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BJ's starts early to sign up business.
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In preparing to enter the Charlotte market, BJ's Wholesale Club Inc. doesn't expect its biggest obstacle to be Sam's Club.

"We're coming into a marketplace where we have zero name recognition," says spokeswoman Julie Somers.

The Natick, Mass.-based company is expected to open its first N.C. store on Carolina Place Parkway in Pineville around Jan. 1, going head-to-head with Sam's Club, a division of Wal-Mart Stores Inc.

In March, Sam's -- which has four area stores -- will relocate a block from BJ's, off Carolina Place Parkway in the former Incredible Universe store.

BJ's has already done a direct-mail blitz, offering a 15-month membership, instead of the normal 12 months, and a \$10-off coupon for those buy a \$35 membership early.

And although retail warehouses typically do little advertising, BJ's plans to hit the market with print ads and radio spots. The company will open a membership information center this month at 583 N. Polk St. in Pineville. A sales force has been visiting small businesses soliciting memberships.

"It grows through word of mouth. That's been what happens in other markets," says Steven Richter, an analyst at Tucker Anthony in Boston. "It doesn't just happen overnight."

Competition is nothing new to the warehouse chains. BJ's faces competition from Sam's or Costco Wholesale Corp. in at least 90% of its markets, Somers says.

Costco looking here, too

Issaquah, Wash.-based Costco may soon enter the local market as well. The company has been scouting sites here for more than a year and expects to announce its first Charlotte store in early 2000, says Jeffrey Brotman, chairman.

Even with the region's steady growth, some analysts question whether there's enough demand to sustain all three warehouse clubs. Many people have memberships for two clubs, but not for three, analysts say.

Brotman brushes off concerns, saying his stores sell merchandise of a much higher price point -- such as Waterford Crystal, Ralph Lauren clothing and gourmet foods -- to a higher-income clientele than Sam's or BJ's.

"If we could choose, we would anchor at SouthPark or at the intersection there, but we can't get there" he says.

Costco hasn't opened a store in Charlotte because it hasn't found the best location and because it first focused on the West Coast, where it is based, Brotman says. Costco will open its first N.C. store in Durham next year.

'The next big market'

BJ's operates 103 clubs in 13 states, from Maine to Florida as far west as Ohio, where it opened five in the past year. In 1998, sales totaled \$3.5 billion, and its third-quarter net income this year rose 62% to \$23.3 million.

BJ's plans to open a store in Cary next year as well as a second area location in Mooresville. The stores each employ about 140 people.

"North Carolina's really the next big market for us;" Somers says.

Analysts say BJ's has been able to compete with Sam's by offering a wider variety of items and services for the non-business customer.

"The clubs are a little more consumer friendly;" Richter says.

BJ's accepts manufacturer's coupons, takes credit cards and has express lanes. Overall inventory for BJ's is 6,500 "stock keeping units," compared with Sam's 4,000 SKUs. Both clubs offer various extra services with a membership, which costs \$35.

"BJ's is strong competition for Sam's," says Michael Clayman, publisher of Warehouse Club Focus, an industry newsletter.

Sam's, on the other hand, has been trying to stock more high-end products. "They are more in line with Costco and attempt to benchmark Costco in many of their operations," Clayman says.

In Cleveland, the company found a situation similar to the one it faces in Charlotte. Sam's was the only warehouse chain around. But when BJ's opened, theirs wasn't a competitive response such as a price war, says Sally Wallick, an analyst with Legg Mason Wood Walker Inc. in Baltimore.

"They just kind of came in and found their spot in the market and life went on," Wallick says.

A Sam's Club spokeswoman could not be reached for comment.

Impact on supermarkets

Analysts say the biggest effect of the discount warehouses here will be on grocery stores, because the clubs offer numerous items in bulk quantities -- from toilet tissue to frozen foods.

"Food and food-related products represents approximately 50% to 60% of club business, so supermarkets are threatened," Clayman says.

Food Lion Inc. has one of the closest locations to BJ's and Sam's in Pineville.

"Our format has competed very well against some of the warehouse club-type stores," says spokeswoman Tawn Ernest says, adding: "You're not having to navigate a mammoth-size store and get what you came for."