

The Container Store: An Employee-Centric Retailer

INTRODUCTION

It seems odd that a store would choose to specialize in selling containers and storage units, let alone make a profit from it. Yet with \$650 million in annual sales, The Container Store does both. The Container Store is a storage and organization retailer that sells over 10,000 products to meet consumers' storage needs, with everything from hooks, shelving units, desktop organizers, laundry racks, storage boxes, wire leaf cases, and more. Although its headquarters are in Coppell, Texas, The Container Store has 49 locations across the country.

When co-founders Kip Tindell and Garrett Boone started The Container Store in 1978, their vision was to take a "solutions-based approach to retail" by selling products that would save consumers time and space. The successful business of today started off with humble origins. Originally located in a 1,600-square-foot store, the business had no warehouse in which to store the goods. One of the founders would thereby have to sleep in his car to guard the products that could not fit into the store. Money collected at the end of the day would be kept above ceiling tiles or store fixtures. Finding manufacturers that would sell to them was another challenge. The concept of a retailer selling storage solutions was so novel that many were unsure whether the venture would succeed.

As the years passed, The Container Store started gaining in popularity, not only for its eclectic assortment of goods but also for its strong corporate culture. At The Container Store, employees take precedence over shareholders. It was the intention of founders Kip Tindell (the current CEO and chairman) and Garrett Boone (chairman emeritus) to create a work environment where employees can feel valued and loved. Their efforts have met with success: The Container Store's strong and unique culture has landed it on Fortune's "100 Best Places to Work in America" for twelve consecutive years. The success of The Container Store also demonstrates that such a "culture of love" can be profitable. Although the retailer has experienced some bumps in its 30-year history, sales have grown approximately 20 percent per year since its founding in 1978. The following sections of this case will provide additional details on The Container's Store's employee-centric corporate culture along with how these strengths have translated into the success that The Container Store has become today.

CORPORATE CULTURE AND GUIDING PRINCIPLES

The Container Store has adopted a stakeholder orientation, incorporating the diverse perspectives of customers, employees, vendors, and other stakeholders into their strategic planning and daily operations. Although The Container Store is not the only retailer to adopt such an orientation, it brings its own unique perspectives to create a culture truly unique in the retail industry. For instance, The Container Store views shareholders as less important than customers and employees.

This case was developed by Jennifer Sawayda for and under the direction of O.C. and Linda Ferrell. This case is for classroom discussion, rather than to illustrate either effective or ineffective handling of an administrative, ethical, or legal decision by management. All sources used for this case were obtained through publicly available material and The Container Store website. (2011)

When The Container Store's management allowed Leonard Green & Partners LP to acquire a majority stake in the company, it ensured that the acquiring company understood and respected the culture of The Container Store. According to CEO Kip Tindell, they were not purchasing The Container Store so much as its "yummy" corporate culture.

Such a strong emphasis on corporate culture over profits might appear risky as every business requires profits—and the goodwill of shareholders/investors—to survive. However, rather than damaging The Container Store's bottom line, its culture has caused the company to thrive. The Container Store has experienced consistent growth over the years, which it attributes to its excellent customer service and its ability to create beneficial relationships with customers, vendors, and employees. The tenets that The Container Store uses to guide these relationships are codified into six Foundation Principles that were formally adopted in 1988. The following list describes these principles:

- *Fill the other guy's basket to the brim.* Making money then becomes an easy proposition. The Container Store believes the key to creating mutually beneficial and sustainable relationships with merchants is to give them everything they need. For this reason, The Container Store makes it a policy to always pay its vendors on time.
- *Serve the man in the desert.* This principle encompasses the scope of the retailer's customer service perspective. Company managers use the analogy of a man in the desert who comes across an oasis filled with people. The people do one of two things: give the man a drink and send him on his way, or give him a drink, feed him, and take care of him in every way possible. While The Container Store sees most retailers as doing the former, salespeople at The Container Store are trained to meet all the customers' needs, even those of which the customers themselves might not be aware. To do this, salespeople are discouraged from asking customers the tell-tale, "May I help you?" and are instead instructed to engage the customer in conversation to discover the customers' true needs.
- *One great person equals three good people.* The Container Store believes that one of the best qualities of a great employee is flexibility. Employees are encouraged to be like "Gumby"—flexible enough to go outside their regular duties to help customers and fellow co-workers.
- *Intuition does not come without a prepared mind.* The Container Store believes its employees must be prepared to help its customers find solutions. Thus, it invests in hundreds of training hours for new employees.
- *The best selection anywhere plus the best service anywhere plus the best or equal to the best price in our market area.*
- *Air of excitement.* The Container Store views excitement to be contagious. Therefore, it hires enthusiastic employees to serve its in-store customers.

The Container Store's Foundation Principles clearly demonstrate the importance it places on customer service. Yet at The Container Store, employees come first. The Container Store management sees employees as the critical component to business success. Their enthusiasm, knowledge of customer solutions, and integrity are the key to not only making a sale, but selling more items and generating loyal customers. This philosophy is so important to The Container Store that it goes to great lengths to ensure the employees it hires are the right fit for the company. Applicants can face as many as nine interviews, and only about 3 percent are hired.

Those that are hired, however, experience numerous benefits. Employees at The Container Store are known for their enthusiasm, and the company takes great pains to ensure that their employees are knowledgeable and happy. First-year full-time employees undergo 263 hours of training, while the industry average is only 10 hours. The Container Store prides itself on offering employees at least 50 percent more than they could make at other retail jobs; the average salary for full-time salespeople is \$46,000. Even part-time workers get health-care benefits. Employees get access to all company information, including financials and real estate plans. Like most companies, The Container Store faced financial difficulties during the 2008-2009 recession. However, unlike many companies, the company refused to lay off any workers. Instead, it froze salaries and 401(k) programs to cut back on costs (the 401(k) program has been re-instated). It instead held sales contests to motivate employees. In so doing, The Container Store was able to maintain a dedicated sales force that helped the company weather the recession.

The way The Container Store values its employees has created what one expert dubbed a culture of love. This culture of love is perhaps best signified at The Container Store by the company's February 14 celebration "We Love Our Employees" Day. On this day, employees at its stores and distribution center are honored with gifts, balloons, and love songs played over the loudspeakers. Customers are encouraged to participate by writing "love notes" to their favorite employees telling them how much they are appreciated.

The company's employee-centric culture significantly contributes to morale and employee loyalty, evidenced by its low turnover rate. Turnover at The Container Store is 10 percent annually, compared to as much as 100 percent at other retailers. The company works to incorporate customers into their employment practices as well. One-third of employees come through referrals, and many of The Container Store's employees were previously loyal customers. The revolutionary way that The Container Store operates has earned it numerous awards, including the Retail Innovator's Award from the National Retail Federation, Workforce magazine's Optimas Award for outstanding people-management strategies, second place in the Dallas Morning News "Top 100 Places to Work 2010," and a spot on Fortune's "100 Best Companies to Work For" twelve times running.

CONSCIOUS CAPITALISM

The deep-rooted sense of employee empowerment and social responsibility is so pervasive that CEO Kip Tindell considers The Container Store to be an example of Conscious Capitalism. Conscious Capitalism was first described by Muhammed Yunus, founder of the microlender Grameen Bank and winner of the 2006 Nobel Peace Prize. Conscious Capitalism is similar to corporate social responsibility in that it seeks to enhance business performance while improving the lives of individuals and communities. However, according to the Conscious Capitalism website (<http://www.consciouscapitalism.org/index.html>), Conscious Capitalism differs from social responsibility "insofar as Conscious Capitalism is driven naturally and internally from within the company rather than an external notion of what counts as 'socially responsible.'" In other words,

compassion, trust, and ethics are not limited to what a company does outwardly, but instead are genuine, core components of the company's culture, mission, and vision.

Since it was founded in 1978, The Container Store has incorporated Conscious Capitalism into its business practices. Its strong financial performance, caring corporate culture, and stakeholder orientation embodies the tenets behind the concept. Employees are made to feel as if the store is theirs, and this in turn emboldens them to form relationships and serve customers with excitement. Perhaps The Container Store CEO Kip Tindell describes it best: "By taking care of the employee better than anybody else, the employee will take care of the customer better than anybody else." To spread the concept of Conscious Capitalism, The Container Store hosted a conference of more than 50 CEOs and other leaders to hear speakers like Kip Tindell discuss the tenets behind Conscious Capitalism and how it can positively contribute to the business field. Kip Tindell also partnered with John Mackey, founder and co-CEO of Whole Foods, to form the Conscious Capitalism Alliance.

The Container Store also views the communities in which it does business and the environment as important stakeholders. The company has sponsored the Center for BrainHealth's annual lecture series for four consecutive years. The company also supports the American Heart Association's Go Red For Women campaign by encouraging employees to wear red and providing educational materials so employees could educate themselves about heart disease in women. The Container Store supports women in leadership roles, with women constituting 63 store managers, 12 vice presidents, and 30 directors.

Additionally, The Container Store takes steps to be a responsible environmental steward. Company stores utilize energy-efficient HVAC and lighting systems to cut back on electricity. Recycling is performed at all its locations. In one month, 46 tons of recyclable paper was recycled from the company's office and distribution center. The employees at the office and distribution center in Coppell, Texas, also donate their time to clean up the area around their headquarters four times each year. These are just a few of several sustainable and service initiatives that the different stores undertake yearly.

CONCLUSION

The Container Store is a living demonstration of how a caring corporate culture can result in benefits for all stakeholders—even shareholders. After all, the theory behind Conscious Capitalism and the employee-centric culture that The Container Store has implemented is that happy employees translate into happy customers, which in turn increases sales and results in better profits for shareholders. Hence, shareholders are not forgotten in The Container Store's unique formula. The challenge for The Container Store will be to maintain their strong caring corporate culture as the company continues to expand its locations. However, with its careful hiring practices and the hundreds of hours of training that new employees undergo, the retailer seems to recognize that it must take extensive steps to ensure that employees are well equipped to operate at the highest standards of excellence. The Container Store is a positive example of how the ethical conduct and care that a company demonstrates toward stakeholders can propel it from humble beginnings into a nationally-recognized retailer.

QUESTIONS:

1. Describe the ethical culture that provides the foundation for The Container Store's relationship with its stakeholders?
2. What can we learn from The Container Store's approach toward its employee relationships?
3. How does the concept of Conscious Capitalism explain the success of The Container Store?

SOURCES:

- "100 Best Companies to Work For 2009," *Fortune*,
<http://money.cnn.com/magazines/fortune/bestcompanies/2009/snapshots/32.html>, accessed March 7, 2011.
- "100 Best Companies to Work For 2010," *Fortune*,
<http://money.cnn.com/magazines/fortune/bestcompanies/2010/snapshots/36.html>, accessed March 7, 2011.
- Bill Breen, "What's Selling in America: Part 5 of 5," *Fast Company*, December 31, 2002,
<http://www.fastcompany.com/magazine/66/whatselling5.html?page=0%2C0> (accessed March 11, 2011).
- "Conscious Capitalism," The Container Store, December 17, 2010, <http://standfor.containerstore.com/conscious-capitalism-event-recap/> (accessed March 11, 2011).
- "The Container Store's Employee Focused Culture," CBS News, March 6, 2011,
<http://www.cbsnews.com/video/watch/?id=7358608n&tag=cbsnewsTwoColUpperPromoArea> (accessed March 7, 2011).
- Angela Elder, "Vice President at The Container Store Sums Up Her Thirty Years in Retail with One Word: Rewarding!" NRF Foundation, January 5, 2011, <http://blog.nrffoundation.com/2011/01/05/vice-president-at-the-container-store-sums-up-her-thirty-years-in-retail-with-one-word-rewarding/>, accessed March 7, 2011.
- Bianna Goldodryga and Angela Ellis, "Inside the Container Store: Secrets of America's Favorite Stores," *ABC Good Morning America*, March 30, 2010, <http://abcnews.go.com/GMA/YourMoney/container-store-sells-focusing-employees-customers/story?id=10231743> (accessed March 11, 2011).
- Maria Halkias, "Container Store, Whole Foods aim for conscious capitalism," *The Dallas Morning News*, August 8, 2010,
<http://www.dallasnews.com/business/headlines/20100808-Container-Store-Whole-Foods-aim-540.ece>, accessed March 7, 2011.
- Harry K. Jones, "Little-Known Facts about Well-known Businesses—The Container Store," *AchieveMax® Blog*, March 12, 2009, <http://www.achievemax.com/blog/2009/03/12/the-container-store/> (accessed March 11, 2011).
- "Love is in the Air: The Container Store Declares February 14 'We Love Our Employees Day'," *EXEC*, February 14, 2011,
<http://www.execdigital.com/love-air-container-store-declares-february-14-we-love-our-employees-day>
- Milton Moskowitz, Robert Levering, and Christopher Tkaczyk, "100 Best Companies to Work For," *Fortune*, February 7, 2011, pp. 91-101.
- Vicki Powers, "Finding workers Who Fit," *CNNMoney*, November 1, 2004,
http://money.cnn.com/magazines/business2/business2_archive/2004/11/01/8189362/index.htm (accessed March 10, 2011).
- Daniel Roth, "My Job At The Container Store," *CNNMoney*, January 10, 2000,
http://money.cnn.com/magazines/fortune/fortune_archive/2000/01/10/271741/index.htm (accessed March 11, 2011).
- Kip Tindell and Garrett Boone, "Containing a Counter Culture," *Inc.*, March 1, 2002,
<http://www.inc.com/articles/2002/03/23988.html> (accessed March 11, 2011).
- "What is Conscious Capitalism," *Conscious Capitalism*, <http://www.consciouscapitalism.org/whatis-conscious-capitalism.html> (accessed March 11, 2011).
- "What We Stand For," The Container Store, <http://standfor.containerstore.com/>, accessed March 7, 2011.