

Daily Table: How a Former Trader Joe's Executive is Creating A New Grocery Store Model that Offers Healthy Food—and a Dignified Experience—to Combat Hunger

AN INTERVIEW WITH

**Doug Rauch, Former President of Trader Joe's
and Founder of Daily Table**

Doug Rauch spent 31 years with Trader Joe's Company, the last 14 years as a President, helping grow the business from a small, nine-store chain in Southern California, to a nationally acclaimed retail success story. He subsequently founded Daily Table, an innovative nonprofit retail solution tackling hunger and obesity by using excess, high quality food that would otherwise be wasted. Amy Ahearn from Acumen sat down with Doug to understand how he has applied lessons from his extensive retail career to build an enjoyable shopping experience that promotes dignity and helps low-income customers access nutritious, affordable food.



This interview was produced as part of [The ReFED Nonprofit Food Recovery Accelerator](#).

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AMY AHEARN: *Can you start by describing how Daily Table came about? What specifically motivated you to move from Trader Joe's to founding this organization?*

DOUG RAUCH: I worked for Trader Joe's for 31 years. I brought their stores to the east coast in 1996 and became the national president. I traveled a lot. In 2008 I "graduated" from Trader Joe's and wasn't quite sure what I was going to do next. I thought that maybe I'd just sit on some boards. However, a few months into retirement, I didn't feel like it was going to be a very satisfying, three-dimensional life.

So when an opportunity came along to join a fellowship program called the Advanced Leadership Initiative at Harvard, I decided to pursue it. This fellowship was about taking people who were at the end of their careers and letting them audit classes and work with faculty and students. By the end of it, you were supposed to let the faculty know what you were going to do about a major social challenge.

I thought, "Oh, I like that word do. What can I actually do? I'd love to figure it out."



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Everywhere you look there are problems—whether they relate to the environment or health or other things. But I know the food system really well. In my career at Trader Joe's, I worked my way up as a buyer and created the private label food program. I got to work very proactively with the food industry from growers to manufacturers to distributors. When I was driving into Harvard for this fellowship everyday, I kept seeing this billboard by the Greater Boston Food Bank that said: "One in six Americans are hungry." I thought: "What the heck? How can one in six Americans be hungry in the richest nation in the history of the world? It must just be a logistics problem."

This was January of 2010 and we had 49 million food insecure people. I started thinking that maybe there's something I could do, maybe there's something I can put my knowledge in the food industry towards. I started looking into it and out of that sprang Daily Table.

AMY: So how has Daily Table grown and evolved since then?

DOUG: I started off with the very wrong idea that hunger was a shortage of calories. I assumed that all we had to do is find a way to get any food to people, and hunger will be solved. My original idea was to go around to

supermarkets, pick up their day-old bread in a cost-effective way, and bring it into the food banks around the country and let them distribute it. That's how hunger would be solved in America.

Well, needless to say, it's a little more complex than that.

I remember having my very first conversation with Catherine D'Amato, the president/CEO of the Greater Boston Food Bank, ten years ago and telling her that I wanted to collect this bread and bring it to them. And she said: "Well, you know, we really don't need more bread."

I was like: "What do you mean, you don't need more bread? I just read on the billboard that one in six Americans are hungry! It'll be whole grain bread. We can always use a little more bread!"

But we really don't need bread. That was my first learning.

Catherine told me that what the food banks really needed were things like fresh produce, protein, and clean dairy. I did research at The Kennedy School and Harvard School of Public Health and realized that hunger in America is really not a shortage of calories, it is a shortage of nutrients.

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AMY: *How did this learning begin to translate into a solution?*

DOUG: I had a conversation with Vicki Escarra, who was the CEO of Feeding America. I asked her about what challenges that Feeding America faces. She talked about many things, but one that stuck with me was that, in 2010 when we were speaking, 38% of the population eligible for food stamps were not taking them.

I said, "Why is that? What's the deal?" I'm thinking, "Is it logistics? Like there aren't enough food banks nearby? Is it language? Is it immigration issues? Maybe people are afraid that if they register for food, they'll be deported? I mean, who knows?"

She said: "Oh no, it's much simpler than that. They're ashamed or embarrassed."

That was shocking to me. 38-40% of people eligible for a service but not taking it is a



IMAGE CREDIT: DAILY TABLE

huge number. It made me realize that any solution that we come up with that's going to try to tackle this issue of hunger and the shortage of nutrients has to create a dignified experience for people; otherwise you're going to miss out on close to 40% of the population who needs it.

AMY: *How did you create that dignified experience?*

DOUG: One of the fundamental challenges of the nonprofit model is that there's a power differential inherent in the exchange: I'm the giver, you're the receiver. I'm the one in a position to give to you who's in need. And it's not an equal. We're not friends. This

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is something I could withhold from you. This is something where you have to qualify for my services, whether that is explicit, or implicit.

If you're going to a food bank, it's implicit that you're struggling economically, and you need it. Otherwise, why would you go? The very stigma keeps the rich from taking advantage of it. Most food banks don't ask for your W2 or your 1040 tax forms. There's no means testing because it's already so embarrassing to many. Who would ever go get free food if they didn't need it?

One of the nice things about the retail model is that it's all based on voluntary exchange. Voluntary exchange means you're free to shop at a Trader Joe's or Whole Foods or Safeway or wherever. No one is coercing you to go in there. They've got to earn your patronage. The power is in the hands of the customer.

So I thought: What if we create hunger relief that masquerades as a food market? You have to come in and buy stuff, but as a result, we've got to earn your patronage. The customer has the power of the purse. At the time I was reading studies from Cornell University showing that in school cafeterias and other areas, if you give somebody a product, they won't use it more times than

not. An apple every kid is forced to take goes right in the trash in the school lunch line. However, if you get a kid to choose the apple, they eat it. If you choose it, you use it.

In retail, if I can basically nudge people into buying healthy food, they're more likely to actually use it, than if I just give them a box or a bag of free food. If I give you a box of kale you might look at it and say: "I don't eat that stuff," and you throw it out. There's no investment. If you buy it you'll value it differently.

Another thing I had learned at the Kennedy School was that in the nonprofit sector up to 75% of top managers' time and energy is spent on fundraising. Without this constant and continual fundraising, they're dead. That's a broken business model. If any other major business like Trader Joe's had management who had to spend 75% of their time on activities other than creating a better product or service for a customer, no one in America would have ever heard of them and the marketplace would have crushed them because competition is just too fierce. So I thought, well, what if we could create a nonprofit that was a hunger relief response that we could actually get funded by the delivery of our

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mission instead of having to fundraise for the delivery of our mission? It would be a win-win-win to create a retail storefront as a nonprofit. We really don't care about being profitable for the sake of returning capital to shareholders. What we care about is that the customer has a dignified exchange. Because they purchased it, they've got skin in the game for using the product.

If we do things right, every shopper is a funder. And in the process, we can get our revenue and our expenses in line and become sustainable. Then we can

be scalable. One of the other big challenges in America is that there are virtually zero scalable solutions to hunger. There are food banks popping up all over the place, but they are funding black holes and they're not scalable. I really wanted to figure out how we could create and generate a scalable, dignified response to hunger.

AMY: A lot of those insights really resonate. I'm curious, though, you're transferring all this retail expertise from a traditional for-profit model into the nonprofit sector. It strikes me that you really have to innovate to make people want to buy something that is good for them. You have to make healthy products desirable to the end user. That's different than in a profit-driven grocery business

where you could generate profits from things that might be easier to sell like junk food. How have you created products that are desirable to people but also good for them?

DOUG: Customers give us instantaneous feedback. If they don't like the way something looks or tastes, they don't buy it. They might buy it once, but they don't buy it twice. So it's not like we're giving them handouts and they never tell us that they threw all the kale out. We don't have to go do surveys and follow-ups and ask if they really ate the kale and

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how much of it because their money is hard-earned and there's a lot of data showing that, among the lower economic rungs, if you're buying something, you're consuming it at a much higher rate. There is much less food waste because you just can't afford it. To make something desirable to people, it's all about experimenting and getting that constant feedback.

To create things people want, the first thing we do is we hire from the community. Both our executive chef and our sous chef and others were from the community. Our sous chef had run his own little small Jamaican restaurant for 10 years and came to work for us. A large part of the community that we serve are islanders from places like Jamaica and Haiti. One of the big learnings we had was that, unlike in the rest of America, beef is not the most popular protein in our store. Fish outsells chicken, which is really unusual. There aren't too many other markets in America where fish is the number one protein people desire.

You hire people who are from the community to help create meals that obviously resonate with the community and then you watch the sales. You listen to customers. This is one of the great things about social media. We put our weekly offerings on Facebook and customers will

jump on right away and tell us what they liked and what they didn't like.

The funny thing is that literally the exact same product will get two opposite responses. One is often: "Oh my god, everything they have is just way too spicy." And the other response is often: "The food is so bland. There's no spice to it at all."

It's literally the exact same product, but it all depends upon whether the customer is an islander who likes a lot of spice or a traditional New Englander who will be dying if we season something just a little bit. We laugh about it, but we learned that if we tried to be Goldilocks and put the level of spiciness right in the middle, nobody's happy. We now put stickers on the food that is really spicy so people can easily find something that matches their preference. Again, you're trying to figure out what our customers really want.

AMY: As you've tried to figure out what customers want, has anything really surprised you?

DOUG: The average customer walking in our store knows more about nutrition and what they should be eating than I thought they would. From the beginning, we put in a teaching kitchen and run several demos a

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week free of charge to the community. We've had thousands of people come through the kitchen to learn about nutrition. That's all great, but as it turns out, the vast majority of our customers know that having soda for breakfast isn't a brilliant idea. They know they should get more fruits and vegetables in their diet. What we've been able to demonstrate is that if you remove

the economic barrier to healthy food and you truly make that good food competitive in price with fast food, a large part of the community will increase their consumption of fruits and vegetables.

Desirability is tied to economics. People of all classes are addicted to fat and sugar. I've read that Warren Buffett wakes up in the

morning and has a Coca Cola. You don't have to do something to wean low-income people off junk food that is different from how you'd change the behavior of anyone else. You just have to make the right choices affordable, and then trust people to make the choices that are right for them.



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AMY: Let's talk more about affordability. What is the business model powering this store? Customers obviously pay for food, but you've managed to make it a lot more inexpensive than other grocery stores. How did you do this? Does the model still rely on philanthropy?

DOUG: The business model took a very sudden and dramatic shift for us. My original concept was to go out and collect food from supermarkets when it had passed the sell-by date. Anyone in the food industry knows that that food is still good for an extended period of time. If you store something properly, it can often last seven to ten days beyond the printed date-or more! The rare exceptions are with fresh fish and raw meat, and a few things like that, but we are wasting tens of millions of pounds of food in America based on code dates.

So my idea was to go out and collect this food that is perfectly healthy and nutritious and bring it down into the inner city and offer it for pennies on the dollar. It's a great idea in concept until you realize that hardly any Americans across all economic classes really understand code dates. They don't trust using product past them. They are not sure what is really safe. And so you run up against that issue of dignity that I talked about. I started to do these inner city community meetings to share the concept

of the store. At one meeting we had 150 people and I was talking about how the store was going to be opening in six months. The conversation was going well until a woman stands up and says, "Listen, I don't want this taken the wrong way, but I hate this idea. Why do we always get the seconds of everything here in the inner city? Why do we always get the hand-me-downs? Why can't we get a first grade store with first grade product?"

It was a fair question.

"We're going to create a nice food store," I said, "It's going to be like a first rate store."

"Yeah," she said, "But you're going out and collecting the food that everyone else is gonna throw out. I don't like this idea. I don't care if it's safe or not. I just don't like the idea that we're getting hand-me-downs."

About 15% of the group really agreed with her. Another 75% said that they understood the logic behind the store and would try it out. Then maybe another 10% or so would say that they would check it out when we started.

Well, before we opened, we got into a number of battles with the media. Some people were saying that Daily Table was an

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awesome idea because food is a precious resource and shouldn't be put to waste. Other people thought it was terrible because, as they characterized it, we were going to take a rich man's trash and sell it to poor people. There was all sorts of negative press. I thought, you know what, we just need to open the store up. We need to have people feel good about shopping here because otherwise, our whole prime directive of giving a dignified shopping experience is lost.

So I thought we would start without selling any product that was out of code and then would slowly move over to that model. Then the Boston Public School system ended up on the front page of the Boston Globe in 2015, having been caught utilizing food months passed its code date to feed kids in their cafeteria system. Everybody was up in arms. They freaked out. The Health Department issued an edict that no one in the city of Boston under any circumstances can distribute, sell, move, or handle food past its code date. They put an absolute freeze on it, even though it's federally and state regulated and allowed.

This meant that our model would no longer focus on grocery stores. We had to move up the retail chain to manufacturers, growers, and producers. Today about 15-20% of what



IMAGE CREDIT: DAILY TABLE

we handle is product and food that we've recovered. That's approaching 5 million pounds. We pick up at farmers markets. We work with a group called the Boston Area Gleaners that works with more than 70 farms in the eastern Massachusetts area, and we get well over 100,000 pounds worth of beautiful produce from them.

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We also work with manufacturers who have “short code” products which means that the food might still have several months left on it, but it’s too short a time period for them to ship it out to a grocer and work through their distribution system to end up on a shelf in a store. They’ll offer these short code products to us for pennies on the dollar. This can be things like Chobani Yogurt, Terra Chips, WestSoy Rice and Soy Milk, Earth Best’s Baby Food. We get 15-20% of our product donated and probably get about 50-60% of what we buy at a discount.

Currently for our two stores we cover 72% of our expenses through our own revenue or in-kind donations. We only need charity for about 28%, which we’re proud of because it’s top-in-class in the hunger relief sector. We’ve got some funding for a third and fourth store in the Boston area. We believe that by adding topline revenue, we can start to cover our fixed costs and get to economic viability—even though our original business model changed on us. We think that we can get to covering up to 90-100% of our expenses. If that’s the case, then we truly will be a scalable model that you could plug and play in different communities, whether it’s Chicago, New York, LA or wherever there are urban areas that have a need, which unfortunately, there’s no shortage of in America.

AMY: Wow, that’s incredible. So where do you see this evolving? What are your ambitions for the future of Daily Table?

DOUG: Unfortunately when I look out on the horizon, I see a government that is unwilling to address the root cause. Both sides of the aisle are to blame. I did a month-long residency for The Rockefeller Foundation in 2016 and studied other innovative ways for food recovery and hunger are addressed in the developed world. I looked at all the models in France and Germany and England and Spain and a really funny thing happens once you leave the United States. In other parts of the developed world, governments think that the health of their citizens is their responsibility and therefore they will either subsidize or literally run social supermarkets where the government steps in to make certain that there’s affordable nutrition. We don’t do that in the United States.

So our ambitions are for Daily Table to demonstrate that there is a scalable model. We don’t have any false ambitions of being the answer to the problem because I don’t think that any systemic problem has a single vector solution. Food banks are necessary. They’re just not sufficient, but they’re absolutely necessary. I’m a big fan of food banks, but they can’t take care of the problem.

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As Americans we believe that public education is a right. We believe that everybody should have clean air and clean water. We seem to stop there and forget that the food you put in your body is every bit as important to your health and wellbeing. We are allowing 17 million kids to be seriously at risk of lifelong health issues simply because of the economics of the food system. Our ambition over the next several years is to prove the concept and then grow it across the country.

AMY: As you look across the food sector in general, having worked in both the for-profit and nonprofit world, what do you see as the major opportunities for innovation? What advice would you give other nonprofits on where they can play a role?

DOUG: Innovation needs to be done top to bottom. We need more lobbying efforts around the the law. I'm working with Emily Broad Lieb at Harvard Law. In 2009 and 2010, I brought this whole issue of code dates to her and she got very involved.



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We should look at where we are not incentivizing the right behaviors. For instance, we have an enhanced tax deduction if food products are given away, but there is no enhanced deduction for donations that go to a Daily Table or Fresh Truck or to anyone else that gets any type of compensation, even though we're a 501c3 and serve communities that are tremendously in need. I think that's a gap.

Truckers are also not getting incentivized to recover and carry product to communities that need it. They need the same types of tax incentives that go to grocers or restaurant or food services to make sure that food can get picked up and delivered somewhere. So there are gaps.

My advice for other innovators would be to start with the problem. As I said, I started to go about trying to create a brilliant solution to the wrong problem. I thought hunger was about calories. I could have created a whole solution for getting people more calories and that would have been a waste of time.

Then, when it comes to food recovery, we need to think about what can we do to keep product lasting longer. For

example, there are all sorts of interesting innovations coming out like a company called Apeel Sciences that has an FDA-approved food substance that you can dip food products in to extend the shelf life. It's a natural food grade product and it can extend the life of things like avocados up to three times. There's a number of these companies out there looking at what we can do to reduce the rate at which product spoils.

We can all also look at all the innovations that are out there around technology, like Spoiler Alert, among others, that will help us even out the lumpiness between supply and demand. For example, if someone's got a little too much of something, how can we quickly crowdsource the response on demand to get people to come and pick it up? How can we use Uber Eats or Blue Apron or, for that matter, FedEx and UPS, and these players that are on every street in America everyday to help solve hunger. There's 1,000 ways you could think of how can we better utilize systems and services to reduce the amount of food we're wasting and get nutrition to an affordable price.

Step back and look at where there are problems. What can we do to democratize access to nutrition? It shouldn't just be the economic higher classes that get to eat a

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healthy diet. It's going to take commitment on the part of social entrepreneurs to get out there and learn and be willing to make mistakes. Take the risk and do the hard stuff. I don't think that we're going to come up with a solution in an academic lab; the solution is going to be in the marketplace. It's going to be in getting out there and figuring out the various things that can work.

AMY: That's a fantastic overview of all these different opportunities. This has been incredibly insightful. Thank you so much, Doug, for sharing all of this backstory on Daily Table, and the opportunities that you continue to see. It's really inspiring to hear about.

DOUG: Well, thank you. It's an honor and pleasure. And I think clearly, this is an issue that needs all of our attention.

