

STYLE

"I don't like stores. I like sales"

'Trader Joe' Coulombe in conversation with Hunter Drohojowska



"Trader Joe" Coulombe, 55, lopes out to greet a visitor in the lobby of his company's main headquarters in South Pasadena. The walls are decorated with Monet posters and maps of vineyards in Germany and France, while stacked in corners and aisles are cases of wine, cheese, nuts and pickled red peppers — stock to be sampled and, if proved satisfactory, sent to the shelves of his 23 stores. Coulombe invented Trader Joe's — a low-priced gourmet-cum-health-food store — in 1967. He says his ideal customer is an "unemployed Ph.D., which happens to be a growing category."

Coulombe's business has grown to include 400 employees and trade \$100 million a year. He claims Trader Joe's is the largest retailer of Brie, of English cheddar and of private label wines in the U.S. Yet Trader Joe's still feels like the village corner store. Customers are lured by the bimonthly Insider's Report, written in droll fashion by Coulombe himself, advertising the best buys at his emporium.

As other personal touches, products are often named after his daughters, Charlotte and Madeleine. Neither they nor Coulombe's son, also named Joe, intend to continue in the business. Coulombe's wife of 32 years, Alice, is active in charity support for the Music Center and Channel 28.

Coulombe is a genial sort with quizzical blue eyes that suggest an eccentric scientist more than an entrepreneur. It turns out that his French-Canadian grandfather was an inventor; his father and uncle were engineers; and he calls himself "the black sheep of the family." He was the first Coulombe to be born in California, in San Diego.

Coulombe offers a cup of coffee and apologizes that instead of Trader Joe's marvelous French roast, it is "Folgers swill. The office ladies don't like strong-tasting coffee." And instead of cream, the ladies like Coffeemate. "I wouldn't use that stuff," he warns. "It's 50-percent sugar."

Hunter Drohojowska: How did you make the leap from following in the family tradition?

Joe Coulombe: I didn't really. I went to Stanford. And after I got out of business school in 1964 I was hired by the Rexall Drug Company to do some research for them on their ailing drug store chain, the Owl Drug Company, the biggest on the West Coast for about 40 years from the turn of the century. It was a typical old-fashioned chain drug store with a soda fountain. Sav-On had just come into this area around 1960 and was just taking it apart limb by limb. I was hired to do research on why. In the course of this, I discovered 7-Eleven stores in Texas and recommended to Rexall that they look at this form of retailing. Then I left and did financial planning for the Hughes Aircraft Company. Rexall invited me back as president of an experimental chain of 7-Eleven-type stores, which we called Pronto Markets. I built an experimental chain of six stores, and in 1961 Mr. Dart, the president of Rexall, decided to get out of retailing. I borrowed the money and bought the Pronto Markets from Rexall. We expanded the chain to 18 stores, and then in 1968 7-Eleven came to

By Style C-6, Col. 1

management that doesn't make mistakes is bad'

Style/Continued from C-1

California. I took one look at their balance sheet and one look at ours and decided I'd better get the hell out of the convenience store business. So I invented "Trader Joe" and opened the first one in 1967 in Pasadena. It was such a success we phased out the Pronto Markets, some of which I sold to 7-Eleven.

H.D.: How did you come up with the idea of Trader Joe.

J.C.: I designed Trader Joe to take advantage of two demographic trends. The first was the tremendous elevated levels of education in the U.S. in the aftermath of the GI Bill of 1945. I felt as these people went into the job market and matured, we would see a change in public tastes away from the station-wagon culture of the 1950s, which had been dominated by "I Love Lucy" and "Gunsmoke."

H.D.: Could you elaborate on that?

J.C.: Network television, the most powerful advertising medium ever created, homogenized the U.S. culturally to a greater degree in a shorter period of time than ever (happened to any culture) in the history of civilization. Society was dominated by whatever was advertised on television, which tended to concentrate power in the hands of the few large corporations which could afford it.

H.D.: How did this affect food consumption?

J.C.: It meant that you had Lever Brothers, Procter & Gamble, General Foods, Ralston Purina, a handful of huge conglomerates gaining control of the food supply. One of the dramatic examples is brewing. Budweiser, essentially, is the only beer company left in the U.S. There are a few others like Coors which it permits to exist out of concern for the antitrust laws. But the hundreds of regional brewers we had up until 1950 have all been destroyed. The reason for this was network television. But as educated people matured, I thought they would be less likely to watch "I Love Lucy." They would want to be different. Not better, but to do their own thing.

Secondly, I knew the jumbo jet, the 747, was going into production, and I felt it would radically drop the cost of foreign travel for Americans. We had observed in Pronto Markets that our customers who had traveled, just to San Francisco, had a greater tolerance for new things. It had nothing to do with income level. You still have the mossbacks who migrate between Pasadena and Newport Beach, and they still want to eat tom turkey and get drunk on three martinis and have no wine with their meals. They want to drink Folgers Coffee.

H.D.: How did that spawn Trader Joe?

J.C.: The name "Trader" was picked deliberately to evoke the images of the South Seas. That's why all the employees are dressed in Hawaiian shirts and the check stands are made of smashed-up hatch covers and barrels. So Trader Joe from the beginning featured the exotic. From the beginning all of our advertising has been literature, always written up, never down. It always assumes a considerable level of experience on the part of the reader. It assumes an open mind and a desire, a thirst, for knowledge.

H.D.: I can't help but notice the

old books on your bookshelves.

J.C.: I use that for artwork for the little piece of propaganda that comes out every two months, the Insider's Report. All of the art in our publication is out of a 40-year time window of approximately 1850 to 1890. Before that and after that, the mood of the world changed. All of our private-label art comes out of the same era.

H.D.: Why that particular time?



streetcar when the answer comes to him — says you think about something, then you forget about it deliberately so your unconscious can chew on it. What one hopes for is the ability to respond to events as they unfold. If nothing else, what you want to do is keep yourself in a posture so that you aren't so rigid that you get wiped out when your forecasts go wrong.

H.D.: How has Trader Joe's

rising levels of education. We aggressively began developing specialty foods, in the sense that they were foods of broad consumption but high quality. Oil, for example. Trader Joe is probably the best place in the U.S. to buy cooking oil: safflower oil, peanut oil, grape seed oil, walnut oil, as opposed to Wesson oil. Our oils are cold-processed, which means they haven't been heated. They haven't been treated

ing, it has lost its market to cable, to public broadcasting, to cassettes of old movies, and the homogenization is breaking down. Increasingly the supermarket chains are looking obsolete marketing Best Food mayonnaise. They are having difficulty coming to terms with the fact that people don't want to have the same thing as everybody else. They must adjust or they must deal with a steadily shrinking demographic base.

H.D.: How do you choose the wines and liquors?

J.C.: We taste 4,000 wines a year here at the office. Our head wine buyer and his assistant and whichever of the officers we can gather together make decisions. We don't have a cumbersome buying process. That's one reason people come to us. They know we'll give them an answer in 24 hours and pay cash.

H.D.: I understand you deal in cash in foreign currencies.

J.C.: There's my chart of the Swiss franc right over there. I can't tell whether the wine was grown on the east or west side of the hill. The important thing is whether we can judge if there will be a public for it. The important thing is all this accumulated — not only sensory experience, but commercial experience. And then we get fooled. For instance, we roll along for years with Portuguese roses like Mateus, being money in the bank and they collapse. We can't give 'em away now. There are changes in what the public wants. Yago Sangria, tremendously successful in the '70s, you can't give it away today. One thing I learned at Stanford is any management that doesn't make mistakes is bad management, because you aren't pressing the limits.

H.D.: How do your personal politics and philosophy affect the way you run your business?

J.C.: I believe in free people and I do not believe it is possible to attain political freedom without free markets. That's one reason we're fighting so hard now two bills before the legislature — Senate bills 589 and 1211 — which would create monopolistic territories on imported wines and all kinds of beer. I don't think either of these bills would hurt Trader Joe. But I don't believe that in the long run you can attain political freedoms if you permit economic freedoms to be handed over to large corporations. I sold the business six years ago to a very wealthy family — the Albrechts of Germany — but it doesn't change that. The equation is to maintain personal freedom. Whether you're a big corporation or not, in the long run you harm your own personal freedom if you go running to the government to solve your problems. It is very discouraging to see businessmen who always complain about welfare recipients to be the first in line in Sacramento whenever they have a business problem.

H.D.: Are you a Democrat or a Republican or either?

J.C.: (Laughs) We haven't been offered one hell of a lot of choice. The last presidential candidate for whom I was really enthusiastic was George Romney in 1968. I frequently vote for Libertarian candidates, not because I think they will ever win, but to keep the Libertarian Party on the ballot. I believe it offers interesting alternatives for society. I really don't see any difference between Reagan and Tip O'Neill. We have reached an impasse. The moment is coming for the country to face up to some very serious problems to which there may be no solution. Not all problems have solutions.

I don't believe that in the long run you can attain political freedoms if you permit economic freedoms to be handed over to large corporations. I sold the business six years ago to a very wealthy family — the Albrechts of Germany — but it doesn't change that. The equation is to maintain personal freedom.

J.C.: That was an era of technological stability. Starting in 1880, the world went through a series of technological shocks that are very much like what we are experiencing today. I believe we are reliving the late 19th century. The computer is shaking up our world in the same way the electric current or the internal combustion engine destroyed the world of the 19th century. That's one good reason to use art from that time, more or less comparable to ours, where every time you turn around an established industry is going in the tank — automobiles, steel, glass, tires, copper. You don't get a sweeping impression of it because so many new industries, like satellite dishes, or videotape recorders, or biogenetics, or bacteriological mining, or fiber optics come along. It's a time of great turmoil.

H.D.: What sorts of material do you read that form your view of the world?

J.C.: The two books I always quote when I lecture at business schools are "The Revolt of the Masses" by Jose Ortega y Gasset, which was published in 1930 and reads like it was published yesterday, and "The Guns of August" by Barbara Tuchman, which was written about 1960 and deals with the first 90 days of World War I. Right now I'm reading Jean Renoir's biography of his father, Auguste, "Renoir, My Father," which was written in 1959.

H.D.: These do not seem the reading of the average businessman. How do you happen to choose such books?

J.C.: Most business writing is hopeless. It's contemplating your own navel. I certainly do read Peter Drucker. I regard him as a primary source.

But I don't think the cultural stereotypes of businessmen have kept up with the facts. I have a lot of respect for anybody who could run a large enterprise.

H.D.: Back in 1966 when you were forgoing Trader Joe's, you could see a trend others could not. Was this based on intuition? Or did you do studies?

J.C.: I don't know if one can really draw a dichotomy between intuition and reason. Every study of how to solve a problem — going back to Einstein sitting on the

evolved over the years?

J.C.: First of all, the atmosphere of the U.S. became much more serious. About 1970, with the Kent State shootings, going into the collapse of the dollar, the whole Nixon episode, in which the destruction of the currency was more important than Watergate in my book, the atmosphere of party and exotic travel in which I'd created Trader Joe was no longer appropriate. By contrast, it was the peak time of Ralph Nader, and people like Adele Davis and the health food movement, so we shifted into health foods very rapidly. Without hesitation we grafted raw milk right on top of bourbon. The next change was the deep depression of 1974-75, which was extremely serious. Coming out of that in 1977-78, the grocery industry was deregulated. For 45 years, the entire grocery industry in California was built around two laws: fair trade on milk, where the state fixed the price guaranteeing everybody a profit, and fair trade on alcohol, where the manufacturer fixed the price and the state enforced it. The whole food business grew up around the idea that you sell Best Foods mayonnaise at cost to get the suckers in the store to sell them milk and alcohol. Well, within a period of 18 months both of those laws were struck down between 1977 and 1978. We had to considerably change, because between milk and alcohol we were talking about 50 percent of our sales. I welcome free markets, but that doesn't mean it wasn't traumatic. Indeed, we're continuing to see the disappearance of small and medium-size supermarket chains who could not adapt — Thriftmart, Dales, all gone.

H.D.: How did you survive?

J.C.: We've always been this weird, offbeat deal. We survived by planning as soon as the cloud appeared on the horizon. I spent six months in 1977 traveling to other parts of the country which didn't have fair trade, studying other operations, and above all, simply thinking. We began changing our operations in 1977. Before fair trade was formally struck down by the Supreme Court. My answer was to become much more of a food merchant but not Folgers or Best Foods, because those markets were being destroyed by the

with chemicals. So cooking oil, a pedestrian, everyday fact of life, is something that Trader Joe has taken and tried to pack value and uniqueness into. The same is true of our mayonnaise. We carry only Trader Joe's mayonnaise, which doesn't have sugar, monosodium glutamate, artificial preservatives or coloring in it. A great deal of the health food movement was demanding a higher standard of quality.

H.D.: Who manufactures the Trader Joe products?

J.C.: A host of small suppliers. We do business, for example, with eight little bakeries. We work with these people on their formula, their recipes. This morning, for example, we were offered a snack mix that is sold in the health food stores as Oriental party mix — Japanese rice crackers, and dried peas, and so forth. The stuff had monosodium glutamate, artificial coloring, a lot of other garbage. We went back to the manufacturer and asked why. So this morning, I got samples to taste of this snack mix that didn't have the garbage in it.

H.D.: How did it taste?

J.C.: Better. It didn't taste as salty. So we have this continual interplay with people from all over the world. We have a pretty high profile in the world now, with a constant stream of offers by telex, by telephone, by letter, and personal visits. Then our eight buyers travel quite a bit all over the world.

H.D.: How many stores do you have now?

J.C.: We have 23, which is only five more than we had in 1966. I don't like stores. I like sales. We're opening another store in Hollywood in September, but we don't like to have our stores closer than about 20 minutes apart. People are willing to drive long distances to shop with us, so we feel we've just about exhausted the potential of the Los Angeles basin and we'll be going to the San Francisco area in the next years.

H.D.: Although you believe in small business, you've had to expand.

J.C.: The segment of the well-educated, well-traveled community has grown, so the opportunities are much greater than in 1967. And it is our opinion that it will continue to grow. Network television is collaps-