

Inside Trader Joe's Podcast Transcript — ICYMI: What is a Private Label, and Why Does Trader Joe's Use Private Labels?

[Light upbeat music begins.]

Matt: I'm not usually into labels, but sometimes private labels can be good.

Tara: What is a private label?

Matt: And why does Trader Joe's have private labels? You know, this can get confusing.

Tara: Okay, so let's explain on another ICYMI, in case you missed it, mini episode of Inside Trader Joe's.

[Theme music begins.]

Tara: ICYMI, what is a private label?

Matt: When it comes to Trader Joe's private label, we're talking about Trader Joe's, that name spelled out on the package, literally the Trader Joe's label. In industry terms, private label means something other than a national brand.

[Theme music ends. Light music begins.]

Matt: Now, historically, this came about in a way for other retail grocers to have something that competed with national brands in their stores, and it was often a lesser than version of those national brands. And Trader Joe's came along and flipped that whole story on its head and said, "We think this product is so good, we want our name on it. It's not just because we like to see our name in lights, but we do. We put them on the outside of the store so that you can find it." But having Trader Joe's on the label means a bunch of things. We think our name will stand for something and mean something, and we're going to build products to show that. So that you as a customer can experience it. Our private label is really our own brand of label, the Trader Joe's label.

Tara: We are a national chain of neighborhood stores.

[Music transition.]

Tara: We are a national brand now. In some other places, the expectation for a store brand or a private label product might be lower than it is for a national brand. I think exactly the opposite is true within the four walls of Trader Joe's, our customers have an elevated expectation of our private label products because we have taken such great care to develop products with such high-quality standards. There are things we don't allow in our products that you will find in a lot of other national brands. Things like MSG, for example. We don't have

MSG in our products. Artificial flavors, we don't have artificial flavors in our products. What else?

Matt: Synthetic colors or colors from sources that are not naturally derived, and that's a big one. Thirty years ago, that was a very limiting factor for our Trader Joe label products. And now the food technology, the food science as related to ways to color food from plant-based things has really evolved and it's opened up an actual pallet of options for us. We can now have things that are a brightly colored candy-coating shell that is made from a plant-based thing, very different from the F, D, and C colors in lots of other products out there. And it's not just about what we disallow, the things that aren't there, it's about all the things that are there and what that Trader Joe's product label means for you.

Tara: When we negotiate a deal with our vendors, the manufacturers who produce those products for us, we pull out all the costs that are usually associated with brands. So, we pull out slotting fees. We don't charge our vendors to produce advertising for us. Because we're pulling out all of those costs for a private label product, we can then charge our customers less than they would pay for a comparable quality product somewhere else.

Matt: That might have a celebrity spokesperson and a multipronged, multifaceted advertising campaign and all this other stuff going on.

Tara: I think that maybe people don't really understand all of those things that happen behind the scenes. Most of the time, if you see a product that you recognize in a television show or a movie, someone's had to pay for that. So that gets tacked onto the cost of what that manufacturer will then charge a grocery store to be able to sell that product.

Matt: So, while products placement or product integrations sound fun, and it's kind of cool to see that thing, nothing goes about for free these days. We don't play those games. We don't pay for those things. We don't charge customers for those things.

Tara: Yeah, which I think ultimately makes private label a really great deal for people who are shopping at Trader Joe's.

Matt: And I think it's interesting that it's catching on across the industry so that the phrase private label has to some degree fallen out of favor. And this idea of own brand, this retailer's own brand, that's how a lot of consultants in consultants speak are pitching this idea to other companies now because they see it as a way for a retailer, a grocery store, to stand for something other than pedaling the same old products at the same old prices as every other store.

Tara: And for us at Trader Joe's, it's in our DNA. It's what we do. It's not something new. It's not something we have to learn about. It's the basis of almost every product that we sell in our stores.

Matt: We love these products because we've tasted them, and we are sold on them. That's why we offer them to customers.

Tara: What do you think? Did we get it?

Matt: I think so.

Tara: I'm Tara Miller. Thanks for listening.

Matt: And I'm Matt Sloan and thanks for listening. ICYMI, in case you missed it.

Tara: That's what a private label is.