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[Case Study] The Truth Behind Trader Joe's Supply Chain

Trader Joes positions itself as an offbeat grocer that's (somewhat) locally-minded, but rumors about the company's less than honest practices have been surfacing as of late. These days, consumers want to know where their food is coming from – whether it's farm to table or a change in the label. Trader Joes may be subject to more scrutiny based on its branding tactics – sorry, it's about more than just the "[two-buck Chuck](#)," TJ!

Read on for a detailed look at the truth behind Trader Joe's supply chain and just why the grocer is so notorious.

The Situation



Image via [Flickr](#) by pdbg

[Forbes](#) said of Trader Joe's: "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."

It's Trader Joe's aggressive branding that's actually gotten them into trouble in the recent past. What the company markets as unique products, many know to be re-packaged, re-branded items. Additionally, reports that Wal-Mart owns Trader Joe's have led many to feel duped by the otherwise progressive company.

The Approach



Image via [Flickr](#) by jadepalmer

Trader Joe's is actually [owned by](#) a German company and food supplier known as Aldi. The company began in 1958 operating under the name Pronto Markets. Later, the privately owned company officially changed its name to Trader Joe's in 1967. Shortly after, the grocer opened its first store under the new name. Today the company has more than 400 stores located throughout the U.S. It's a tiny empire that's carefully managed.

According to [Fast Company](#), "[Trader Joe's] relies on tightfisted cost control, a function of low-rent real estate and 2,000 private-label products. Then there's thoughtful product selection: everything gets tasted first, either by one of 10 buyers around the globe or by employees in the Monrovia, California, offices. And it's all wrapped in an offbeat yet homey style meant to attract educated, hip consumers and employees."

For some consumers, it's the "wrapped in" part that sparks controversy. Many loyal shoppers believe the Trader Joe's branded products are actually produced by the company. The truth? The company actually sells other brands under their own label.

Impact and Advantage



Image via [Flickr](#) by flippinyank

Although re-packaging isn't necessarily a bad thing – especially for pricing – many passionate patrons feel misled by the magic of Trader Joe's. The company feels homegrown – in fact, many stores actually paint the insides with murals featuring local street names and hot spots. People actually think mom and pop are supplying the goods for the shop.

However, the company firmly believes the impact and advantage of re-branded goods is what creates its loyal following. The quirky, boxed grocery foods attract attention, but customers are sold on the low cost. Trader Joe's purchases directly from big-name food suppliers under a cloak of Hawaiian-shirted secrecy.

It's a [mutual relationship](#) that allows the suppliers to keep making money even when consumers choose to shop at an unconventional grocery store that might not carry their products otherwise. Trader Joe's is able to purchase at cost and mark down the items instead of spending millions manufacturing its own.

The truth behind Trader Joe's supply chain isn't a new one. Many businesses re-package products to save on production. For Trader Joe's, the secret isn't in the sauce – it's in the branding.

What's your opinion on Trader Joe's and its supply chain? Share your thoughts with us.

What's Next for the U.S. Export Promotion Program

The latest U.S. Export Promotion Program features benefits for small businesses. However, recent news shows the program will also take strides to help bigger companies. The program will enter its next phase this year as the latter half of the mission that began in 2010.

Read on for more on the next stage of the U.S. Export Promotion Program and how it will affect trade operations in America, as well as overseas.

A Summary of U.S. Export Promotion Programs

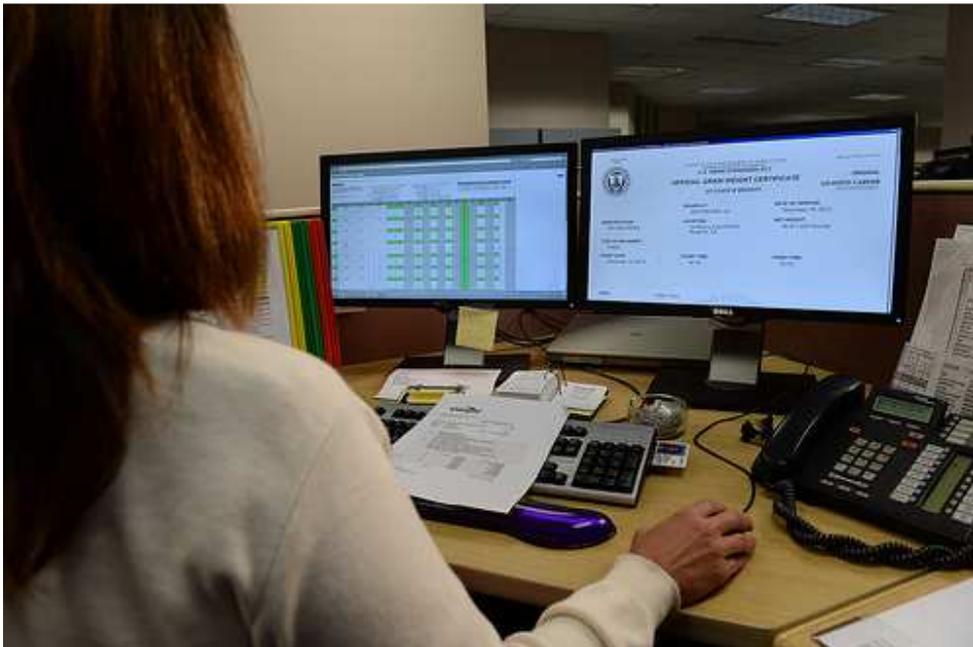


Image via [Flickr](#) by USDAgov

Export promotion plans have existed in many forms in recent decades. The latest program on the table is known as the National Export Initiative (NEI). According to [Forbes](#), "The NEI/NEXT [phase of the program] intends to help American businesses reach out to customers outside of the U.S. and take advantage of opportunities in the global markets."

The program, set in place by President Obama, outlines the need to back American exporters that sell goods to consumers outside of the U.S. market. These buyers account for 95 percent of the trade market. The deal aims to provide, among [many incentives](#), improved export financing, as well as education on and enforcement of U.S. trade rights.

The NEI also promises to boost the U.S manufacturing and transportation sectors through increased production and transport of goods. In turn, officials hope to boost the economy through job growth.

The Impact on Exports



Image via [Flickr](#) by János Balázs

The NEI influences both U.S and global trade trends. Here's a look at how the program benefits world-wide exports:

U.S. Export Benefits

The U.S. trade benefits from the NEI are vast. However, the main influence of the program is economic growth. Increased exports relate to business development and increased manufacturing numbers, which support the need for additional jobs. Additionally, increased exports sustain the U.S. as a global trade power and strengthen its role in the global market.

Global Export Benefits

In turn, through incentives that push U.S. goods overseas, U.S. companies enhance their partnerships with foreign investors. Furthermore, imports to the U.S. are slated for a reactionary increase, as well.

A [White House brief](#) from September 2010 notes, "Accordingly, exports can be expected to rise rapidly as the world recovers from the economic crisis. In support of this, the [International Monetary Fund] IMF forecasts imports of advanced countries to grow by 7.2 percent in 2010, while emerging and developing country imports are forecast to grow by 12.5 percent."

Indeed, imports have continued to grow – a sign that global partners continue to benefit from the 2010 program.

Small Businesses Trade Competitiveness



Image via [Flickr](#) by ShashiBellamkonda

Supplemental state-level programs promise to give small businesses a competitive edge in the global market. The State Trade and Export Promotion (STEP) in particular addresses the one percent of U.S. small businesses that export overseas and aims to streamline their trade processes through incentives and additional tools.

Specifically, the government will award grants to small businesses intended to give them an edge up in the market. According to [U.S. Small Business Administration](#), "The first round of competitive grants was awarded in September 2011, for performance during the period October 2011 – September 2012. In the first round, SBA awarded 51 grants totaling \$29 million. The average value of awards was \$568,000." Awards will be disbursed throughout 2014 as well.

Officials believe the next phase of the NEI will continue to boost U.S. exports; however, the growth is likely dependent on the companies that participate in the program by accepting grants and financing.

Will the U.S. Export Promotion Program affect your business? Is the impact positive or negative? Share your thoughts with us.

[Case Study] The International Business of Off-Price Retail

In many cases, international corporations have an edge up on local and national-only businesses for their ability to mass produce and ship items. Off-price retail is an especially competitive industry. It's one in which the best brand for the best deal wins; however, it seems where and how these companies conduct business matters too. Here is a detailed look at the international business of off-price retail and just how these giants stack up against the little guys.

The Situation



Image via [Flickr](#) by quinn.anya

Stage Stores, a small town, American off-price retail chain, was recently [purchased by Steele's & Deals, LLC](#) of The Hilco Global Retail Group (an asset management group). Stage Stores will be absorbed in Steele's & Deals – an off-price retail chain located throughout southern America. Already similar to Steele's & Deals, Stage Stores owns southern American bargain brands such as Bealls, Palais Royal, Peebles, as well as the Stage department stores.

The Approach



Image via [Flickr](#) by JeepersMedia

For national chain stores like Steele's & Deals and Stage Stores, investors know there's strength in numbers. Teaming these brands created an invaluable network that stacks up stronger against international off-price retailers such as TJ-Maxx (TJX).

For example, according to the [Motley Fool](#), "one of the beauties of TJX, compared to Ross, is that it already has a broad geographical profile. The company has stores spread across North America and Europe. It also has a stronger product diversification portfolio, thanks to its home goods stores."

In order to contend with these merchandising monsters, Stage Stores needed to expand to reach its full growth potential.

TJX Corporation defines itself as a global brand that reaches a larger customer base. The retailer has more than 3,200 stores located throughout North America and Europe and three online sites. A similar advantage exists for Overstock.com, an online-only off-price retailer that ships to countries throughout the Americas, Europe, Asia, Middle East, and Africa.

Impact and Advantage



Image via [Flickr](#) by toolstop

Both TJX and Overstock continue to produce profits quarter after quarter. In fact, in Q1 of 2014 [Overstock.com reported a gross profit](#) of \$64M. Conversely, in the shadow of these larger companies, brands like Stage Stores are faced with net losses. Stage Stores reported an \$18.8 million net loss for the first quarter of 2014 alone.

However, interestingly enough, according to [Overstock.com's investor FAQ](#), "Overstock.com operates one warehouse that is approximately 633,000 square feet. It is located in Salt Lake City, Utah." So, how exactly do brands like Overstock.com rub out the competition with only one distribution location? By diversifying and reaching a larger international market. Like TJX, Overstock has more than one product and has even expanded to sell cars.

The Hilco Global Retail Group recognizes the advantage in expanding and likely extended the Steele's & Deals portfolio for this reason. Although it remains to be seen if Steele's & Deals and Stage Stores will become a global brand, the merging of these companies certainly helps them improve their position in the off-price retail space.

Do you source from an international or local supply chain? Do you think it hurts or helps your business? Share your thoughts with us.

Tech Companies Work to Flat Line Future Heartbleeds

Tech companies are vulnerable. They're a part of an industry that's already tasked with remaining competitive in an ever-changing market. Not only do they face the pressure to fulfil orders while ensuring supplier costs are low, they also experience external threats as well.

Enter: Heartbleed, the Internet bug that recently rocked the tech world when it was first discovered in early April 2014. Read on to learn more on how tech companies are working together to fight back against future vulnerabilities.

How Bugs Affect All Companies



Image via [Flickr](#) by Bitterjug

These days, almost every company is a tech company. That is to say, almost every business has a website and many manage their sales solely through an online portal. The security of these websites is just as important as the security of the tech devices that access them.

Even if an establishment isn't a tech company per se, the business' daily operations are likely still executed by computerized tools, and these tools are often defenseless to unforeseen bugs.

Data stored is data hacked, it's all in a day's work for the Heartbleed bug. According to [Information Week](#), that's exactly the problem, "the larger issue is that most companies haven't properly catalogued the technology they're using to manage traffic to both in-house applications and purchased software."

Unsecured and unchecked software is bound to affect manufacturers whether it starts in their warehouses or through the portals of their online stores. Many companies fail to properly evaluate their technology, and hackers take advantage of their inattention.

Security Threats in the Midst of Manufacturing



Image via [Flickr](#) by medithIT

From online marketplaces such as eBay to tech manufacturers such as [Cisco](#) (routers), Internet bugs pervade all aspects of manufacturing and distribution. If consumers don't feel safe buying online, online stores suffer and over manufacturing results in net loss. If access points, such as routers, can't defend from hackers then the tech companies must re-manufacture their devices.

Techies understand the potential losses associated with security threats like Heartbleed; therefore, it's inevitable that computer giants would band together to solve the problem for not only the innovators, but for businesses overall.

Funds for Future Heartbleeds



Image via [Flickr](#) by Electronic_Frontier_Foundation

Microsoft, along with Google and Facebook, has [started a fund](#) for research regarding other prospective threats. The funds will be used specifically for research on OpenSSL, the website feature that helps prevent hackers from accessing secure website information. It's a standard

protocol used by millions of websites, and its vulnerabilities are exactly what future bugs like Heartbleed will continue to target.

Whether the funds will actually deter hackers remains to be seen -- but, as for those affected manufacturers, suppliers, distributors, and consumers, at least it's a start.

There will always be anonymous users and automated programs that prey on the Internet's and manufacturers' weaknesses. Exploring intelligent design is the first step in keeping tech assembly lines running smoothly – no matter what aspect of the company is affected.

What more could tech companies do to flat line potential Heartbleed bugs? Was your business impacted by Heartbleed? We want to hear from you. Share your thoughts and stories with us.

Related Procurement Events

Certified International Procurement Professional (CIPP)

17-19 November 2014 – Singapore

23-27 November 2014 – Dubai, UAE

8-10 December 2014 – Hong Kong

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<http://www.ethanhathaway.com/training/certified-international-procurement-professional-cipp>

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