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Warehouse clubs making a big comeback

Value: Sam's Club introduces prototype store in Tampa

Tampa Bay Business Journal - by [Shelly Sigo](#) Staff Writer

The warehouse club industry is heating up across the country and outpacing other retail sales on an average of 6.3 percent each year since 1990.

Sales growth is strong, and so is the popularity of Sam's Club in the Tampa Bay area. The company opened a prototype 135,600-square-foot store at 5135 S. Dale Mabry Highway in Tampa on Jan. 13.

The new club offers a pharmacy, more fresh florals and produce, rotisserie chicken and one-hour photo service. A gas station offering prices 10 cents to 15 cents a gallon less than area average prices is being considered.

"Tampa is a good market for us, and from a market share perspective, we're it," said Celia Swanson, senior vice president of Sam's Club membership, marketing and administration.

Although the Dale Mabry location is a new store, it replaces an older one about four miles away. Sam's will remodel and add services at five other stores in Pasco, Hillsborough and Pinellas counties starting in July.

The company's main strategy is to remodel and relocate, and 33 clubs will be added or relocated this year. There are no plans for new clubs in the Bay area.

And competition could be on its way.

Lesser known clubs such as BJ's Wholesale Club are now investigating the Bay area market.

The top three warehouse clubs in the United States are owned by public companies that survived a glut of similar-store concepts and mergers in the 1990s.

Arkansas-based Sam's had 458 clubs in the United States at the end of 1999, including 35 clubs in Florida. Costco Wholesale had 230 clubs with 14 in Florida, and BJ's had 107, nine in Florida. Costco and BJ's are based in Massachusetts.

Businesses account for a large number of customers at all three clubs, although clubs do not release breakdowns on types of memberships.

"Once a business is committed to buying from any distributor or club, they are happy and will stay with it more so than the retail customers," said Michael Clayman, publisher of Warehouse Club Focus, an industry publication for manufacturers serving warehouse clubs.

In fact, Clayman said business customers were the primary focus when warehouse clubs first opened. The competition for those customers is strong.

That's why Sam's Club brought business owners from California, Indiana, Utah and Tampa to its annual "start of the new year" conference this week, the fourth year in a row it has been held at the Tampa Convention Center.

"We asked them if they were happy and got their input," Swanson said. "They suggested more items."

Making business owners happy is just one of several serious adjustments Sam's Club has in the works.

Another is attacking the perception among some retail customers that they aren't getting value for some products.

"We did hear that from our members and renewed our focus," Swanson said. "Over the last year, we made a strong commitment to get the idea of value back to our members."

So the company constantly reviewed prices to ensure customers get value for memberships, she said.

Because buying strategies are so complex, Clayman said that it is possible to find lower prices for the same product sold elsewhere.

But from personal experience, he believes clubs do offer overall value.

"I buy the 96-ounce bottle of Tropicana, no-pulp orange juice, that sells in the supermarket for \$4 or \$5 a bottle," Clayman said. "At Sam's, I can buy two bottles for \$6, so my membership fee is covered by buying orange juice on a regular basis."

With the added services Sam's new prototype offers, come renewed fears that other retailers will be driven out of business.

But Clayman said that's not exactly true.

Costco and BJ's have offered extended services inside their clubs and gasoline sales during the past two years.

But because warehouse clubs tend to carry one or two kinds of a product, which is part of the strategy to offer savings, retailers with more variety may lose some sales but rarely are forced out of business, he said.

Nonetheless, the popularity of warehouse clubs is rising in the country.

That is due, in part, to restructuring and remodeling of warehouse clubs and renewed emphasis on ensuring business and retail customers get value, and by frequently surveying members.

"We really have seen a resurgence in club business over the last several years, and we think it's because of the value we offer," Swanson said.

The rise in popularity also is due to the "treasure hunt philosophy" that clubs use to constantly rotate items and purchase unique or imported items.

"One of the reasons clubs are drawing people back is because they see new items from visit to visit," Clayman said. "They begin to understand that they must buy what they see, because it might not be there the next time."

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