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4 lessons any retailer can learn from the Trader Joe's model

Article

Trader Joe's small, curated stores and limited footprint sets it apart. Between its branding, product choice, and customer experience, there are a lot of lessons other retailers beyond grocery can learn from the Trader Joe's model. Here are four takeaways from Trader Joe's.

1. Trader Joe's offers a pared-back store environment

Benefit: The store offers a streamlined experience where smaller aisles and fewer product displays let customers get in and out quickly. "Less is very much more when it comes to Trader Joe's," our analyst Zak Stambor said on a recent episode of our "Behind the Numbers: Reimagining Retail" podcast.

Cost: Shopping at Trader Joe's can require more supplementary trips to other stores than visiting a larger supermarket would. "Very often, people don't approach Trader Joe's as a one-stop shop," said Stambor. For our analyst Suzy Davidkhanian, this is a huge drawback. "It's a horrible experience," she said.

Takeaway: Cutting back on in-store experiences doesn't have to eat into sales. A no-frills shopping experience can be a virtue—if retailers brand it correctly.

2. Trader Joe's markets differently (and less) than other grocers

Benefit: Trader Joe's strong brand image means independent blogs, influencers, and social media trends do much of the retailer's marketing organically. That supplements Trader Joe's own channels. "They have their Fearless Flyer newsletter. They have a podcast that I think is pretty good," said Stambor. "And they release a lot of products that build buzz."

Cost: While other grocers are leaning into retail media partnerships with media companies, Trader Joe's is riding solo. By offering mostly private labels, the company misses out on building its own retail media network.

Takeaway: Building a strong brand that customers are excited to champion is an investment that can pay off when it comes to marketing campaign costs. But in the long term, Trader Joe's has significantly limited its revenue streams by not building a retail media business.

3. Trader Joe's has a limited stock

Benefit: By offering items seasonally, Trader Joe's is less likely to run into supply chain and inventory issues, helping control costs. For customers, limited options can also eliminate decision paralysis, Stambor said, making the shopping experience more enjoyable.

Cost: Davidkhanian, however, thinks this can backfire. "It's also hard for discovery when there's not a lot of choice."

Takeaway: Sometimes too many options can cause a consumer headache and hurt conversion. Limiting choices to essentials can drive decisiveness. And releasing items for shorter periods of time can drive potential purchasers to buy now, rather than waiting.

4. Trader Joe's has no ecommerce

Benefit: Trader Joe's has about 560 US stores, so last-mile delivery costs for ecommerce would be huge.

Cost: Trader Joe's limits potential consumers, both geographically and demographically, by not offering delivery or click and collect.

Takeaway: Trader Joe's is missing out on a piece of the nearly $100 billion US grocery delivery ecommerce market and over $50 billion click-and-collect market.

Delivery and click-and-collect require a solid last-mile or in-store infrastructure. If a retailer can't do that well, it may not be worth doing at all.

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