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Warehouse clubs raking in customers.(Brief Article)
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6

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TAMPA -- The once sluggish warehouse club industry is heating up across the country, outpacing other retail sales on an average of 6.3 percent each year since 1990. It's a sharp turnaround for the clubs, which have struggled with sluggish sales.

"We really have seen a resurgence in club business over the last several years," says Celia Swanson, senior vice president of Sam's Club membership, marketing and administration. Today, 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," says Michael Clayman, publisher of Warehouse Club Focus, an industry publication for manufacturers serving warehouse clubs.

In fact, Clayman says business customers were the primary focus when warehouse clubs first opened. Competition for those customers remains strong.

That's why Sam's Club brought business owners from California, Indiana, Utah and Florida to its annual "start of the new year" conference this month, held at the Tampa Convention Center.

"We asked them if they were happy and got their input," says Swanson.

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 says. "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 says.

Because buying strategies are so complex, Clayman acknowledges 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 says. "At Sam's, I can buy two bottles for \$6, so my membership fee is covered by buying orange juice on a regular basis."

Clayman also cites other factors as driving growth: Restructuring and remodeling of warehouse clubs and frequent surveys of customers are among the new strategies.

The rise in popularity also is due to the "treasure hunt philosophy" that clubs employ, as they constantly rotate items.

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