

From chatty employees to \$5 wine: How Trader Joe's turns customers into fanatics

 [cnbc.com/2020/03/09/psychology-behind-how-trader-joes-became-a-favorite-grocery-store.html](https://www.cnbc.com/2020/03/09/psychology-behind-how-trader-joes-became-a-favorite-grocery-store.html)

March 9,
2020

A trip to Trader Joe's is an odyssey, with struggles, discovery and the spoils of victory: Its parking lots are notorious ("If you didn't have a near death experience in a parking lot, did you even go to Trader Joe's?" tweeted a customer), as are the long checkout lines that wind through the store's crowded aisles. And you won't find sales, coupons or loyalty cards here. But Trader Joe's shoppers inevitably leave with an exciting new snack addiction and a respectable bottle of wine for under \$5.

That odyssey, the emotional journey, is part of what has inspired consumers' obsession with Trader Joe's.

There are unofficial Instagram accounts dedicated to the brand (@traderjoeslist has 1.1 million followers alone). Even celebrities crave Trader Joe's; Hillary Duff, for example, is "obsessed" with the egg-white salad. And when Trader Joe's opened its store in Germantown outside of Memphis in Tennessee, more than 500 people reportedly waited in line.

Fandom translates to sales. In 2019, Trader Joe's 505 U.S. stores had an estimated \$13.7 billion in net sales, according to retail insights company Edge by Ascential. (For comparison, Whole Foods had \$16.5 billion U.S. in-store net sales, while Costco had \$110.5 billion in-store net sales, according to Edge by Ascential.)

Bringing in billions of dollars from a cult of customers is no accident. The brand has carefully pruned its business strategy to inspire evangelism among its customers. Here are some of the ways Trader Joe's gets people hooked.



People crowd into the new Trader Joe's, located on Colorado Blvd. and East 8th Avenue in Denver, for the grand opening of specialty grocer.

RJ Sangosti | Denver Post | Getty Images

Friendly employees score customer satisfaction points

To understand how Trader Joe's turns shoppers into superfans, advertising and marketing executive Mark Gardiner took a \$12-an-hour job at a [Kansas City, Missouri](#) store in 2011.

One significant thing he found was the kind of employee Trader Joe's hires. At his orientation, 45 of 50 trainees raised their hands to be the first to tell the room about themselves. "They have not hired a random collection of people here. They have selected the kind of people who want to go first in this thing that most people would like to go last at," Gardiner tells [CNBC Make It](#).

And Trader Joe's make sure its employees are engaging with customers. For instance, they stock shelves during store hours, Gardiner observed.

"This actually is awkward for shoppers who are often trying to maneuver around [them], but it increases the probability that shoppers and employees will have an interaction," Gardiner says. And when a customer asks a Trader Joe's employee where an item is, they are trained to talk to the customer and walk them to the product, he says.

“There’s a lot of other things Trader Joe’s does. Some are good.... Some are kind of terrible.... But if you get this one thing right — [a] great frontline customer service staff — everything else will fall into place,” Gardiner says.

A positive customer experience is indeed a “key driver” in “brand loyalties,” according to a [2018 global survey](#) from PricewaterhouseCoopers. Customers will pay up to 16% more for products with good customer service, the survey found.

Trader Joe’s is the anti-Amazon

Amazon’s North Star is [convenience](#). “They’re trying to minimize/automate the process” of shopping, Gardiner says. “Their essential argument is not just ‘do it online’ but rather ‘do what would have taken you an hour in two minutes.’”

But “Trader Joe’s has built its entire brand on the premise that we’re going to make shopping fun.”

One way the brand does this is with its “zany” product [names](#), customer experience expert Blake Morgan tells CNBC Make It, from its Mexican beer called [Trader Jose’s Premium Lager](#) to its Trader Joe’s [“Scandinavian Swimmers”](#) (its version of Swedish fish candy).

Fun names or highlighting unique ingredients makes Trader Joe’s products “seem [like] something that you as a shopper can really delight in,” [Denise Lee Yohn](#), a brand-building expert who’s worked with retailers from Target to Burger King, tells [CNBC Make It](#).

Similarly, Trader Joe’s handwritten signs, which it uses throughout the store, are small objects of delight. It “wants to look like a homey, lovable small business,” Morgan says. “You will find the name of the item and the price in big bubbly letters, but you will also get advice on how to consume it and/or a picture.”



Megan Leonhardt | CNBC

Then there are Trader Joe's limited run, experimental products, which make each shopping trip feel like a "treasure hunt," Bryant University business professor Michael Roberto tells CNBC Make It.

Not only is the thrill of discovery psychologically appealing, but scarcity creates FOMO and therefore impulse shopping. "People understand that well, this is unique... This is not something I'll get potentially elsewhere," he says.

The products are basically brand name for less

Fanatics cite Trader Joe's affordable prices as one of the best things about the grocery chain. Trader Joe's "Two-Buck Chuck" wine and its 19-cent bananas are iconic.

But Trader Joe's, which is owned by German grocery giant Aldi Nord, is also stocked with private label items. That means the products are manufactured by one company and sold under the Trader Joe's brand. (For example, in 2017 Eater reported that PepsiCo subsidiary Naked had supplied Trader Joe's with products, and pointed out Trader Joe's Mango 100% Juice Smoothie had identical ingredients to Naked's Mighty Mango Fruit Smoothie.)

While Trader Joe's makes its suppliers "sign a really draconian nondisclosure agreement," according to Gardiner, the practice helps keep prices down — and shoppers see it as a score.

“What consumers discovered is, you know what, I’m going to get the same product at a lower price and a better shopping environment at Trader Joe’s,” Yohn tells CNBC Make It.



Megan Leonhardt | CNBC

They make finding quality products easy

Trader Joe’s carries about a 10th of the items traditional grocery stores do. “They’re curating the selection like a boutique shop,” Yohn tells CNBC Make It.

“In theory, [the selection is] very reliable, it’s consistent,” Columbia University business professor and choice expert [Sheena lyengar](#), tells CNBC Make It.

And that’s good for the buying psyche.

Too much choice is actually overwhelming, according to [lyengar’s research](#). A 2000 study she coauthored found people were more likely to purchase gourmet jams or chocolates when asked to choose from six offerings instead of 24 to 30.

“You’re not looking for a choice to become another job,” lyengar says.



The first Trader Joe's location opened in Pasadena, Calif., in 1967 and it's still operating.

Photo courtesy: Trader Joe's

There's always room for improvement

As with any business, Trader Joe's has its issues.

It has been criticized for using too much packaging, a claim the grocer has been taking steps to address since 2018. In 2019, for example, it removed 6 million pounds of plastic by eliminating or replacing packaging on more than 40 produce items and by eliminating the plastic rings from its six-packs of beer.

And starkly at odds with its cheerful image, in recent years some Trader Joe's employees have complained of harsh treatment by managers, and of a culture of surveillance and safety lapses, The New York Times reported in 2016. "We are committed to maintaining a great and safe environment in which to work," Trader Joe's responded to the claims at the time. (Trader Joe's did not respond to request for further comment.)

Then there are those aforementioned lines and parking lots.

The demand for Trader Joe's stores does seem to outpace the supply, hence the long waits at checkout. But it's actually another Trader Joe's secret to success, says Yohn. For a grocer that depends on its vibe, "growing only as much as they can afford to, to be able to hire great people" is wise, she says. "That all makes every store that they open a real success."

As for the parking, “many Trader Joe’s locations are decades old, and their parking lots need to be redesigned for the traffic of modern life,” Morgan says. In fact, the first Trader Joe’s, which opened in 1967 in Pasadena, California, still has its original parking lot.

“Somehow customers keep going to them anyway,” Morgan says.

—Additional reporting by [Helen Zhao](#)

See also:

[Meatballs and DIY bookcases: The psychology behind Ikea’s iconic success](#)

[How Costco uses \\$5 rotisserie chickens and free samples to turn customers into fanatics](#)

[Ex-Apple exec Guy Kawasaki: I want a product that will make me ‘wait like a fool outside an Apple store’](#)



Like this story? [Subscribe to CNBC Make It on YouTube!](#)