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- » [Post a Job](#)

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- » [Women in Business](#)

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EXCLUSIVE REPORTS

Trader Joe's prospecting for up to 10 grocery locations

Sam Black and Andrew Tellijohn
Staff Reporters

Trader Joe's Co., a Monrovia, Calif.-based specialty grocer, is looking for up to 10 locations as it prepares to enter the Twin Cities, according to real-estate sources.

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Michigan, Indiana, Ohio and Illinois. It is about to open its 11th store in the Chicago area.

A spokeswoman at Trader Joe's East Coast office in Needham, Mass., refused to say if or when Trader Joe's plans to expand here.

Trader Joe's is a 35-year-old private company owned by a group of German investors. Hoover's Online estimates the company's sales at \$1.9 billion for 2001.

The company operates 193 stores, which are usually free-standing or in strip retail centers. They run from 9,000 to 11,000 square feet, about the size of a typical Walgreen's and much smaller than the typical 40,000- to 60,000-square-foot grocery stores operated by Cub or Rainbow Foods.

Trader Joe's uses a nautical theme in its culture; employees wear Hawaiian shirts and the walls are adorned with empty

Trader Joe's is well-known on the West and East coasts for its offbeat stores, private-label goods and low prices.

The company recently has expanded into Midwestern states, including



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shrimp crates. In company lingo, stores are called ships, managers are captains and employees are crew.

The stores sell fresh bread, produce, meats and cheeses, but generally don't carry Cheerios, Pepsi or Campbell's soup. About 85 percent of the company's products are the Trader Joe's brand.

Trader Joe's usually locates in areas where there is a high percentage of "very well-educated" customers, said Pat St. John, a spokeswoman for Trader Joe's. "We tend to do very well with people who are label readers and health-conscious people."

It's not that the company necessarily targets healthy foods — its stores sell cookies and chips — but Trader Joe's products don't include preservatives found in other packaged goods, St. John said.

Mike Sims, a retail broker at Bloomington-based United Properties, said he wasn't familiar with the company's plans, but estimated that even with an aggressive growth plan, it would take two to three years to secure local sites and build 10 grocery stores like those operated by Trader Joe's.

Changes in the Twin Cities grocery store industry have been few in recent years. Cub Foods, which is owned by Eden Prairie-based Supervalu Inc., continues to expand, as does SuperTarget. Whole Foods, an Austin, Texas-based natural-foods grocery store, entered the market with stores in Minneapolis and St. Paul, but scrapped plans to open three other suburban stores. "They were initially going to come in and blow the market open," Sims said.

Unlike many limited-assortment grocery concepts, however, Trader Joe's has been able to build a mystique for its products somewhat comparable to Beaverton, Ore.-based Nike Inc.'s athletic shoes and The Walt Disney Co.'s amusement parks, said Jon Hauptman, vice president and partner with Barrington, Ill.-based Willard Bishop Consulting Inc.

"What Trader Joe's effectively does is differentiate their store and their products from all competitors by creating stories behind their products," he said. "People end up buying the story as much as they are the commodity inside the package."

For example, on the company's Web site, Trader Joe's describes its new King Island Roaring Forties Blue Cheese as being full-flavored with a sweet, nutty character because it comes from Australian cows that eat only grass.

It was named for the Australian King Island's proximity to the 40th parallel and the gusty winds that roar across the island.

With many local grocers, including Kowalski's, Lunds and Byerly's, already sporting reputations for natural and organic

food lines, getting a first look from consumers will be a challenge for Trader Joe's. However, Hauptman said, once consumers try it, they'll likely be hooked.

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