) and others to help the French and British groups to compete hard on price. To be formally agreed over the next two months and to run for an initial three years, the alliance will cover the joint purchasing of own-brand products and goods used by the companies, as well as marketing and data collection.

Despite limited overlap (Poland and China) The French competition watchdog has launched an investigation into the strategic tie-up between Tesco and Carrefour. The Autorite de la Concurrence said it was looking into the competitive impact of the purchasing agreement to assess its effect on the food sector, both for suppliers and consumers. It is estimated that the deal could lead to initial total savings of 400 million pounds or 450 million euros.

Some analysts speculated that the Carrefour-Tesco alliance could even be the precursor to a merger between the two.



Key Takeaways:

The Tesco-Carrefour Alliance is a logical strategic move against the threat presented by Amazon and discount retailers. Rather than go down the path of a full scale, complex merger (later maybe), a joint-sourcing alliance might be a better, easier way to reduce cost and offer its customers lower prices. This move and other similar activities in the industry will only increase the pressure put on manufacturers.

Carrefour buys Organic Banner So.bio

France | M&A | Organic

Retail Insight– <https://www.retail-insight-network.com/news/french-retailer-carrefour-buy-organic-store-concept-bio/>

Under its transformation plan, Carrefour has set itself the very ambitious goal of achieving more than 5 billion euros in sales with organic products within 5 years, which is 4 times more than today. With this brand, which is added to the sector's leading e-commerce site, Greenweez, it will be able to supply consumers of specialty stores as well as conventional grocery stores where the sales of organic continue to rise.

Key Takeaways:

Organic continues to be a key area of investment for retailers and suppliers.



GLOBAL RETAIL NEWS

Dia & Go Latest CVS store in Barcelona

TCC Global – <https://www.tccglobal.com/en-us/blog/article/store-week-dia-go-10/>

Against cut-throat competition in its Spanish home market, Spanish discount retailer Dia has been continually innovating, both in terms of its store operations and its marketing endeavors.

In addition to operating various iterations of its core discount operations (Dia, Dia Fresh and Dia Maxi) it has also branched out into drugstores (Clarel), supermarkets (La Plaza de Dia) and e-commerce (achieving a 10% market share in 2017). Dia's latest store concept is very different from its standard stores in that this urban CVS format offers a considerable produce section, fresh coffee and self-service, freshly-squeezed orange juice. The retailer's private label is extensively merchandised throughout the store, including a prominent section of its 'Delicious' premium range. Customers will also find food-to-go items, a deli and wine section, a food sampling kiosk, freshly-baked goods, and a variety of household care, pet, and beauty products.

Spain | Store format | Convenience stores

Dia  & go



Key Takeaways:

With smaller, proximity formats gaining share in urban areas, Dia will be well-served by expanding this concept across major cities to reach young families more directly. There is significant space for brands to stand out, particularly by creating meaningful adjacencies in the bakery and deli sections.

Amazon buying online pharmacy PillPack

CNBC article - <https://www.cnbc.com/2018/06/28/amazon-to-acquire-online-pharmacy-pillpack.html>

USA | M&A | Drug

Amazon will pay about \$1 billion for Boston-based PillPack, according to a person familiar with the matter. The transaction is expected to close in the second half of 2018, according to a statement from the companies. PillPack sells pre-sorted packets of prescriptions drugs, delivering them to customers in their homes. The closely held firm has software that automates many tasks, such as verifying when a refill is due, determining co-pays, and confirming insurance. That eliminates much of the manual work pharmacist have to do.



Key Takeaways:

Amazon has been making several healthcare related initiatives from own Private Brand OTC launches, offering Prime membership discounts to US Medicaid recipients and applying/receiving wholesale pharmacy licenses in multiple states. With ageing baby boomers, a rapidly evolving insurance regulatory environment, and ballooning costs, healthcare is one of the fastest growing portions of consumer spending. Prescription drug sales go hand in hand with grocery and personal items like makeup and shampoo online orders. The immediate threats are to traditional drugstore players, CVS and Walgreens, who will see declining share if Amazon realizes its aspirations in healthcare. Drug suppliers (both prescription and OTC) must deal with Amazon as a key customer going forward.

Walmart using influencers to boost website appeal

Digiday - <https://digiday.com/marketing/walmart-cozying-influencers/>

USA | E-Commerce | Social media

In its effort to boost the appeal of its website with lifestyle imagery, Walmart is adding influencer content to its website.

On Walmart.com's product page for Bigelow Green Tea, a visitor can find images from bloggers' sites of cakes, muffins and cookies baked using Bigelow Tea, followed by three recipes visitors can download or view to make themselves. Meanwhile, on the product page for Schwarzkopf göt2b hair color, are images of influencers posing with hair color or using other hairspray product. Embedding buy buttons from Walmart.com into influencer blogs, has been done for 125 blogs.



Key Takeaways:

More marketing budget has to be assigned to social media such as Influencer marketing to stay connected and relevant to millennials and Generation Z.

GLOBAL RETAIL NEWS

France | H&W

300,000-strong survey confirms positive impact of NutriScore logo

Foodnavigator article - https://www.foodnavigator.com/Article/2018/07/11/300-000-strong-survey-confirms-positive-impact-of-NutriScore-logo?utm_source=copyright&utm_medium=OnSite&utm_campaign=copyright

Leading French retailer E.Leclerc is definitively backing the NutriScore logo after a survey of 300,000-consumers showed it is best in encouraging healthy food choices, especially among younger shoppers and those from lower socio-economic backgrounds. The supermarket conducted the study in order to determine the impact of the voluntary nutrient logo which was chosen as France's official nutrient logo in October 2017. The effect on food choices is stronger with lower income groups and younger consumers under 30. The Nutriscore has already been rolled out across the retailer's Private Brand "Marque Repere mobile app and appears on pages of more than 3000 SKUs. Manufacturers such as Danone are starting to add it on their packaging.

Kroger launches virtual wellness assistant

Retail Leader article - <https://retailleader.com/kroger-launches-virtual-wellness-assistant>

Kroger introduced OptUP, an innovative data-driven app that helps customers make more informed, healthier purchase decisions : Key features of the OptUP app include:

- "Scoring" groceries you buy using nationally-recognized dietary guidelines;
- Receiving personalized product recommendations;
- Viewing your household OptUP score;
- Scanning and searching items to find nutrition facts and product alternatives; and
- Adding better-for-you options to your digital cart for curbside pickup or delivery.

OptUP product scores are based on a nationally-recognized dietary standard—enhanced by Kroger's registered dietitians. The product score range is between 1-100 using a green-yellow-red color coding according to the product score.

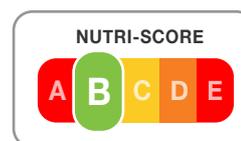
This link will show a video in English - <https://www.youtube.com/watch?v=QtbGFtz4Pc>

Key Takeaways:

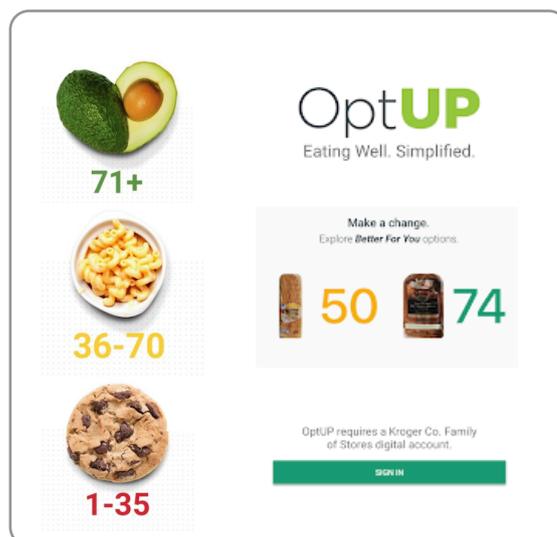
Another retailer initiative to bring product and lifestyle solutions to its customers with an easy to use mobile app.

Key Takeaways:

Healthier product choices are becoming more and more important. Adapting a clear and straightforward nutrient logo system - especially one which has instant credibility because of its governmental approval - fully aligns with this strong lifestyle trend.



USA | H&W | Mobile App



Selective precision pricing to combat Discount

Brick meets Click article - <https://www.brickmeetsclick.com/jewel-challenges-aldi-on-perishable-pricing-in-4-day-promo-periods>

USA | Discount | Pricing

Regional grocery supermarket leader Jewel is challenging Aldi on perishables pricing in 4-day (not the traditional 7 days) promo's. The Jewel ad flyer in the local newspaper, showed prices that were a lot lower than Aldi on a small number of popular perishable products.

- Blueberries: 99 cents a pint at Jewel vs. \$2.79 at Aldi.
- Sweet corn: 10/\$1 at Jewel vs. 25 cents an ear at Aldi.
- Peaches, nectarines, and plums: 99 cents / pound at Jewel vs. \$1.39/pound at Aldi.

In Aldi's ad, prices for other perishable items were lower than Jewel's, but the differences were not of the same magnitude for the most part – and therefore less attention-getting.



Key Takeaways:

Jewel seems to have found that using very low prices on key perishables for a 4-day promo period (not the traditional 7 days) is an effective way to generate enough traffic to justify the markdowns instead of broader price reductions. Traditional grocery retailers have to be creative and targeted to effectively combat discounters on price. This new pricing tactic is a good example of calling out a specific set of sharply priced KVI items and, very importantly, doing it in a very memorable way.

Petco trying to Amazon-proof its business

CNBC article - <https://www.cnn.com/2018/07/16/petco-to-reinvent-the-pet-store-with-something-you-cant-buy-online.html>

USA | Pet | New format

Petco is trying to Amazon-proof its business. Time will tell if the strategy really works.

The privately held pet-goods retailer has just opened a new service-focused store that aims to give shoppers something they can't buy online. A pilot location opened this past Friday in San Marcos, California. Called Pet Coach, it offers grooming, training, veterinary care, dog walking and more to pet parents, in addition to a limited assortment of products. At 12,000 square feet, Pet Coach is smaller than a typical Petco store, and two-thirds will be dedicated to services, with the remainder used for products for sale.



Key Takeaways:

Petco is playing catch-up with increasing competition (Amazon launching pet brand Wag, pet brand Blue Buffalo into mainstream retailers, etc). Keeping the growing audience of "millennial pet owners" in mind, Petco wants to be able to figure out what the world of retail looks like five years from now.

GLOBAL RETAIL NEWS

 USA | M&A | Health

Kraft Heinz eyeing a bid for Campbell Soup

Investors.com article - <https://www.investors.com/news/kraft-heinz-may-buy-campbell-soup-warren-buffett/>

Kraft Heinz (KHC) reportedly is interested in buying Campbell Soup (CPB), which is mulling strategic options as packaged - food giants struggle. Rivals such as General Mills (GIS) also could want to take a bite of the soup and snack giant.

Soup giant Campbell looked for growth with purchases such as Bolthouse Farm juices, Goldfish crackers and Pepperidge Farm cookies. Today, half of Campbell's sales come from snacks - hardly a moribund category, with the rest of sales coming from prepared meals and juices.

The flip side of Campbell's limited international presence is that Kraft Heinz would have the ability to build Campbell's reach outside of the U.S. With its substantially greater scale, Kraft Heinz has the resources to push brands more successfully outside of their home market.



Key Takeaways:

Increased competitive pressures and consolidation require manufacturers to constantly look to increase geographical expansion and scale. Potential deals such as these increase the negotiation power of the manufacturers.

A Toothpaste Club for Colgate

Morningstar article - https://www.morningstar.com/news/dow-jones/TDJNDN_201807024109/a-toothpaste-club-colgate-to-invest-in-online-startup.html

Colgate-Palmolive Co. is turning to an online startup to help it sell products like toothpaste through a home-subscription service, the latest experiment by a big household-products maker to cut out traditional retailers as sales shift online. It is nearing a potential deal to purchase a minority stake in the contact lens subscription service Hubble. With such an arrangement, Hubble would create subscriptions for Colgate products.

Two years ago, Unilever PLC bought Dollar Shave Club for \$1 billion. P&G last year acquired Native Deodorant, a startup selling natural deodorant online.

"We're working very hard to stay on top of that and not let a direct-to-consumer model slap us the way it slapped Gillette," Colgate CEO Ian Cook said at the company's shareholder meeting in May, responding to an investor who said he worried Colgate could lose customers to a new toothpaste club.

 USA | M&A | E-Commerce



Key Takeaways:

Through e-commerce, small and large manufacturers have an alternative direct route to sell to customers. These opportunities have to be pursued pro-actively to counterbalance growing retailer power.

CHINA: Walgreens Boots Alliance Completes Investment In Leading Pharmacy Chain

Walgreens Boots Alliance press release

- <http://www.walgreensbootsalliance.com/newsroom/news/walgreens-boots-alliance-completes-investment-in-chinese-pharmacy-chain-guoda.htm>

Walgreens Boots Alliance acquired a 40% minority stake in GuoDa through a capital increase worth RMB2.767 billion (around \$416 million). GuoDa is China's largest retail pharmacy chain, operating more than 3,700 stores across 70 cities.

Executive Vice Chairman and CEO Stefano Pessina commented: "We believe GuoDa holds a strong position in the sector, and as a global pharmacy-led health and beauty enterprise, we are well positioned to support its further growth ambition. We are looking forward to sharing our international best practices and pharmacy expertise. We believe there is great potential in working together to play a transforming role in the evolving Chinese retail pharmacy market."

Key Takeaways:

A large market with a gradually ageing society such as China offers a formidable platform for growth. Drug suppliers will need to make sure there are no significant disparities in terms of cost prices and conditions with both companies.

Amazon opening up more cashierless stores

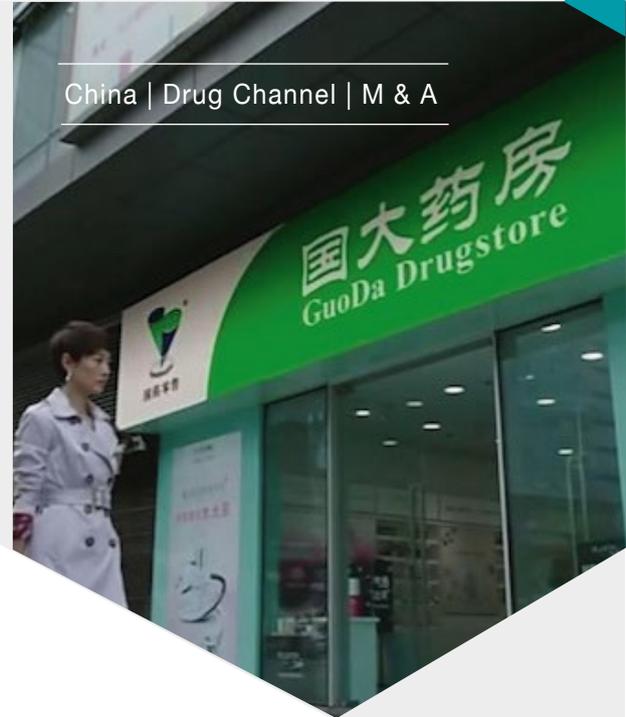
The Verge article - <https://www.theverge.com/2018/7/3/17532188/amazon-go-seattle-new-store-location-fall-2018>

Amazon is expanding its Go cashier-less supermarkets, with the company now confirming a second store coming to Seattle this fall.

The new location will continue the gradual roll out of Amazon's experimental new retail stores, with locations also in the works for Chicago and San Francisco. The new Seattle store is said to be almost twice as large as the current one, measuring in at 3,000 square feet (280m²), compared to the existing 1,800 square feet (167 m²) location.

The company's decision to expand to more locations across Seattle and Los Angeles suggest that the early experiments are going well. But a true test centers on Amazon testing its Go locations in multiple places where customer behavior could be different. The effort to expand in six more locations this year appears to be a step in that direction.

China | Drug Channel | M & A



USA | Store Format | Convenience



Key Takeaways:

The expanded store size comes closer to the size of a convenience store or small neighborhood store offering more products on shelf. If they do get this right, it will be a very disruptive game-changer for the retail industry.

NEW PRODUCTS - TRENDS

Europe & US | Meal Kits
Convenience | Health

Meal Kits

Meal kits, a product trend started in Europe in 2007, experienced rapid growth in the Western market from 2015 to 2016. Meal-kit sales grew three times faster than any other channel for food sales between the first quarter of 2015 and the first quarter of 2017. These numbers are finally slowing down, but total spending will continue to increase and the industry is expected to grow from its current \$2.2 billion to up to \$5 billion within the next 15 years.

Meal kits are boxes of fresh, prepackaged, pre-measured ingredients put together for easy preparation and cooking. They are intended to save time and decrease the food waste that results from purchasing more groceries than are necessary for a recipe. They typically cost around \$10 per individual meal and offer 2-3 recipes per week, meaning a cost of around \$60 per week for two people ordering three recipes.

Most meal kit companies operate as a weekly subscription service. However, as meal kits grow in popularity, some retailers have started pairing with meal kit companies or creating their own meal kits under a private label and putting them in-store.

There are currently around 150 meal kit services, most of them subscription-based, available in the US. In Europe, options are slightly more limited, but there is still considerable growth. German-based company HelloFresh, which is also available in the US, is one of the top meal kit companies worldwide.

The opportunity to establish and expand a brand in the realm of meal kits is currently high, as no one retailer has cornered the market. The biggest competing meal kit services in the US are currently HelloFresh, Blue Apron, and Sun Basket. As of this report, none have yet reached profitability, for reasons which will be delved into later. However, most are projected to reach profitability by the end of this or next year.

Customers are drawn to meal kits for several reasons: Firstly, they get to enjoy the experience of cooking without the hassle of shopping for specific ingredients or potentially ruining a recipe. Secondly, meal kits decrease food waste because ingredients are pre-measured. There is also the appeal of meal kits as a fresher, healthier, but similarly easy alternative to frozen and other pre-packaged meals.



Choose your meals
Our chef-designed recipes include balanced Mediterranean meals, quick one-pan dinners, and top-rated customer favorites.



Unpack your box
We guarantee the freshness of all our ingredients and deliver them in an insulated box right to your door.



Create magic
Following our step-by-step instructions you'll experience the magic of cooking recipes that our chefs create with your family's tastes in mind.



HelloFresh has fundamentally changed the way my husband and I eat. Previously, dinner meant picking a restaurant on seamless and waiting for food to arrive. Now dinner means preparing fantastic meals that are healthy and fresh."

Melissa Tischler – Hello Fresh Customer

Sources: <https://www.blueapron.com/>

Meal Kits

US company Sun Basket is geared toward customers with dietary restrictions, such as those who are vegan, paleo or gluten-free. It has a much higher retention rate than other meal kit services because it provides ingredients & recipes that may not be readily available elsewhere, thus actively helping customers maintain their specialized diets.

 <p>Chef's Choice Our chef's hand-picked recipes, highlighting peak seasonal produce, top-quality meats and seafood, and unique housemade sauces. Learn more ></p> <p>Start Chef's Choice Plan</p>	 <p>Paleo Fuel up with clean, high-protein recipes full of fresh veggies, top quality meats and seafood, and no dairy, gluten, grains, soy, or corn. Learn more ></p> <p>Start Chef's Choice Plan</p>	 <p>Lean & Clean Delicious meals with lean proteins and clean ingredients help make it easy to manage your weight. No gluten, soy, or dairy, about 550 calories per serving Learn more ></p> <p>Start Chef's Choice Plan</p>
 <p>Gluten-Free Lose the gluten without feeling deprived, with fresh vegetables, top quality meats and seafood, plus our chef's favorite gluten-free alternatives. Learn more ></p> <p>Start Chef's Choice Plan</p>	 <p>Vegetarian Vibrant, creative recipes starring fresh, organic produce, responsibly sourced dairy, and organic eggs. Learn more ></p> <p>Start Chef's Choice Plan</p>	 <p>Mediterranean Enjoy seasonal produce, responsibly raised meat & wild-caught seafood paired alongside whole grains, good fats, and fresh herbs. Learn more ></p> <p>Start Chef's Choice Plan</p>
 <p>Vegan Creative meatless recipes with seasonal organic produce, plant-based proteins, and our house-made signature sauces. Learn more ></p> <p>Start Chef's Choice Plan</p>	 <p>Pescatarian Combine the benefits of a vegetarian diet, rich in seasonal organic produce, with an added dose of wild-caught, sustainably sourced seafood. Learn more ></p> <p>Start Chef's Choice Plan</p>	 <p>Diabetes-Friendly Healthy, delicious meals designed to help manage diabetes. Take the guesswork out of meal planning and cooking. Learn more ></p> <p>Start Chef's Choice Plan</p>

Sun Basket also has a leg up on its competitors by providing mostly recyclable packaging, a significant concern for those seeking to help the environment.

One meal from Sun Basket costs \$11.99, and the subscription service offers three recipes per week for a household of either 2 or 4 people.

Europe & US | Meal Kits
Convenience | Health



Blue Apron is one of the first and most well-known meal kit brands in the US. Their heavy-handed advertising strategy includes celebrity sponsorship and partnerships with AirBnB and Whole30. Despite this, Blue Apron has fallen behind competitor HelloFresh in recent years. Their biggest issue is with customer retention and engagement, as 55% of customers unsubscribe within a month and 72% within six months. The few remaining customers show lower engagement with the service, indicating a need in the meal kit industry for more unique approach.



Blue Apron Tandoori & Udon Recipes (\$9.99 ea)



Sun Basket Zucchini Recipe (\$11.99 ea)

NEW PRODUCTS - TRENDS

Meal Kits

US-based Home Chef offers 2-4 recipes for groups of either two or four people. They recently acquired meal kit service Green Chef in order to compete with Sun Basket. 36% of those who have purchased meal kits have said that being able to choose based on their dietary needs was “extremely important,” according to Nielsen. In May, the company was acquired by Kroger.



Plated is typically \$9.99 per serving

German-based company HelloFresh operates in the US, Western Europe, Canada, and Australia. The company went public on the Frankfurt Stock Exchange in 2017 a few months after Blue Apron went public in the US, and has gone up 40% since then. While Blue Apron's customer base fell by 28% to in 2017, HelloFresh more than doubled its number of U.S. customers. HelloFresh now controls 36% of the US meal kit market and is also on top of the European and Australian meal kit markets.



Hello Fresh kits, sold for households of 2, typically cost \$9.99 each

Part of the reason for this comparative growth is that Hello-Fresh has maintained and expanded its online marketing presence these past two years while Blue Apron has lowered spending on advertising. Another is that Blue Apron has much higher customer acquisition and churn rates.

Europe & US | Meal Kits
Convenience | Health



MogoEats came to the front in South Korea in 2016. They are the country's first meal kit service, and exclusively deliver plant-based options. It makes sense that the company is focused on a niche offering considering the many other delivery options available from South Korea's established restaurants and grocers. They are a la carte rather than subscription based.



\$8-10 for a typical MogoEats kit
(₩7,000-11,000)



Meal Kits

While meal kit companies are still not at a stage of profitability, retailers are finding it beneficial to invest in partnerships with meal kit services or develop their own meal kit brand. It is much easier for an established retailer to profit on meal kits because selling in-store, or even a la carte online, is more appealing to customers than being tied down by a subscription service. Customers are drawn to being able to choose what they want, when they want it, which is why customer retention is so low for meal kit subscription services.

Retailers also have the advantage of already being established and well-known, and shoppers are more inclined to pick up a meal kit when they can see it, pick it up, and put it in their cart immediately. As evidence of the increasing importance of brick-and-mortar retailers in the sale of meal kits, it was reported last year that in-store sales of meal kits rose 26.5 percent to \$154.6 million.

Fulfillment is also an area in which established retailers have an advantage compared to subscription services. Grocers such as Walmart and Albertson's already have the supply chains available to make and deliver meal kits-and, in fact, this is exactly what they have begun to do.



Plated is typically \$9.99 per serving

Sun Basket also has a leg up on its competitors by providing mostly recyclable packaging, a significant concern for those seeking to help the environment.

One meal from Sun Basket costs \$11.99, and the subscription service offers three recipes per week for a household of either 2 or 4 people.

Europe & US | Meal Kits
Convenience | Health



Plated.

Albertson's acquired meal kit service Plated in September of 2017. They recently announced their plan to roll out meal kits to hundreds of stores by the end of this year, available for online ordering and same-day delivery through Instacart.

Kroger purchased Home Fresh for \$200 million in May of this year, making them a large player in the meal kit market and giving them a stronger foothold in the realm of omnichannel food retail.

Amazon started selling meal kits in 2017. They offer a la carte meal kits which can be delivered within two days, at around \$9.99 per serving for either two or four people. Again, offering meal kits without the need to subscribe is very appealing to customers, and the investment in an Amazon brand of meal kit shows the company's commitment to entering and expanding into the grocery and fresh foods market.



Amazon Meal Kits are \$9.99 per serving and come in kits of either 2 or 4, available for two-day Prime delivery.

NEW PRODUCTS - TRENDS

Europe & US | Meal Kits
Convenience | Health

Meal Kits

US-based, chef-designed meal kit company Chef'd partnered with Costco, Harris Teeter, Tops, Hy-Vee, Weis and Gelson's Markets in August of 2017. The company then shut down operations in mid-July of this year after a sudden loss of funds. On 25 July, it was announced that Chef'd has been purchased by True Foods Innovations and will continue to operate—this time, with a focus on selling products in grocery stores. Chef'd provides realtime evidence of the direction in which meal kits are headed—not subscription services, but a la carte products distributed via established retailers.

CHEF'D

by TRUE FOOD INNOVATIONS®



Prep+Pared Meal Kits at a Kroger store.
Each kit ranges from \$14-20.



Chef'd Meal Kits Available at
Gelson's for \$24.99 (feeds 2)



Key Takeaways:

- The meal kit industry is projected to grow by \$3 billion in the next 15 years.
- Meal kits are likely more profitable as individual products sold by retailers rather than as a subscription service, so the industry will soon be dominated by supermarkets.
- Current customers are mostly families and urban millennials looking for health, convenience, and/or a shared cooking experience.
- Meal kits fare better when they offer something unique, such as uncommon food or options for those with dietary restrictions.



HelloFresh

- subscription
- 2-4 people
- 2-4 recipes per week
- 9 options per week
- \$8.74-9.99 per serving



Blue Apron

- subscription
- 2-4 people
- 2-4 recipes per week
- 9 options per week
- \$8.74-9.99 per serving



Sun Basket

- subscription
- 2-4 people
- 2-4 recipes per week
- 18 options per week
- \$10.99-11.99 per serving



Amazon Fresh

- a la carte online delivery
- 2-day shipping
- 2-4 people
- 17 options
- \$8-10 per serving



Walmart

- in-store/online ordering & pickup
- 16 options
- \$8-15 for 2 servings



Prep+Pared by Kroger

- in-store/online ordering & pickup
- 7 options
- \$14-20 for 2 servings

NEW PRODUCTS - TRENDS

Global | Innovation

2018 IFT Food Expo

The largest food ingredient show in North America took place on July 16th till 19th at Chicago's McCormick Place.

1200 exhibiting companies allowed more than 20,000 visitors to discover the latest in the science of food and food technology. By observing the latest technologies and developments in the food ingredient industries, the major theme coming to the forefront is how to make food products cleaner, healthier and safer. Consumers want products with clean labels but are not willing to compromise on taste.

A less strong yet relevant theme are new flavors and ingredients that generate bold flavors and tastes that the consumer of today is wanting to discover.

This translates itself into ingredient solutions that provide

- Natural coloring
- Natural sugar alternatives
- Natural antioxidants to extend shelf life
- Egg/Fat/Oil replacers
- Organic ingredients
- Plant-based ingredients
- Botanicals
- Fruit juice concentrates & vegetables powders
- Dietary fiber and prebiotics
- Probiotics
- Proteins
- Nutraceuticals
- Non GMO ingredients
- And lots of more on display

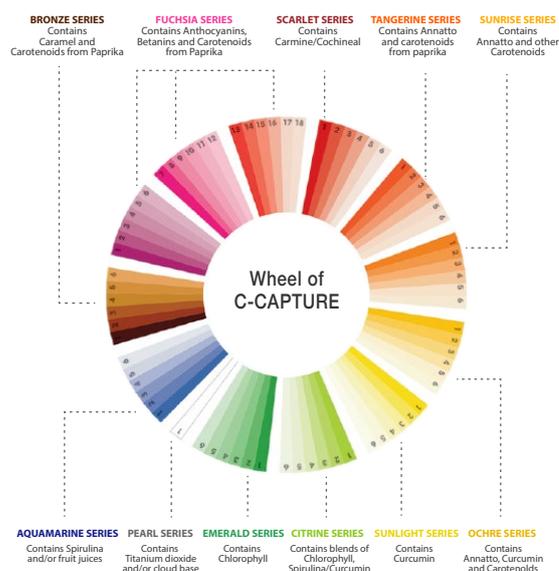
Naturally derived coloring. Kancor/Mane Inc is just one of many exhibiting companies showcasing a wide range of natural color solutions for various product platforms and systems. C-CAPTURE includes colors such as turmeric (yellow), a host of carotenoids including annatto, paprika and beta-carotene (yellow, orange and reddish orange), beet juice concentrate (pink), fruit and vegetable juices

Sources: IFT 18 - <https://www.iftevent.org/>




(red to purple) to name a few.

Its ingredients have applications in beverages, confectionary, cereals, dairy, sauces, soups and personal care products. Below image shows the spectrum of colors and natural ingredients used.



This is an illustrative representation of the actual product colour

2018 IFT Food Expo

Present at the IFT Food show were market trend and product innovation intelligence providers INNOVA and MINTEL.

Both companies showcased the latest trends and new innovative products befitting those trends.

Let's take a look at Innova Market Insights' top 10 trends for 2018 on display at their Taste the Trend pavilion.

what's in the foods they eat and easily understand their ingredient lists. One in five American consumers said they are most influenced by "real" ingredients. Nearly half of global food and beverage introductions last year featured a better-for-you claim, which compared to 42% in 2013. Product launches with an ethical animal, human or environment claim grew at a compound annual growth rate of 47% from 2013 to 2017.

Global | Trends |
Product Innovation

The emergence of enhanced waters containing a hint of flavor adds lighter options to the soft drink market.

1. Mindful Choices

+45%

Ethical Claims



Hu Simple Dark Chocolate
Organic stone-ground cacao
2.1 oz (60g) \$5.69

Consumers are more conscious than ever about making responsible food choices that are not only healthy, but also have a positive impact in terms of sustainability and ethics.

Innova found that 7 in 10 consumers want to know and understand the ingredient list. U.S. and U.K. consumers want to know.

2. Lighter Enjoyment

+15%

Bakery launches with
"Thin" claim



Nabisco Chips Ahoy THINS
cookies 7 oz (198g) - \$2.59

While consumers are avoiding "dieting," they are seeking ways to eat healthier - focusing on lifestyle shifts rather than diet fads. This means still enjoying treats and snacks, but looking for better-for-you options. The number of global savory snack product launches featuring a "thin" claim doubled over the past five years.

3. Positively Processed

+14%

Confectionary and snack launches
with probiotics claim



Way Better Sprouted Tortilla
Chips Sweet Chili 5.50z \$2.66

The use of both traditional and new techniques that create distinctive taste notes, provide added health benefits and preserve food through more natural means is on the rise.

Sources: Innova website, Food Business News article - <https://www.foodbusinessnews.net/articles/12173-ten-food-trends-unveiled-at-ift18?page=1>

NEW PRODUCTS - TRENDS

2018 IFT Food Expo



Consumers increasingly demand foods with fewer ingredients and minimal processing techniques. "Sprouted," "raw" and "cold-brew" are among growing claims in global product launches.

Additionally, plant-based dairy alternatives increasingly are positioned as more sustainable than conventional milk and yogurt products.

Global | Trends |
Product Innovation

4. Going Full Circle

+69%

Biodegradable/compostable
product launch claims



Regrained Supergrain Blueberry Sunflower made from nutritious grain left-over at end of beer brewing process

The notion of closing the circle is increasingly taking hold, with greater consumer expectation that companies and brands will be more resource-smart via developments such as tip-to-tail eating, innovative uses for food waste and more biodegradable and renewable packaging. More than a third of global food and beverage launches last year featured ethical packaging claims such as biodegradable or compostable, and a growing number of products highlight the use of upcycled ingredients or byproducts that may otherwise be discarded.

5. Beyond the Coffee house

+16%

CAGR for tea launches
with active health claims



M&M's Espresso 8oz \$6.0

Coffee and tea are being reinvented to appeal to Millennials and Generation Z demographics. From matcha to mocha, tea and coffee variants are gaining ground outside of the beverage category. Cookies, confections and spreads feature flavors of espresso, cappuccino and latte. The number of snack launches with a coffee flavor has doubled over the past five years. At the same time, tea and coffee product launches are growing full steam ahead, providing numerous innovation opportunities around flavor and functionality. Half of U.S. consumers seek more flavor fusion in beverages, fueling demand for such concepts as s'mores flavored coffee and a lemon drizzle variety of green tea.

6. Say it with color



Nuda Fuel carrot orange organic & cold pressed juice drink 16 fl oz (473ml) \$7.99

Consumers are obsessed with restaurant quality food, but are also very interested in experiencing this in their own homes. We are living in an extremely modern age, where social media has the undivided attention of nearly all age groups in the demographic spectrum. Colors rule social media, which is why foods and drinks have become visibly more colorful over the past. It has become easier to deliver colorful variations, with a clean label. Colorful foods and spices such as beetroot and turmeric are highly recognized in 2018, for their beautiful colors and health benefits. People love to share their food and drink experiences with others, which is why terms such as "instagramability" have become leading stars over the past few years. Consumers are very interested in beautifully colored foods that also have a healthy composition.

2018 IFT Food Expo

7. Dining Out, In

+16%

CAGR growth in product launches with bowl(s) claims



 Conagra Healthy Choices Power Bowl Falafel and Tahini 9.6 Oz (272 gr) \$3.48

Consumers are obsessed with restaurant quality food, but are also very interested in experiencing this in their own homes. Recipes for “fresh” foods and gourmet styled eating drives the consumers towards personal cooking experience. Innovative serving platters, such as tacos and food bowls, have captured the consumers’ hearts. There is therefore a large incentive in creating new dining formats for consumers to experience

The lines between foodservice and retail dining have become blurred over the years. There is a large market for creating restaurant-styled dining kits that only require short preparation time.

8. From Snacks to Mini-Meals

+14%

CAGR growth for fruits & vegetables with a “snack” claim



 Gaea Olive snack lemon and oregano 2.3 Oz (65 gr) \$2.67

In a busy everyday life, consumers have exchanged regular dining hours with the ability to acquire an easy and nutritious snack. Snack manufacturers have experienced an immense rise in energy claims, as consumers are looking for snacks that can actively replace an entire meal.

Snacks and easy accessibility is experiencing a general rise in popularity, which brings a lot of merit to the production of these quick mini meals. Meat snacks accounted for 6% of global snack launches last year, and fruit and vegetable introductions featuring a “snack” claim grew on average 14% annually between 2013 and 2017.

9. Ocean Garden

+22%

CAGR growth for product launches with Wakame



 Freeland Foods Go Raw Organic Sweet Spirulina sprouted Bites 3 oz (85gr) \$3.91

Fish and other marine products are well known for being extremely healthy and nutritious, although the year ahead may prove to enhance the popularity of these items.

NEW PRODUCTS - TRENDS

Global | Trends |
Product Innovation

2018 IFT Food Expo



Studies show that many consumers choose fish over red meat, which opens the market for expanded fish products. Natural saltiness in marine products has also shown to be a good substitution for regular salt, as it adds natural and delicious flavoring to the product.

Furthermore, consumers have had their eyes opened to the world of sea greens such as algae, kelp, and wakame. These natural marine vegetables will likely have a large influence on the food industry in 2018. We see this trend especially in Ready Meals (+18%), Snacks (+15%) and Sauces & Seasonings (+14%).

To appeal to diverse consumer tastes, manufacturers are expanding product portfolios to offer a broader variety of flavor, functionality and packaging. Brands are reinvigorating traditional categories, such as peanut butter or ketchup, with “out of the box” innovation. Main categories seeing this trend are Hot Drinks (+22%), Bakery (+19%), Cereal (+15%) and Ready Meals (+8%).

Mintel also presented several trend insights including:

- Beverages – flavors to watch
- Formulating for Generation Z
- My Diet- My Rules
- Protein Alternatives
- Science fare
- Texture Innovation
- Trending Foods and Fads
- US Flavor Innovations

For one they explained the difference between a trend and a fad.

A fad typically

- Appears quickly, grows quickly, disappears quickly.

Whereas a trend

- shows slow, steady growth over time, gradual decline of new items
- Enters in many categories
- Versatile
- Expands countries
- Uses a common language or easily becomes part of the vernacular
- Easy for consumers, restaurants, and retail to adopt
- Possesses an “a-ha” or “mmm” factor
- Usually timeless, or at least works over a long time period

Applying this logic, VEGAN is definitely not a fad, instead gaining momentum in part under the name PLANT-BASED FOODS.

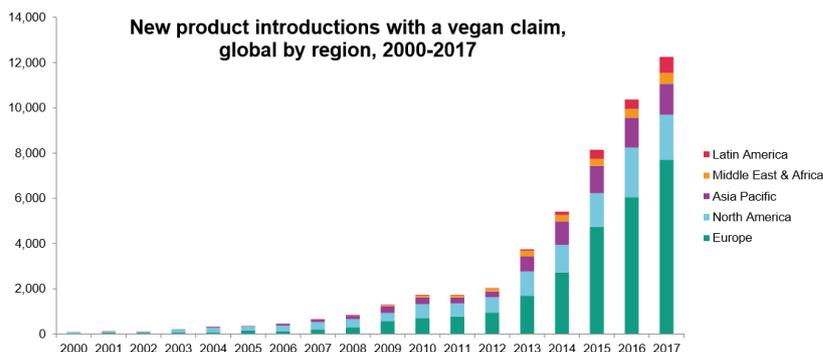
10. Bountiful Choice

+8%

CAGR growth in product launches featuring a limited edition



 Heinz Caramelized Onion & Bacon Tomato Ketchup 14 Oz



Global | Private Brand

PLMA Amsterdam

More than 200 products were selected and featured in the New Products Expo corner.

This is part 2 where we highlight a few more suppliers and their unique/on-trend products.

Reoccurring themes observed across all new products were veggie / plant-based / vegan / vegetarian, protein, organic, quinoa, turmeric, lentil, charcoal, eco-friendly, kids snacks and healthy snacks. For supplier contacts, please contact Minerva.



	Category	(Frozen) Deli Appetizers
	Supplier	Sadie Toast (Belgium)
	Brand	Private Brand
	Product	Zakouski 12 Pcs 310gr
	Size	(12 mths frozen – 14 days fresh shelf)
	USP	Snack indulgence
Price	7.99 Euro	

	Category	Potato Chips
	Supplier	Bal Snack (Estonia)
	Brand	Grand Chips
	Product	Sour Cream & Dill 90gr
	Size	(10 months shelf life)
	USP	Potato wafer long chips shape
Price	0.9 Euro	

	Category	Hair Care & Beauty
	Supplier	Sea Laria (Israel)
	Brand	Therma Labs
	Product	Men Shampoo – Mediterranean sea power
	Size	250ml
	USP	Gelatinized red algae based skincare and beauty products
Price	20 Euro	

Sources: Minerva attendance at PLMA

NEW PRODUCTS - TRENDS

USA | Produce | Convenience

Vegetable Noodles

The United Fresh Produce Association, held its annual conference June 25-27 in Chicago. The show featured recent innovations for the produce department, with convenient and portable fresh foods dominating the exhibition.

Exhibitors showcased an array of new fresh foods, including prepared meal solutions, snack items, juices, salsas, soups, dips and more. Within the expo also a special organic showcase dedicated to the growing sector within the produce department. Vegetable noodles and rice-shaped vegetables stood out. Here are a few examples:



Mann Packing recently expanded its product line to include Fresh Veggie Rice products, such as Cauliflower "Rice," Broccoli & Sweet Potato "Rice" Blend and Cauliflower "Fried Rice" blend that includes carrots, kohlrabi and sugar snap peas.

Cece's Veggie Co.. A start-up of Austin, Texas, is bringing novelty to produce with "simple but twisted" easy-to-use organic vegetables. Taste varieties are spiralized beets and butternut squash joining sweet potato and zucchini, and riced broccoli and cauliflower. They sell between \$3.98 to \$4.98 for 10.7 oz or 303gr.



Green Giant™ Fresh has launched a new line of fresh vegetable Meal Bowls (10.8 oz – 306gr) with six distinct world flavors: Burrito bowl, fried rice bowl, pad thai bowl, rancheros bowl, buddha bowl and ramen bowl. Each vegan-friendly meal bowl comes with a sauce/seasoning packet that's full of flavors ranging from sweet and tangy to zesty and savory. Other bowl additives include roasted chickpeas (Buddha Bowl) and dry roasted edamame (Ramen Bowl).



Sources : Food Business News article - https://www.foodbusinessnews.net/articles/12124-slideshow-snacks-spirals-rice-and-bowl-innovation-dominate-united-fresh-2018?id=12124-slideshow-snacks-spirals-rice-and-bowl-innovation-dominate-united-fresh-2018&e=sara.traverso@thesmarteam.com&ajs_uid=0684C7201356J7E&oly_enc_id=0684C7201356J7E&ajs_trait_oebid=6678E9140356B0P

Green Giant website - <https://www.greengiantfresh.com/products/burrito-bowl/>

USA | Snacks | Potato Chips

Lay's Taste of America

Lay's is always seeking new and exciting flavors to add to its inventory of potato chip offerings but it drew inspiration for its latest launch from America, as the brand created eight regional flavors with a release called Lay's Flavors of America. This exciting offering features distinct tastes from around the country including culinary inspiration from Mid-America, Central Gulf, The SouthWest, Mid-Atlantic, the Midwest, Northeast, Southeast and the Pacific Northwest. The respective flavors include Deep Dish Pizza, Cajun Spice, Chile Con Queso, Chesapeake Bay Crab Spice, Fried Pickles with Ranch, New England Lobster Roll, Pimento Cheese and Thai Sweet Chili.

The flavors are available regionally, but those looking to try them all can purchase a variety pack online.

Each flavor was picked based on consumer feedback in different regions, said Tina Mahal, senior director of marketing at Frito-Lay.

"This just a part of our DNA now, listening to consumers," said Mahal. "What we did was tap into those places that had the inspiration that popped the most."

Mahal added that Lay's took a new approach in offering these selected flavors only in the relevant regions as a part of their efforts to acknowledge consumers and their roots within those areas.

"People feel a deep connection to home," said Mahal. "They also feel that they want their brands to understand them."



NEW PRODUCTS - TRENDS

Japan | Soft Drinks | Cola

Colorless Coca Cola

A desire for more unusual and engaging products has now encouraged The Coca-Cola Company to change the most fundamental attribute of its eponymous brand: its distinctive brown color. The company's Japanese arm has launched Coca-Cola Clear, a zero-calorie, lemon-flavored drink which leaves out the caramel ingredients that give the cola its traditional color.

Back in the '90s heyday of sugary pop, Pepsi turned its brown cola clear. Crystal Pepsi didn't last long, but it was hype as hell. Rival Coca-Cola never outright competed on Pepsi's level, keeping its signature drink as caramely brown as ever. But now, almost three decades later, Coke is going clear. Coca-Cola announced the release of a new beverage called Coca-Cola Clear to be released in Japan June 11. According to Kotaku, over 50 recipes were tested before the company landed on the winner : Coke without the caramel ingredient, but with a splash of lemon and some tinkering to the base formula. It's a zero calorie beverage. Retail selling price is Yen 85 (promo) to 150yen for 500ml PET bottle. Given its lack of color it is hard to compare with a regular coke and consumer responses to the taste are divisive on whether or not they crave regular coca cola or crave a new Coca Cola that has other benefits that impact the taste (less sweet taste).

There are no immediate plans to launch the beverage in other countries.



GUEST TOPIC - Joe Cook

Measure to Manage: 7 Core Marketing KPI's to Track

You've heard the expression 'if it can't be measured, it can't be managed,' right? Whether you are a retailer, a brand manager or just someone starting their first online business, if you're serious about managing your growth with effective marketing, here's a list of core KPIs you'll want to understand and track. These 7 will unlock great insights into your business and how to optimize for a better return on your investment. Sure, there are other metrics that are important, but when it comes to KPIs (the metrics you're obsessing over constantly), it's always a good idea to start with the a core set and, once you're comfortable with those, move on to look at others. The real test of a KPI is whether someone is able to take action on it.



Traffic

Foot traffic in your store or visitors to your site – a.k.a. Leads or potential customers for your retailer or brand. This is the pipeline for new business.



Conversion

Of all the people that could buy, what percent actually did buy? Also works when measuring different levels of engagement on a site (sign up for emails, put something in their basket, etc.)



Source of Volume

Returning shoppers or new shoppers? New to the category or 'switched' from a different product? How did they hear about us? Inbound leads from where?



Sales

Does more shoppers mean more revenue? What drives the biggest increases in sales vs. prior periods? Are we meeting \$ plan or budgeted unit sales goals?



Customer Value

Buying Rate or \$ per Buyer tells us how valuable a shopper is in a year. Customer Lifetime Value (CLV) extrapolates that out based on how long you can expect to retain them.



Acquisition Cost

Knowing this is key to tracking your total investment in marketing. Ex: Cost per incremental unit sold (CPI) or Cost of each new converted shopper acquired (CAC = customer acquisition cost).



ROI

Balancing customer value vs. acquisition costs. ROI = Additional margin from new customers divided by marketing investment. Compare across tactics and optimize across products and channels.

Additional KPI to measure your marketing effectiveness and gain insights for growth, are :

Brand Awareness, Market Share, Response Rate, Repeat Rate and Profitability.



To learn more about how to generate powerful insights from the ocean of data that's out there, contact Joe Cook at joe@jc-insights.com

COMMODITIES AND CURRENCIES

Economic Indicators

OECD data showcase major indicator numbers for some of the key regions and countries for GDP forecast, Inflation (CPI) total and consumer confidence index.

Real GDP Forecast - Total Annual growth rate (%) 2013-2019

Location	2013	2014	2015	2016	2017	2018	2019
Australia	2.22	2.54	2.51	2.60	2.28	2.93	3.04
Canada	2.48	2.86	1.00	1.41	3.00	2.10	2.24
China	7.76	7.31	6.92	6.70	6.90	6.66	6.44
Fance	0.60	0.99	0.98	1.11	2.32	1.90	1.92
Germany	0.60	1.93	1.50	1.86	2.51	2.41	2.13
Japan	2.00	0.37	1.35	0.96	1.66	1.18	1.21
Korea	2.90	3.34	2.79	2.93	3.06	3.04	3.05
United Kingdom	2.05	3.05	2.35	1.94	1.79	1.39	1.31
United States	1.68	2.57	2.86	1.49	2.27	2.86	2.78

> No change from last month. GDP growth is strongest in China, though it is declining slowly.

Inflation (CPI) - Total Annual growth rate (%) Apr 2017 – June 2018

Location	Apr 2017	May 2017	June 2017	Apr 2018	May 2018	June 2018
Canada	1.64	1.32	1.32	2.22	2.22	NA
China	1.20	1.50	1.50	1.80	1.80	1.90
Fance	1.17	0.81	0.81	1.64	2.02	2.02
Germany	1.96	1.49	1.49	1.56	2.21	2.11
Japan	0.40	0.40	0.40	0.60	0.70	NA
Korea	1.90	1.97	1.97	1.60	1.54	1.49
United Kingdom	2.60	2.70	2.70	2.20	2.30	2.30
United States	2.20	1.87	1.87	2.46	2.80	2.87

> No major changes with USA continuing its upward trend at 2.87% the highest among all countries listed

Consumer Confidence Index (CCI) – LT average = 100, April 2017 – June 2018

Location	Apr 2017	May 2017	June 2017	Apr 2018	May 2018	June 2018
Australia	99.7	99.6	99.5	100.1	100.0	100.0
China	100.9	101.9	101.2	104.6	104.6	NA
Fance	100.7	100.9	101.1	100.8	100.8	100.6
Germany	101.3	101.5	101.6	101.9	101.8	101.7
Japan	100.2	100.2	100.2	100.3	100.3	100.3
Korea	100.0	100.8	101.4	101.0	101.0	100.8
United Kingdom	100.6	100.4	100.4	100.7	100.7	100.5
United States	101.2	101.1	101.0	101.5	101.4	101.3

> No major changes with USA continuing its upward trend at 2.87% the highest among all countries listed

Source: OECD Data - <https://data.oecd.org/leadind/consumer-confidence-index-cci.htm>

Commodities

(Bloomberg Intelligence) Extreme dollar strength, trade tension and the best crop conditions for June in decades for now resulted in lower commodity prices overall but that will likely change. WTI crude oil's 23% 1H gain is indicative of the trend for broad commodities.

The worst monthly decline in commodity prices in two years (June -3.5% overall) should pan out similar to the 5% decline in July 2016 that was just a dip in an early recovery of commodity prices. Likely in a nascent bull-market stage, the near-perfect storm (dollar strength – trade tension and best crop) at 1H's end will pass, allowing favorable demand vs. supply conditions to prevail.

Crude oil price is expected to go up forward and then likely pause its growth in the 2nd half of the year.

The 2018 metals price decline on the back of a strong dollar should be temporary. Demand far exceeds supply, with most prices at substantial discounts vs. peaks about seven years ago.

Priced for about the best of summer-production prospects and worst from trade tension, agriculture commodities should have the most potential to go back higher.

The dollar is unlikely to maintain its 1H spot near the top of the macro-index leader board.

Bloomberg Commodity Outlook – June 2018 Performance - Prices

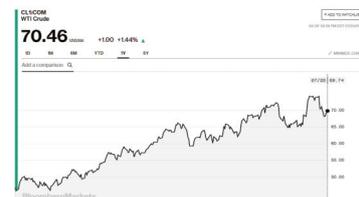
Commodity	MTD % Change	3 Mths % Change	YTD % Change	1 Yr % Change	2 Yr % Change
Natural Gas	-0.7	4.2	-2.9	-18.0	-32.1
WTI Crude	8.8	13.2	23.2	62.8	27.9
Brent Crude	2.7	16.7	23.0	73.7	43.3
Gasoline	0.2	7.7	8.7	45.3	27.6
Corn	-10.8	-11.8	-3.2	-14.3	-24.9
Soybeans	-15.3	-18.0	-11.6	-9.6	-27.9
Wheat	-7.5	4.7	8.1	-15.2	-20.6
Soybean oil	-6.6	-9.3	-13.2	-12.6	-12.3
Soybean meal	-12.9	-15.4	-2.1	6.4	-22.4
HRW Wheat	-12.5	-1.6	-4.7	-18.3	-19.7
Copper (CME)	-3.7	-2.7	-11.0	8.1	30.7
Aluminum	-6.7	8.7	-4.3	12.0	28.6
Zinc	-7.3	-12.1	-12.8	6.1	38.1
Nickel	-2.1	-12.1	-16.8	59.4	54.5
Gold	-3.7	-5.5	-4.6	-0.1	7.2
Silver	-1.9	-0.9	-6.0	-3.7	-14.5
Sugar	-6.3	-3.1	-20.4	-13.4	-46.4
Coffee	-8.5	-5.5	-12.7	-16.7	-33.6
Cotton	-7.9	-6.1	-8.9	27.7	30.6
Live Cattle	2.8	-6.9	-4.3	-8.9	4.6
Lean Hogs	2.5	3.0	8.0	-8.1	-15.8

COMMODITIES AND CURRENCIES

Major Currencies

Crude oil prices have kept up their growth trend in the 1st half of the year and are expected to pause in the 2nd half. Most other commodities have decreased significantly compared to one month ago due to trade friction and strong dollar, especially soybean.. Expectations are for prices to go up in the 2nd half.

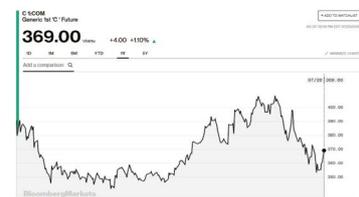
Crude Oil NYMEX	70.46	
6 Months ago	63.37	+11%
12 Months ago	46.79	+51%



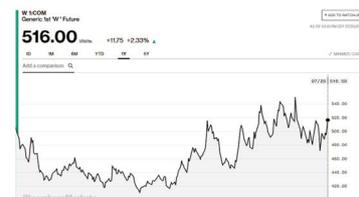
Aluminum CBOT	2001	
6 Months ago	2249	-11%
12 Months ago	1915	+4%



Corn CBOT	369	
6 Months ago	352	+5%
12 Months ago	391	-6%



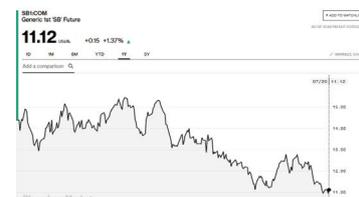
Wheat CBOT	516	
6 Months ago	425	+21%
12 Months ago	506	+2%



Soy Bean CBOT	865	
6 Months ago	977	-13%
12 Months ago	1027	-16%



Sugar ICE	11.12	
6 Months ago	13.17	-16%
12 Months ago	14.41	-23%

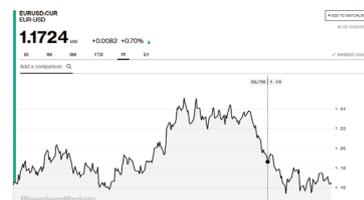


Source: Bloomberg website - <https://www.bloomberg.com/markets/commodities>

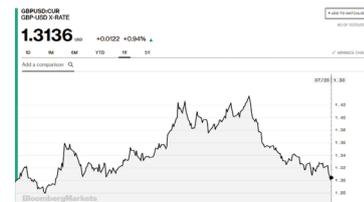
Major Currencies

Dollar gaining in strength against most other currencies over the past 5 months.

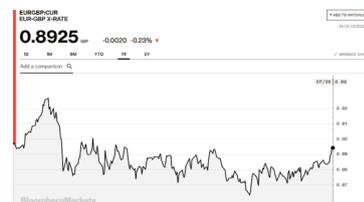
Euro to US\$	1.17	
6 Months ago	1.23	-4.9%
12 Months ago	1.16	+0.9%



GBP to US\$	1.31	
6 Months ago	1.40	-6.4%
12 Months ago	1.30	+0.8%



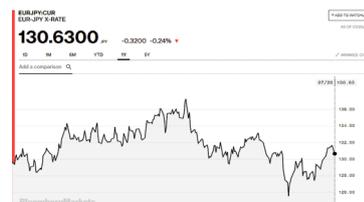
EUR to GBP	0.89	
6 Months ago	0.88	+1.1%
12 Months ago	0.90	-1.1%



US\$ to JPY	111.4	
6 Months ago	110.9	+0.5%
12 Months ago	111.9	-0.5%



Euro to JPY	130.6	
6 Months ago	135.4	-3.5%
12 Months ago	129.6	+0.8%



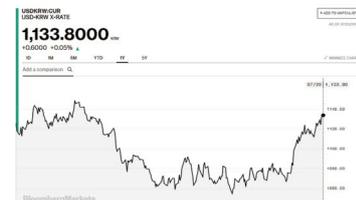
Source: Bloomberg website - <https://www.bloomberg.com/markets/currencies>

COMMODITIES AND CURRENCIES

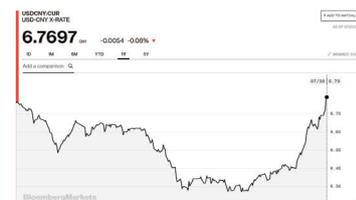
Major Currencies

As of late, USD is strengthening against all other currencies except the Mexican Peso

US\$ to KRW	1,133	
6 Months ago	1,070	+2.5%
12 Months ago	1,125	-2.8%



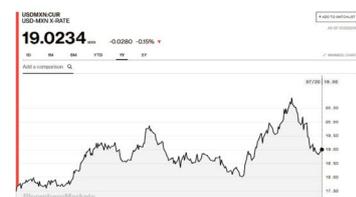
USD to CNY	6.79	
6 Months ago	6.40	+6.1%
12 Months ago	6.76	+0.4%



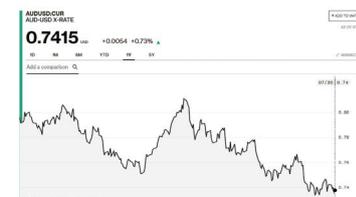
US\$ to CAD	1.31	
6 Months ago	1.25	+4.8%
12 Months ago	1.26	+3.9%



USD to MXN	19.02	
6 Months ago	18.68	+1.8%
12 Months ago	17.49	+11.3%



AUD to US\$	0.74	
6 Months ago	0.80	-7.5%
12 Months ago	0.80	-7.5%



Source: Bloomberg website - <https://www.bloomberg.com/markets/currencies>

MONTHLY TOPIC - **TRADER JOE'S**

Trader Joe's unique world

When looking at the success factors behind US retailer Trader Joe's, it is easy to see this retailer gets its fundamentals spot on. More importantly, it differentiates itself by having cultivated throughout its history a unique culture and brand identity. Both are perfectly fused together and deliver a unique customer experience that is unmatched and therefore makes a customer come back again and again.

While it does not seem possible for any competitor to recreate the world of Trader Joe's, there are specific elements that other retailers can learn from, adapt and fuse into their own brand identity and culture.

Founded in May of 1958 (as Pronto Market) Trader Joe's is a popular specialty supermarket chain with a discount foundation, present in US states from the West to the East coast. The almost 500-strong banner is owned by the 'northern' fraction of the Aldi empire, Aldi Nord. In a retail group that has historically bet on standardization, however, TJ's is very different and not easy to categorize. The company describes itself as 'your neighborhood grocery store', while owner Aldi Nord – in what has probably been the only public corporate statement referring to TJ's, found in the 2010 obituary of Aldi co-founder Theo Albrecht's – called it a 'premium discounter'; others say it is a specialty supermarket or deli discounter. Whatever the description, being different has made TJ's an iconic banner with a cult-like following thanks to its much-heralded unique shopping experience. As European discounters are now in the process of trading up, the lessons to learn from TJ's are gaining a fresh relevance.

A close look at some key facts :

Headquarters	Monrovia, California, USA
Parent Company	Aldi Nord (privately owned)
% of Sales in Home Market	100%
Store # 2018	475 (+20 stores per year)

Total Global Sales 2018	11 bn USD (+8% vs. '17)
Profit/Margin	Estimated 6%
Private Brand Share %	Around 80%



Sources: Planet Retail RNG; Trader Joe's website Inside Trader Joe's Podcasts - [https://www.traderjoes.com/digin/category /Podcast](https://www.traderjoes.com/digin/category/ Podcast)

MONTHLY TOPIC - **TRADER JOE'S**

Trader Joe's unique world



Its core strengths were clearly highlighted in Minerva's recent online survey into store choice drivers and satisfaction scoring with Trader Joe's taking overall first place among all US grocery stores.

Trader Joe's ranked highest on the following store choice & loyalty drivers:

- Right Company Values
- Staff Friendliness & Service
- Quick Check-Outs
- Good Selection of Store Brands
- Regular, innovative new products



In addition, it is rated second for

- Everyday low prices (behind Aldi)
- Healthy organic range (behind Whole Foods)
- Product tasting, events-in-store (behind Costco)

Points for improvement mentioned by regular shoppers, were:

- Product selection
- Produce
- Vicinity

On the next pages, we will try and take a closer look at its

1. Core Values
 2. Core Competitive Advantage
 3. Product assortment strategy
 4. Sourcing & supplier relationships
 5. Staff
 6. Customer experience
-



Brussels Sprouts Stalks 1 Pc at \$3.99

Core Values

Trader Joe's core values are as follows :

1. Act with Integrity

Treat others the way you would like to be treated.

2. Product Driven Company

Our strategy emphasizes price, product, access, service and experience. We want to excel at one, be very good at another, and meet customer expectations on the others.

First and foremost a product has to have great taste, be minimally processed and/or free from preservatives and artificial colors or flavoring.

3. Wow Customer Service

We celebrate the special way we treat and relate to customers. We think retailing is all about customer experience, and that is what really differentiates us.

4. Limit Bureaucracy

We give everyone a license to kill bureaucracy. No secretaries, all officers are in cubicles. We have very few hierarchy layers – a very simple organization.

5. Kaizen

Everyone has to do a little bit better everyday. This is infused into our training program. We really stress teamwork and working together, while we do not elaborate budgeting at store level.

6. The store is our brand

Individual products are not the brand. The store is. Brand is really the covenant between the company and the customer, and the real key is day-to-day consistency in meeting and satisfying customer needs. (Note here that there are no online sales of Trader Joe's products. Trader Joe's is careful about unplanned store expansion that could put at risk its culture, value proposition, and store brand affiliation.)

7. A national chain of neighborhood stores

We offer national buying ability, but we want each store to be close to the customer and really be part of the neighborhood.



These core values have not changed over time as they should. They are reflected throughout the way Trader Joe's operates and goes to market.

MONTHLY TOPIC - **TRADER JOE'S**

Core Competitive Advantage

At the core of the Trader Joe's "modus operandum" is a focus on simplicity, better value and a fun shopping experience. These company objectives are woven throughout each aspect of its business that has enabled Trader Joe's to create a truly unique customer experience offering high-quality gourmet / healthy foods at low cost in a fun environment that keeps customers coming back for more.

SMALL FOOTPRINT – LIMITED ASSORTMENT – FAST IN & OUT

Very similar to its parent company Aldi Nord, Trader Joe's operates stores with a small footprint and a limited product range (around 4000 SKUs) which leads to high volume and velocity for the existing SKUs in the assortment. This results in huge buying power that allows to negotiate very competitive cost prices/volume discounts and the right quality at the same time.

WELLNESS FOCUS AND REGULAR, NEW INNOVATIVE ITEMS TO DISCOVER

The assortment is carefully curated with all items qualifying as "better-for-you" wellness products. New unique products are thrown into the mix on a regular basis. Many of these are globally sourced or seasonal in & outs.

If a product sells well, it stays on the shelf. If not, it gets replaced by a newcomer thus keeping SKU count from expanding and adding complexity.

PRIVATE BRAND DELIVERING VALUE FOR MONEY

80% of the products are branded under their own Private Brand with a unique design look for every single products thus generating the feel of a wide variety of choice. The products tend to be on-trend and offer all relevant specs plus a little uniqueness to it in terms of origin, taste profile or production method. Given the limited range of SKUs, each SKU has to be outstanding with great quality & taste at affordable prices in other words true VALUE-FOR-MONEY.



Core Competitive Advantage

STAFF SERVICE AND CUSTOMER ENGAGEMENT

While its operations are very streamlined to drive down costs and enable competitive selling prices, Trader Joe's does not compromise on customer service with a staff headcount that is larger than similar store-size competitors. Each staff is able to multi-task from stocking shelf, preparing product samples for tasting to working at the cash register. More so, they have enough time to get to taste and know their own products and spend time interacting with the customer. Their remuneration package is above average under the philosophy that happy staff makes happy customers.



ENJOYABLE SHOPPING EXPERIENCE

Each store has a local feel to it with mural designs reflecting sightseeing places in the vicinity. Signage boards are hand-drawn at the store – all adding to the feel of “my neighborhood grocery store”.



Combined with friendly happy staff in Hawaiian shirts, the whole experience becomes a fun grocery trip instead of a necessary chore.

The end-result is happy, returning shoppers and a superior sales per square footage.

Trader Joe's stores outperform all other US grocery stores on sales per square footage.



Source : PNG Bank, Chainlinks, Retail Lease Trac

MONTHLY TOPIC - **TRADER JOE'S**

Product Assortment Strategy

*"We aren't a full-service supermarket and don't want to be."
Doug Rauch, President, Trader Joe's East, Jul 1997.*

"We are not actually a grocery store, or a health food store. We offer a limited selection of a lot of different foods, minus meat and produce. We cater to the well-educated people, many of whom by and large are interested in food and different ways of eating. Our customers are label readers and up-to-date on health issues. Take rice, for instance, we don't have 10 boxes of Uncle Ben's Rice, we have rice imported from Italy and India and offer special rice blends."

Pat St. John, VP Marketing, Trader Joe's, Jan 1995.

"Rather than carry, say, 15 brands of olive oil, we will choose our favorite and sell that one under our brand." Doug Rauch, President, Trader Joe's East, Jun 1996.

"I come here sort of secondarily. I buy meat and milk products at other places. But I come here for canned goods and cheese. I love the dry-roasted almonds. I'm a big fan." Sandra Godfrey, Trader Joe's Customer, Dec 2004.

"All of the private labels carried in, the stores are unique and consist of unusual recipes, all-natural quality ingredients and are nutritious. No artificial colors or flavors are found in any of the Trader Joe's products." Fairfield County Business Journal, Aug 1999.

The above statements are old to say the least but really not much has changed in terms of what Trader Joe's stands for today – except that they have expanded their overall assortment and also carry meat and produce offerings and some well known health-oriented National Brands.

LIMITED ASSORTMENT

Trader Joe's today carries about 4,000 SKUs, a number that has increased over the years but still is significantly less than any grocery supermarket. Roughly 2,000 SKUs are standard and another 2,000 come in new (replacing slow sellers) or seasonally.

Its core focus is on dry grocery and alcoholic beverages. Meat and produce have expanded to a somewhat decent though still limited offering. Yet they offer cultural variety and selections that appeal to fast growing consumer groups in the USA (Asians, Indians and Hispanic)

Frozen prepared meals stand out as a key destination as well as salty snacks, nuts, candy, cookies, deli cheese and vitamins. Most of these have high value per cubic inch on shelf.

SKU counts by subcategory vary from 1 to about 80 SKUs. The limited choice options facilitate the decision process for the customer who knows (s)he can hardly go wrong with her/his choice on quality, taste and price. Almost every product has a unique story to tell. Each store carries 60 to 70 percent of the items available through a centralized ordering system. Each manager chooses from a list of about 1,500 items at any one time and can carry local items.



Sources: Planet Retail RNG Trader Joe's Profile; Coriolis Research report - http://www.coriolisresearch.com/pdfs/coriolis_understanding_trader_joes_final.pdf ; Fortune.com article - http://archive.fortune.com/2010/08/20/news/companies/inside_trader_joes_full_version.fortune/index.htm

Product Assortment Strategy

REGULAR NEW ITEMS, IN & OUTS

It regularly rotates in new items and takes out slow movers. 5 to 10 new products hit the shelf every week and get special display in the “New Item” end cap display with sampling at the demo corner. Seasonal in & outs also bring new products to shelf and create excitement and discovery.



 100% Arabica Cold Brew Coffee Bags
8.5 Oz (241gr) resealable bag at \$5.99



 Smoked Salmon Poke Bowl 8.4 Oz (238gr) at \$5.99



 Bite Size Crispy Cookies filled with Belgian Chocolate 7.6 Oz (215gr) at \$2.49



 Peppermint flavored Ice cream 8 cones
7.9 Oz (224gr) at \$2.99



 Cucumber Avocado Body Butter
8.0 Oz (227gr) at \$4.99



Sources: Trader Joe's website

MONTHLY TOPIC - **TRADER JOE'S**

Product Assortment Strategy

AHEAD-OF-THE-TREND ITEMS

Trader Joe's usually is the first to bring out innovative novelty items and set the trend. Seasonal in & outs also bring new products to shelf. If successful, it expands the novelty to other categories as seen for broccoli, cauliflower, cold brew, beet, coconut, etc, etc



High Protein Veggie Burger
2 Pcs – 8 oz 226gr \$3.49



Frozen riced broccoli 15 Oz
(425gr) \$2.50



Cauliflower pizza crust 10.6 Oz
300gr \$4.00



Carrot Spirals 12 Oz
340gr \$3.00



Icelandic style yoghurt 8 oz
226 gr \$1.49



Just Beets 1.3 Oz (37gr) \$2.99



Beet Hummus 7 Oz 198gr \$2.49



Low fat Kefir Blueberry 32 Fl
Oz 946ml \$2.99



Spinach & Kale Greek Yoghurt
dip 16 oz 454 gr \$3.99



Maple Water 32 Fl Oz
946ml \$3.00



Organic virgin coconut oil 16
Oz 453gr \$4.99



Coconut cold brew coffee
concentrate 16 fl oz 473ml
\$4.99



Cold Brew Latte dessert bars
8.75 fl oz 259ml \$2

Sources: Trader Joe's.com; Pinterest - https://www.pinterest.com/search/pins/?rs=srs&q=trader%20joes&source_id=ers_8vsPR34W&utm_campaign=recommended_searches&utm_medium=2031&utm_source=31&utm_t=e047d8081175463e8114ca3345e8228c

Product Assortment Strategy

BEST PRIVATE BRAND PROGRAM

Instead of relying on heavy promotions and typical loss leader categories for driving traffic, Trader Joe's extensive, high quality, dynamic Private Brand program differentiates the retailer in the market, and acts as an image and traffic driver.

Its program delivers the banner promise and core values: to provide unique and great products from around the globe at an unbelievable price.

More than 80% of the products on shelf are under the Trader Joe's brand (or some name variations such as Trader Jose for Mexican origin products or Trader Giotto's for Italian style products).

The unique approach of creating consistency in using the Trader Joe's name with different variations of the brand allows the brand to carry over positive equities while meeting a variety of consumers needs.

PRODUCT UNIQUENESS

Each product comes with uniqueness in product specifications (having a product story to tell) and design generating the feeling there is variety and choice on the shelf while there is less so than in regular supermarkets.

The taste and quality standards are set very high throughout the entire assortment.

Every new product needs to pass approval from a dedicated in-house tasting panel.

As its website states, every TJ branded product comes with:

- YES quality ingredients
- NO artificial flavors
- NO artificial preservatives
- YES colors derived only from naturally available products
- NO MSG
- NO genetically modified ingredients
- NO partially hydrogenated oils (artificial trans-fats)
- NO "marketing" costs
- YES tasting panel approval
- YES great price

Pricing is set at EDLP – no promotions or couponing to keep it clean and simple for the customer.

In 2016, Deutsche Bank compared prices with Whole Foods and for a basket of 77 products. Trader Joe's was 21% cheaper. Trader Joe's Private Brand products were 15% cheaper than Whole Foods' 365 Everyday Value branded products.

HEALTHY FOODS

As listed above, both Trader Joe's branded products as well as National Brands on shelf have to adhere to strict health standards such as non-GMO, no use of artificial flavors, coloring or shelf life preservatives.

IMPORTED PRODUCTS

Trader Joe's seeks out authenticity. This regularly means importing from the country - region of origin best known for specific foods, drinks or particular ingredients. In doing so the SKU brings high quality, best taste or uniqueness. Chocolate comes from Belgium, frozen pizza from Italy...and Cheese (depending on the variety of course) from France for regional specialties, etc. These import products can sometimes be a hit and miss but the discovery process in itself is part of the attraction.



 Frozen Greek Spanakopita
Spinach and Cheese Pie
14.1 Oz (400gr) at \$3.99



 Thai Green Curry Simmer
Sauce 12 Fl Oz (355ml)
at \$1.99

MONTHLY TOPIC - **TRADER JOE'S**

Supplier Relationships and Supply Chain

Trader Joe's manages its relationship with suppliers predicated on enormous levels of trust and secrecy. Trader Joe's is a desirable retailer and a collaborative partner to suppliers, but is also well known as a tough hard bargaining retailer willing to discontinue products when suppliers insist that costs must rise.

They know they can identify another manufacturer if needed and still turn a similar profit. Trader Joe's prefers to use many suppliers in one category.

Specifically,

- it buys directly from manufacturers, in volume and multi-year contracts where meaningful so it can negotiate for a low price;
- It offers manufacturers detailed specifications for new products along with the price it will pay, but then leave it up to the vendors to create innovative high-quality items.
- The company always pays on time, offers a transparent procurement process, and doesn't charge shelving fees like traditional grocers.

In return, Trader Joe's expects from suppliers to

- Have a high level of secrecy even going so far as to force them to not publicly acknowledge their business relationship. Trader Joe's does this because it doesn't want other vendors, customers or competitors to know where it gets its products. In most cases vendors agree to this cloak of secrecy because they are typically producing a lower-cost version of a product for Trader Joe's than for their other customers, and they do not want to cannibalize sales of that product that are sold at other grocers.
- Meet Trader Joe's price point and agree to confidentiality on ingredients and pricing.
- Keep prices low and present innovative items in line with Trader Joe's initiatives.
- Must distribute directly to their distribution centers.

Another important way that Trader Joe's efficiently manages its supply chain is by relying on its successful Private Brand program.

This strategy not only lets Trader Joe's differentiate against its competitors and reduces its marketing costs, but selling their own in-house brands reduces the number of SKUs in its stores. This collapses the number of supplier relationships and leads to a more efficient and controllable supply chain.

Trader Joe's has Category Leaders (14 – 17 people) that function as buyers and category managers. The category leaders focus on supplier meetings and traveling searching for new products. To aid the category leaders, Trader Joe's developed "The Vision" document to ensure products always reflect the shopper's needs. This manual consists of:

- 10 -15 page buying philosophy.
- A Category Vision: written from the customer point of view (what do you want your customer to be saying).

One of the most unique ways Trader Joe's uses to source products is by employing 4 "Super Buyers" to travel the world focusing on delivering unique products across all categories.

- Find inspiration from restaurants, exploring global markets, international shows and countries supporting world dining flavors.

For supply chain, the manufacturer is responsible for bringing the product to a Trader Joe's distribution center.

- At the distribution center, trucks leave on daily resupply trips to local stores.
- Highly precise orders are necessary due to little room for excess inventory in the small footprint.
- Stores operate with a "virtual perimeter" where products are replenished but not processed or packaged in order to keep labor and shrink down.

Sources: Coriolis Research report - http://www.coriolisresearch.com/pdfs/coriolis_understanding_trader_joes_final.pdf ; MIT Sloan Management – *Trader Joe's Versus Whole Foods Market: a comparison on operational management* - https://ocw.mit.edu/courses/sloan-school-of-management/15-768-management-of-services-concepts-design-and-delivery-fall-2010/projects/MIT15_768F10_paper05.pdf

Staff

“It’s easier to love a brand when the brand loves you back” - Seth Godin from It’s Easier to Love a Brand

http://sethgodin.typepad.com/seths_blog/2012/07/its-easier-to-love-a-brand-when-the-brand-loves-you-back.html

“Loyalty is inspired. It is a response. It is an emotional connection. It is reciprocated. The greatest obstacle to brand loyalty is empowering staff to be fully present in a moment, so they can provide an empathetic solution beyond protocol. Brands do not inspire loyalty, people do. Empower your people to connect.”



The most important ways that Trader Joe's has maintained its success is by being sure to pick the right employees. Trader Joe's generally believes that a happy work force creates happy customers, and the company does everything to foster this virtuous circle.

Trader Joe's has a very selective screening process and seeks talented and motivated employees with a personality that loves people, with a shared passion for food and able to provide a high level of customer service.

To control costs,

- It has a lower head count in each location per dollar sales than its competitors. On average there are 6 FT staff and 20 PT staff with about 12 staff on-site.
- Trader Joe's has high expectations from its employees and expects them to multi-task without regard to their job description.
- There is no separate service department and limited bureaucracy.

While managing costs, it doesn't sacrifice cost for quality. Trader Joe's invests a significant amount into its employee relationships, making it consistently one of the most popular places to work, as evidenced by the large number of applicants for jobs there. For example, one store alone received 500 applications for just 50 openings.

Why is Trader Joe's such a great place to work?

- Above-average compensation (as of 2010 full-time crew members started at \$40- \$60,000 per year and store managers earn in the low six figures).
- Significant benefits to its employees that include health insurance, a generous employee discount (10%) and performance evaluations every six months with the potential for pay increases (7-10%).
- Time-off does not expire
- A company culture that is focused on collaboration, autonomy and fun: First, Trader Joe's labels its work staff as "captains" and "first mates" for store managers, "novitiates" for supervisors-in training, and "crew" for the rest of the staff. Employees go to work in Aloha shirts and seem to truly enjoy what they do. Being a part of Trader Joe's is almost like being a member of a cult.
- Trader Joe's has a Leadership Development Program designed to empower employees to make their own decisions about store operations and doing what is right for the customer (taste products themselves, open a package, bring groceries to the car, etc).

As Neil Stern, vice president of McMillan / Doolittle in Chicago says, "It's not only about the product but also an attitude and lifestyle that extends to people in the store... this makes them [Trader Joe's workers] markedly different from employees in traditional supermarkets. It's like being part of a club."

Sources: Time.com article What it's really like to work for TJ's - <http://time.com/money/5129985/what-its-like-to-work-at-trader-joes/> ; Reader's Digest article - <https://www.rd.com/food/fun/what-trader-joes-employees-make/>

MONTHLY TOPIC - **TRADER JOE'S**

Trader Joe's Customer Experience

In addition to unique products, Trader Joe's took an ahead of its time approach by making the experience part of the brand. While most discount and grocery trips were not classified as fun, Trader Joe's wanted the experience to act as its own traffic driver. Today it is known for its memorable, unique service that deliver a neighborhood feel.

NEIGHBORHOOD STORE LOOK

Rather than a well-designed, yet generic looking with a similar type of store lay-out that most supermarkets have, Trader Joe's draws you in with vibrant colors, a store lay-out that is somewhat diagonal yet functional, mural designs that reflect the locality of the store, store signs that are hand-drawn, friendly happy staff in Hawaiian shirts, 70-80's classics music, bells to communicate instead of speakers, etc

Their non-conventional culturally-tailored approach and attitude is one that is deeply embedded in the roots of their business model: from their packaging, product selection, store layout and graphics, to their vendors, employees and management. The Trader Joe's brand is diversity on steroids.

They are fearless in their approach to retailing and they are experts at explaining their unique product offerings to their customers with clever point-of-sale signage on the shelves (that many of their own employees create).

POSITIVE, VIBRANT ENERGY

All of the above elements add up to generate a vibrant, positive vibe that is hard to describe...nostalgia, escapism, socializing, fun....who knows.

INFORMATIVE AND ENTERTAINING

Trader Joe's provides its customers with as much information about its products as possible to create an educational shopping experience. Experience and information facilitates in the thrill of finding innovative products that become "shareable" due to unique facts about it.



Sources: Store Audits; Forbes article - *What Trader Joe's knows about making your brain happy* - <https://www.forbes.com/sites/daviddisalvo/2015/02/19/what-trader-joes-knows-about-making-your-brain-happy/#618768181213> ; Forbes article - *Why Trader Joe's Stands Out From All the Rest in the Grocery Business* - <https://www.forbes.com/sites/glennllopis/2011/09/05/why-trader-joes-stands-out-from-all-the-rest-in-the-grocery-business/#17f3a3094dec>

Trader Joe's Customer Experience

Mirroring the rest of Trader Joe's communication, the tone of all shelf communication stays fun and whimsical.

SELECTIVE MARKETING

Almost all Trader Joe created promotion and communication is done in store with no TV commercials, ads or social media run by corporate. The two main forms of marketing communication comes from Trader Joe's unique version of a circular called "Fearless Flyer" and from in-store shelf tags.

They offer the most consumer-friendly monthly newsletter, titled The Fearless Flyer that shares recipes, product origin stories and other non-traditional insights that further promote the treasure-hunt experience. They are passionate about introducing something new that in turn challenges potentially new and existing vendors to remain active in their innovation efforts. Besides some radio commercials, the only other non-store communication is done through its website. Trader Joe's does not have an e-commerce site because that would reduce the appeal of its stores.

FAST CHECK-OUTS

Though some stores can get really crowded at times, check-outs move fast and staff are very pro-active at opening up an extra check-out or helping out by bagging the products

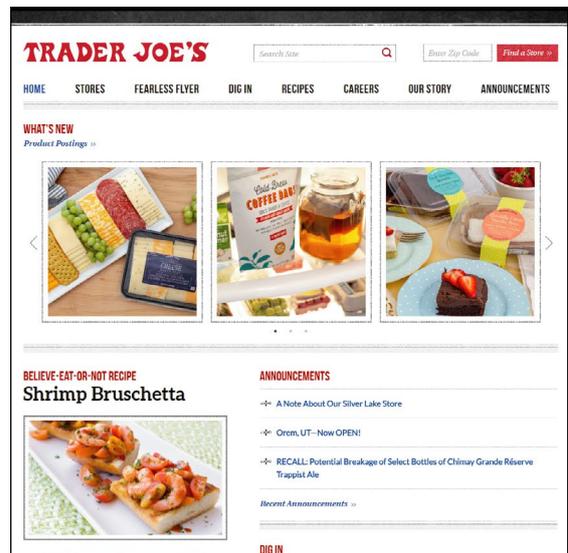
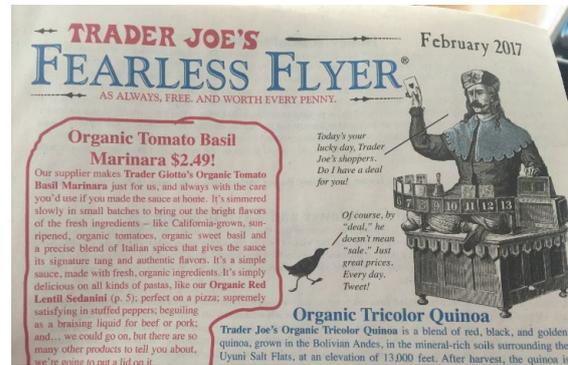
PRODUCT TASTING

Product tasting is the highest marketing expense for Trader Joe's. Food and drinks are constantly up for trial at the product demo corner. At any time, a customer can request for a product to be opened for tasting.

RETURN POLICY

Anything can be returned. No questions asked !

Sources: Store Audits; Forbes article - *What Trader Joe's knows about making your brain happy* – <https://www.forbes.com/sites/daviddisalvo/2015/02/19/what-trader-joes-knows-about-making-your-brain-happy/#618768181213> ; Forbes article - *Why Trader Joe's Stands Out From All the Rest in the Grocery Business* - <https://www.forbes.com/sites/glennllopis/2011/09/05/why-trader-joes-stands-out-from-all-the-rest-in-the-grocery-business/#17f3a3094dec>



Hereby a short recap of Trader Joe's success formula :

- Identify a strong brand identity and culture with a clear customer target.
- Hire the right staff, pay them well and keep them happy.
- Sell more from fewer (strong) products.
- Have profound product knowledge and create differentiated product lines with a story to tell under own private brand (avoid commodity products that only compete on price – hence scale always wins).
- Innovate - bring in new products regularly, imported products, seasonal in & outs.
- Create a unique, memorable fun shopping experience.
- Guard your unique identity and culture.

About Us

It is my pleasure to welcome you to Minerva Insights & Solutions.

Having worked 25+ years in the retail, consumables and intelligence industry, I noticed there is lack of curated, substantiated market intelligence and best practice sharing. Time-starved executives and managers are bombarded with daily newsflashes and “nice-to-know” market intelligence that fall short on relevance and actionability.

MINERVA aims to address the above issues and at the same time stay affordable to enable not just large but also medium/small sized companies to have access to quality market intelligence and consultancy in the consumables, private brand & retail space.

As we get going, there will be some areas for improvement. I invite you to provide your candid feedback and recommendations using our Contact form on www.isminerva.com.

We will address them as best as possible to meet your highest expectations.

Philip Cop
Owner - Minerva Insights & Solutions

Our Global Insights reports are published monthly.

The reports offer a curated compilation of relevant industry news, best practices, latest trends, new innovative product launches and global best practices from around the world.

It is highly recommended for anyone needing to stay up-to-date on the latest market dynamics, having to make strategic decisions in retail and product development in the consumables sector.

Fees are set for a single month (trial) or annual subscription.

- Single Month Subscription: US\$800
- Annual Subscription: US\$ 8,800
- Contact us in case you want a customized subscription.

Visit our website at www.isminerva.com

Consultancy Services

- Specific services available for retailers and manufacturers include
- Brand / Private Brand Consultancy
- Category Trend/ New Product Tracking
- Custom Research Online
- Brand, Product & Packaging Consumer Testing
- Overseas Study Tour Services
- Japan Market Entry Support

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GLOBAL INSIGHTS REPORT