

The Charlotte Observer

BJ's Wholesale Club plans to open new warehouse club store in Pineville, NC, and is considering possible sites in Raleigh and Charlotte; Costco Wholesale plans to build stores in Charlotte; warehouse club industry is worth \$51 bil

1851493

Title: Charlotte, N.C., Shoppers to Have Choice of Warehouse Clubs

Source: Charlotte Observer (NC), February 17, 1999

Publisher: Knight-Ridder/Tribune Business News

Document Type: Regional Newspaper

Record Type: Abstract; Fulltext Word Count: 647

Publication Country: United States, Language: English

Abstract:

Feb. 17--For six years -- ever since Sam's Club acquired competitor Pace Membership Warehouse in 1993 - the retailing giant has controlled Charlotte's warehouse club business. Now competition is coming back in the form of BJ's Wholesale Club and Costco Wholesale, prompting some shoppers to wonder what's the difference. After all, isn't one warehouse club just like the next? Not exactly, say experts, though the distinctions are slight. BJ's announced plans last week to open by spring 2000 at the corner of Carolina Place Parkway and South Polk Street in Pineville. It has two other locations under consideration in Charlotte, and is also eyeing Raleigh. Costco, long the subject of rumors linking it to Pineville's former Incredible Universe site near BJ's Pineville location, also just confirmed that it plans to build in Charlotte. The company won't confirm rumors about the Pineville site, but Costco Chairman Jeffrey Brotman said, "We're working on three deals now."

"We've been wondering when they were going to come to North Carolina," said Michael Clayman, editor of Warehouse Club Focus, a newsletter that tracks the \$51 billion warehouse club industry.

Sam's Club, the only national chain warehouse club now operating in the Carolinas, has 16 N.C. warehouses and nine S.C. warehouses. Clayman said North Carolina can support 27, South Carolina 14.

Text:

Feb. 17--For six years -- ever since Sam's Club acquired competitor Pace Membership Warehouse in 1993 - the retailing giant has controlled Charlotte's warehouse club business.

Now competition is coming back in the form of BJ's Wholesale Club and Costco Wholesale, prompting some shoppers to wonder what's the difference. After all, isn't one warehouse club just like the next?

Not exactly, say experts, though the distinctions are slight.

They're all massive no-frills structures packed with loaded-down pallets of large-size goods. And each claims lower-than-retail prices.

But look closer and notice the \$70,000 diamonds and Rolex watches in Costco's jewelry cases. Then see the half-priced greeting cards -- sold individually -- at BJ's, where cashiers also take manufacturers' coupons.

"These are fairly subtle things, and they're not things you'd notice immediately," said Sally Wallick, an analyst who follows warehouse clubs for Legg Mason Wood Walker.

BJ's announced plans last week to open by spring 2000 at the corner of Carolina Place Parkway and South Polk Street in Pineville. It has two other locations under consideration in Charlotte, and is also eyeing Raleigh.

Costco, long the subject of rumors linking it to Pineville's former Incredible Universe site near BJ's Pineville location, also just confirmed that it plans to build in Charlotte. The company won't confirm rumors about the Pineville site, but Costco Chairman Jeffrey Brotman said, "We're working on three deals now."

"We've been wondering when they were going to come to North Carolina," said Michael Clayman, editor of Warehouse Club Focus, a newsletter that tracks the \$51 billion warehouse club industry.

Sam's Club, the only national chain warehouse club now operating in the Carolinas, has 16 N.C. warehouses and nine S.C. warehouses. Clayman said North Carolina can support 27, South Carolina 14.

Warehouse club followers say there are generally enough shoppers to support all three competitors in one market. Businesses, which make up the bulk of warehouse club sales, often obtain memberships in each and shop them based on what they're looking for. Individuals generally buy one membership, and it's usually at the club closest to their home.

Warehouse clubs started in the late 1970s as an alternative for small businesses, which had been forced to either use a distributor and keep a large inventory on hand, or pay higher prices in the grocery store.

As shoppers started buying more for themselves, the clubs improved packaging and displays. Businesses, like restaurants, delis or day-care centers, still account the bulk of sales.

"Businesses can afford to spend the most money, so they'll probably always make up the bulk of sales," said Laura Liebeck, an editor who covers warehouse clubs for Discount Store News.

Warehouses make their money selling large quantities of relatively few items, usually carrying only those items most popular with their business customers.

BJ's, which generally attracts the most individual shoppers, has the most SKUs, or stock keeping units, a retail term for individual items. BJ's has 6,500, compared with Sam's 3,800 SKUs, Clayman said. By comparison, Harris Teeter stores average 35,000.

Additionally, BJ's has grocery-store-style signs at the end of its aisles telling shoppers what each aisle holds and an express lane for shoppers with fewer than eight items.

Costco and Sam's Club prefer that shoppers wander, said Wallick, the analyst. "And, the philosophy for Costco is, 'Why should we reward our customers for buying less?'"

BJ's attention to individuals may hurt grocers, but usually not mortally, said Clayman, the newsletter editor.

"BJ's will take money away because if you buy milk or pasta (at BJ's), that's money they take from the local groceries," he said. "But I've never seen anybody close because of it."

TAKING STOCK: Warehouse clubs make money by selling large quantities of a relatively small number of items. Those items are tracked by SKUs -- or stock keeping units.

NAME-----AVERAGE SKUS PER STORE

BJ's Wholesale Clubs-----6,500

Sam's Club-----3,800

Costco-----3,900

Food Lion-----32,000

Harris Teeter-----35,000

SOURCE: Warehouse Club Focus, individual warehouse clubs, Food Lion and Harris Teeter

Visit Charlotte.Com, the World Wide Web site of The Charlotte (N.C.) Observer, at <http://www.charlotte.com>

Copyright 1999 Charlotte Observer; provided by Knight-Ridder/Tribune Business News.

Company Names: SAM'S CLUBS(WAL-MART STORES INC)

Concept Terms: All company; All market information; Capacity; Corporate strategy; Market size
Geographic Area: North America(NOAX); United States(USA)
Industry Names: Retailing non-food
Product Names: General merchandise stores NEC(539000)