

Reimagining Retail: Trader Joe's, grocery brands with cult followings, and private label brands people seek out

Audio



On today's episode, in our "Retail Me This, Retail Me That" segment, we discuss points of tension around Trader Joe's and other cult grocery brands. Then for "Pop-Up Rankings," we rank the top four private label grocery brands people go out of their way for—and why. Join our analyst Sara Lebow as she hosts vice president of content Suzy Davidkhanian and analyst Zak Stambor.

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Episode Transcript:

Sara Lebow:

Hello, listeners. Today is Wednesday, April 26th. Welcome to Behind the Numbers: Re-Imagining Retail, an e-Marketer podcast. This is the show where we talk about how retail

collides with every part of our lives. I'm your host, Sarah Lebow. Today's topic is Trader Joe's and other grocery brands with cult followings. Let's meet today's guests. Joining me for today's episode. We have vice president of content for our retail desk, Suzy Davidkhanian. Hey Suzy.

Suzy Davidkhanian:

Hey Sarah.

Sara Lebow:

And also here with us is senior analyst Zak Stambor. Hey Zak.

Zak Stambor:

Hey Sarah. Hey Susie.

Suzy Davidkhanian:

Hey Zach.

Sara Lebow:

Okay, let's get started with our first segment, news and reviews, where I give the news and our guests tell me their reviews. Today's story is an April 11th article from The Atlantic titled Pleather's New Name: How Shoppers Fell for Vegan Leather. I love this topic because that's exactly what vegan leather is, it's plastic. And it's not necessarily better for the environment than animal leather, but it is cool right now thanks to TELFAR, Luxury Brands, and a slew of fast fashion retailers. So Suzy, your review of this story in 60 seconds is?

Suzy Davidkhanian:

So I think this was an excellent article in marketing gimmicks and hacks. I grew up with pleather. I never even thought about it the way that the author was talking about pleather is plastic, non desirable, cheap, bottom of the barrel versus leather, which is status symbol, luxury. None of these sort of tensions between pleather and leather occurred to me in any way, shape or form. I just thought it was cool to have patent leather shoes when I was growing up. It's such an oxymoron to even include the idea of vegan leather, which is the new hot name, because by default, how can leather be vegan when it's coming from an animal? And I do think that they are trying to think of this in terms of mushrooms and other vegetation. So maybe

that's vegan, but that's certainly not leather. So I just think by all accounts, this is just a weird place to be. And sometimes things don't need to be cool. Pleather is fine.

Sara Lebow:

I think it's an impressive marketing scheme. That author should also shout out is Amanda Mole. I really like reading her stuff. Zak, your review of this headline in 60 seconds is?

Zak Stambor:

Yeah, it's very clever rebranding. It kind of reminds me how the Patagonian Toothfish became Chilean Sea Bass or, I'm in Chicago and we have an invasive species, the Asian Carp, which got rebranded to Coppi and maybe people will eat it now. Leather is bad for the environment. Cattle ranching is one of the largest sources of climate emissions. But plastic is also bad for the environment, so perhaps people should just use some other material. I know there is some interesting stuff being done in this space where cacti, mushrooms, pineapple, all sorts of things are being repurposed to kind of recreate the look and feel of leather. So perhaps those will be a little bit more environmentally friendly, but I don't know. I kind of feel like you should just use something else.

Sara Lebow:

Yeah. From an environmental perspective, it's kind of switching to a canvas bag. In theory, it could be better, but you have to use those thousands of times for it to make up for how much emissions it takes to make the canvas bag. So the environmental thing would be to consume less.

Suzy Davidkhanian:

Well, and the thing is, I think ZaK, you're a marketer's dream because you believe in the sustainability argument it sounds like potentially maybe. But the truth is that unfortunately, those poor animals have already been used for other parts of their bo- I don't know how else to say it in a nice way, but people are still eating meat, and so at least they need to do something with ... I think of it as almost like at least they're using every part of the animal versus not. I don't know if that made sense, but you guys know what I'm saying.

Zak Stambor:

Yeah, I think that's true. Although I think the leather making process is also bad for the environment.

Suzy Davidkhanian:

Yeah, it's all bad really.

Zak Stambor:

It's all bad.

Suzy Davidkhanian:

Yeah, that's the sad part.

Zak Stambor:

Everything's bad.

Sara Lebow:

Okay, now it's time for our next segment. Retell me this, retell me that, where we discuss an interesting retail topic. Today's topic is Trader Joe's and other cult grocery brands. So I'm a Trader Joe's shopper. As a young unmarried person in New York City, I'm really one of their key consumers that the grocery store targets. Zak, my understanding is you're also a Trader Joe's shopper, right?

Zak Stambor:

Absolutely.

Sara Lebow:

And Suzy, I know that you are decidedly not a Trader Joe's shopper.

Suzy Davidkhanian:

Correct. You will never find me in a Trader Joe's ever.

Sara Lebow:

So with those perspectives out of the way, I'm going to present a few points of tension in our Trader Joe's discussion and we're going to spend a couple minutes running through each of

them. The first point of tension surrounds the Trader Joe's experience. Trader Joe's has this paired back sort of low key, I don't know, environment. Is that paired back Trader Joe's experience a good customer experience or is it a bad one?

Suzy Davidkhanian:

Well, I mean obviously you know what I'm going to say, it's a horrible experience. I think that it is generally dark for me. Though, we have to start with, I have a small sample size of Trader Joe's that I've seen, so there are potentially other ones that are way better. But it is smaller than a lot of other big grocery stores. It is dark. It is not filled with assortment. There aren't multiples of everything. You're really going in for that particular brand. Usually where I have been, not very often, there aren't any real produce. The tables are there, but they're kind of empty. And so for me, I just don't understand the lineup to pay is gigantic. It's across the entire floor basically. I just don't get it. But then when I was reading a little bit about it, which is maybe what Zak is going to say, apparently their store experience is a fundamental part of their brand. They feel strongly about this experience.

Zak Stambor:

Yes, absolutely. I will say less is very much more when it comes to Trader Joe's. Whereas a typical grocery store has like 50,000 items in it, a Trader Joe's has about 4,000. And so when you go in, you're not bombarded with 75 different types of pasta, there might be 12. And so you aren't stuck there mulling over do I want this one or this one? This one's slightly more expensive. It's a streamlined experience, and so if you want, you can get in and out really quickly.

Suzy Davidkhanian:

I do have something to say about the assortment though. I know, I'm sorry, I just cut you off, Zak, but there is something about walking the customer too. If I'm coming in to look for X and you don't have X, but you have X adjacent, I might leave because I didn't find what I came to look for. So there is something to be said about too small of an assortment.

Zak Stambor:

I think that's true, but I think the thing with Trader Joe's is that very often people don't approach Trader Joe's as like a one-stop shop. Or at least I don't. It's kind of-

Suzy Davidkhanian:

You're right.

Zak Stambor:

You're going there because you want everything but the bagel seasoning and you want the cheese selection, but you know that the produce kind of stinks, and so you just skip right past that.

Suzy Davidkhanian:

Yes. I actually found data on this. Numerator has found that the number of trips on average annually are actually lower for those who go to a Trader Joe's than some of the other stores, the other grocery stores, which is exactly what you're saying, Zak. You know what you want. You go in to get it, and then you go to other places.

Zak Stambor:

Yeah, and maybe you stack up because you go every other week or something rather than just your regular grocery store that you're going because you need all the stuff that you get for the week.

Sara Lebow:

Sure. Let's move on to our next point of tension. This is something that's unique for Trader Joe's, marketing. Trader Market's very little, but there's a ton of organic content about Trader Joe's. Is most of Trader Joe's marketing intentionally organic, or are they just not great marketers? Zak, why don't you kick it off for this one?

Zak Stambor:

I think they do market. I think they just market differently. And I think that's part of the ethos of the brand and what makes it unique. They have their Fearless Flyer newsletter. They have a podcast that I think is pretty good. I listened to it this week. And they release a lot of products that build buzz, and you get that word of mouth marketing as well.

Sara Lebow:

I used to work for a food publication and we got the most clicks on Trader Joe's items rankings every time. So there's definitely an organic audience for Trader Joe's content that sort of markets itself.

Suzy Davidkhanian:

And I think that goes in line with they actually have a really strong brand image for those who love them. And we've said a few times this cult following and a really rich legacy and history, starting with a founder that I think breeds sort of loyalty and word of mouth and everybody talks about the all but the bagel seasoning like it's again, the go-to product that everybody must have. Plus I also found the Trader Joe's actually releases the top 15 items that set their best sellers, which I think is fascinating because for a few years it was, I'm not kidding-

Sara Lebow:

General Tso's chicken?

Suzy Davidkhanian:

Mandarin, yeah.

Sara Lebow:

Oh maybe.

Suzy Davidkhanian:

Mandarin Orange chicken. Yes, that was their number one. This year it's chili and lime flavored corn tortilla chips.

Sara Lebow:

Interesting.

Suzy Davidkhanian:

So random, right? That's so specific.

Sara Lebow:

It's funny that you mentioned those chips though because I was at Trader Joe's and they were giving away those chips for free, like full bags of them as samples. They were like, we're overstocked here, have some free chips. Keeping things moving. We've touched on this a little, but this point of tension is assortment. The question is, are Trader Joe's products unique and exclusive feeling or does their stock feel needlessly limited?

Zak Stambor:

I think it's just right. It kind of is what it is. You kind of know what Trader Joe's offers and what they don't offer. And on their end that helps control costs, it makes it easier for them to manage inventory, it simplifies their supply chain. And on the shopper end, like I alluded to before, it kind of eliminates that decision paralysis where you're just standing in front of the pastas sauce aisle and don't know where to turn. Or if you're me, who's very cheap, you're calculating the price per ounce and you are just sitting there for 15 minutes.

Sara Lebow:

Suzy [inaudible 00:11:04].

Suzy Davidkhanian:

I think we all know where I stand on that. But what I would say to it also is that Trader Joe's is a private label. They offer their assortment and only their brands for the most part. There are a couple categories, I think dairy and obviously produce, fresh produce, but generally speaking it is just their brand. So while it does feel like a small assortment, it's not that different than going to a Gap. You're not going to go to a Gap and find jeans from 37 different brands. It's just Gap jeans. You either like them or you don't. So obviously people who are going there love the brand and are looking for something that is branded Trader Joe's. I agree that sometimes too many choices is bad. It's also hard for discovery when there's not a lot of choice.

But I think from a supply chain, yes, you might get better economies of scale, but I think especially with Covid and we all saw it, supply chains snap, there could also be a lot more risk because if you only have a certain brand that you're selling and then you have supply chain issues, then you really do have empty shelves. So it goes either way for me, but from a personal experience, I would say their smaller assortment is not cool for me.

Sara Lebow:

That's a really fair point. At the same time, I think that Trader Joe's sort of benefits from this because they have seasonal items, their items aren't always available. And so if you're a standard grocery store customer and you go into a trader, yeah, you might be surprised and disappointed not to find a specific item you're looking for. But if you're a Trader Joe's customer and you don't see something, well that might make sense because that item's

limited, it's seasonal. And then you sort of have this loyalty building also of that you're going to come back when those chocolate covered bananas, that pumpkin spice is available again.

Suzy Davidkhanian:

Well, let's be honest, it's a niche customer, right? They're not over stored, there's not a lot of stores. They are all about, in my opinion, being organic and trendy and cool and very specific with their flavor profile and trying to have all these international sort of profiles as well, flavor profiles as well. So yeah, I think if that's what you're looking for, you're going to love their assortment.

Zak Stambor:

Yeah, I agree. I think it works for them. It wouldn't work for everyone,

Suzy Davidkhanian:

And that's why we have so many grocery stores, which also makes sense. People need choice.

Sara Lebow:

So now let's move on to our last point of tension, e-commerce. Trader Joe's really does not have an online business. That makes it unique kind of quirky compared to other retailers, but it also makes Trader Joe's, like Suzy said, really limited in terms of who's shopping there because you can't access it online. The question I guess is, is that good and quirky or is that a problem on a larger scale?

Suzy Davidkhanian:

So I think we can all agree that even those of us who love them, that it's too bad that they don't have an online business. Because that would make your life easier, especially if you think about having kids click and collect, you order whatever you need, you go and you get it. I think from an expense perspective, if they are known for having a strong price point with a specific assortment, then obviously it doesn't make sense for them. And because they have this cult following who is ready to stand in line and pay for water because it's branded Trader Joe's they're okay with that. That customer is willing to forgive them on the, they don't have the online service. I do think that at 500 stores, it's also a little bit of a challenge from the last mile delivery. Whole Foods is now charging for delivery, so it's hard to make ends meet when

you think about online businesses. Can they scale any more without online? I mean, I don't know. That's probably the bigger question.

Sara Lebow:

Whole Foods is comparable, right, in terms of footprint?

Suzy Davidkhanian:

Yes.

Zak Stambor:

Yeah, I totally agree. It is annoying that they don't sell online. As we saw in Covid times, the lines were incredibly long. That was not a great experience and you had no option. So you saw people were willing to do so.

Suzy Davidkhanian:

You had no option because you're obsessed with their Mandarin orange chicken. Otherwise, you could go to a different grocery store.

Zak Stambor:

That is true. That is true.

Sara Lebow:

I should admit that a few weeks ago I also left a Trader Joe's because it was too crowded. We're going to dissolve this tension a little bit after the break and talk about other private labels that sort of have a Trader Joe's effect. But first, a quick message.

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Welcome back from the break. Now it's time for pop-up rankings where we take a look at specific examples and we rank them. Today we'll be ranking four other grocery private label

brands that people go out of their way to purchase. So these are brands that sort of have a Trader Joe's like effect, maybe not quite as much of as a cult-like following. Suzy, why don't you give us the first brand and why people go their way to get it.

Suzy Davidkhanian:

When we were brainstorming, what private label brands that are grocery based are some of the more iconic ones in addition to Trader Joe's, maybe a little less cult-like, one of them that we thought was Great Value from Walmart. And just to put it in perspective, trader Joe's US business is \$14 billion, the whole operation, great value. Now I know this is a global number. I couldn't find a US number really quickly when I was Googling. \$27 billion just for that one brand. And we know especially now during tougher economic times, people are gravitating towards this brand. The name says it all, Great Value. There was, I saw, a research couple of slides around how Great Value products compared one to one on not only national brands, but other private label brands are cheaper. So again, not a surprise that Great Value wins for us in terms of one of the top four brands that we think consumers really love when it comes to groceries.

Sara Lebow:

Yeah, that makes sense. I don't know that the Great Value products necessarily stand out, but their prices definitely do.

Suzy Davidkhanian:

Right? We had this conversation already. Is it worth buying the paper products from great value even though they're cheaper? Are they as absorbent as a more expensive paper towel? But apparently that doesn't matter. It's just the whole premise of saving money seems to be easier to swallow during these tough times.

Sara Lebow:

Zak, give us the next private label grocery brand that people go out of their way to buy.

Zak Stambor:

Yeah, so Whole Foods 365 brand stands out to me because Whole Foods is not known for being a cheap retailer. It is the notion of whole paycheck and you go there because you like the experience, you know that it has high quality goods. And the 365 brand enables you to

have that whole experience and get a fairly high quality good product. I really like their peanut butter. I really like their grapefruit seltzer.

Sara Lebow:

Crunchy peanut butter or smooth?

Zak Stambor:

I buy both, I alternate because I eat a lot of peanut butter.

Sara Lebow:

You alternate between crunchy and smooth peanut butter?

Zak Stambor:

Oh yeah.

Suzy Davidkhanian:

I prefer crunchy. And do you know what? Honestly, I prefer one of the other brands we're going to talk about so I'll hold on this. You should try that brand. It's amazing. Way better.

Zak Stambor:

Is it all natural though?

Suzy Davidkhanian:

Yes, of course. With nothing added, no salt, no nothing. Just peanuts.

Zak Stambor:

Well you need salt. How could you have peanut butter without salt?

Suzy Davidkhanian:

Well, I mean they also make it with salt, but I've either no salt one. And that would be the Target brand.

Sara Lebow:

Well, let's get into that one. That's our third brand then. So we had Great Value, we had Whole Foods 365. The Target brand, that's Good and Gather, right?

Suzy Davidkhanian:

Yeah. I mean they have tons of brands, but that's one of them.

Zak Stambor:

Yeah. Good and Gather is really, again, it's high quality goods, often somewhat unique at a good price point and a wide assortment of stuff, including peanut butter.

Sara Lebow:

Yes. And peanut butter.

Suzy Davidkhanian:

It is truly the best peanut butter ever. Save going and grinding your own peanuts, it's truly the best peanut butter. Highly recommend that. And they're dried mangoes. I feel like we've talked about that before on the podcast. Target has more than 48 owned brands, so private label brands that rake in around 30 billion annually. And Good and Gather is one of the few that is 2 billion on their own. So that's kind of huge with 2,500 SKUs.

Sara Lebow:

Yeah, I guess it's no Great Value, but it's definitely huge

Zak Stambor:

And it does offer a great value.

Sara Lebow:

Okay, so we've discussed Great Value, Whole Foods 365, Good and Gather and other target brands. What is our last brand that has this following of people going out of their way for?

Suzy Davidkhanian:

So this is probably the classic one, the classic private label brand that everybody realizes is America's biggest consumer packaged goods brand in terms of sales volume. And that is Kirkland. People get a Costco membership to go and buy Kirkland. And I think for some

people the brand is so huge and the packaging is kind of subtle, but still people don't realize it's the private label of Costco. So that's the one we identified as one of those go-to brands that people go out of their way to purchase. 2021 fiscal year Kirkland brand, \$58 billion.

Sara Lebow:

Wow.

Zak Stambor:

Yeah. No, it's so true. I have kids, and when you have a baby, Kirkland's, baby wipes are like the go-to product. People, like Suzy said, will sign up for a Costco membership just to be able to buy these baby wipes because they're priced so competitively and they're really good. And that's across the board with all sorts of Kirkland stuff.

Sara Lebow:

I think Kirkland products almost have a badge of honor of affordability. We're not talking about apparel, but Kirkland does sell, I believe Kirkland branded apparel, that it's like you're wearing a Costco shirt, but there's like this badge of honor of, I didn't spend that much money on this.

Suzy Davidkhanian:

But you know the reason why they do so well outside of grocery is they have everything from batteries to paper products obviously. They have, I mean, they're just, like you said, clothing, they really have everything.

Sara Lebow:

Any final thoughts on what gives these private label brands outside of Trader Joe's sort of like a leg up?

Suzy Davidkhanian:

Yeah, I think we talk about this a lot. Understanding who your consumer is, making sure you fill a need. Right now, times are tough so making sure you fill this value proposition, which is not just about dollars, but it's about quality versus dollars. So someone's not going to buy something that's super inexpensive if they don't feel like it's good quality. So ensuring that you

provide value. And the good thing about private labels is that really typically only one retailer, the owner of the private label carries them and so that helps to drive loyalty.

Zak Stambor:

Yeah, I agree. I think it's quality, I think it's value. And I think to some extent for some of these brands, it's having some unique positioning. Good and Gather has some unique stuff, the mangoes that Suzy was talking about. Whole Foods does as well. And so it's knowing your customer base and serving them well.

Sara Lebow:

On that note, let's wrap up. Thank you for joining me today, Suzy.

Suzy Davidkhanian:

Thanks for having me.

Sara Lebow:

And thank you, Zak.

Zak Stambor:

Thanks for having me.

Sara Lebow:

Please give us a rating and review wherever you listen to podcasts and follow us on Instagram at [BehindtheNumbers_podcast](#) to see how Suzy's tomato plants are doing.

Suzy Davidkhanian:

Yes, it's a farm now.

Sara Lebow:

How Suzy's Tomato Ranch is doing. Thank you, listeners.

Suzy Davidkhanian:

Thank you.

Sara Lebow:

And to Victoria who edits the podcast. We'll be back next Wednesday with another episode of Re-Imagining Retail, an e-Marketer podcast. And tomorrow join Marcus for another episode of the Behind the Numbers Daily. Victoria, tell everyone what your favorite Trader Joe's product is.

Victoria Grace:

How much time do we have?

Suzy Davidkhanian:

Oh my gosh, you are not one of those?

Victoria Grace:

I 100% am.

Suzy Davidkhanian:

Oh my gosh.

Victoria Grace:

I'm a big fan of their pecan pralines. I love their assortment of cheeses. I love their microwave popcorn. I love their mochi bites. They're like these crispy, like salty mochi nuggets in the chip aisle. They have these things called Brookies, delightful. I love their immunity shots. Really throw a dart, trader Joe's has some great products.