

FROZEN FOOD AGE

Welcome to the clubs!
Frozen Food Age; New York; Mar 2000; Michael G Clayman;

Volume: 48
Issue: 8
Start Page: S13-S17
ISSN: 00162191
Subject Terms: Ice cream
Wholesale clubs
Market surveys
Statistical data
Inventory
Manyproducts
Manycompanies

Classification Codes: 9190: United States
7100: Market research
8390: Retailing industry
9140: Statistical data

Geographic Names: United States
US

Companies: BJs Wholesale ClubSic:5140
Sic:5311
Sic:452910
Costco Wholesale CorpDuns:10-339-1843
Ticker:COSTSic:5099
Sic:5199
Sic:421990
Sams Wholesale ClubSic:452110

Sic:5140Sic:5311Sic:452910Sic:5099Sic:5199Sic:421990Sic:452110Duns:10-339-1843 Abstract:
Warehouse Club Focus (WCF) performed a macro analysis of the ice cream and novelty categories at typical BJ's Wholesale, Costco and SAM'S Club locations in late January. It was estimated that the freezer department at all three clubs generates approximately \$2.85 billion in annual sales, with ice cream and novelties making up about \$380 million of that total. At the time of the store visits, Costco was stocking 14 SKUs, BJs 47 SKUs and SAM'S 20 SKUs. BJs stocks the most items of all three clubs and its overall buying philosophy is different from Costco or SAM'S. BJs attempts to better meet the needs of its consumer or retail member by providing a larger selection of products. For instance, Costco stocks four frozen cake SKUs, SAM'S stocks seven and BJ's stocks 11. Costco is the only club to use its private label brand in this department as its stocks a one-gallon tub of vanilla ice cream under the Kirkland Signature name. BJ's stocks a separate, two-door frozen case that has seven ice cream items from Haagen-Dazs. In other departments in its club, BJ's extends the selection of a particular brand and sets up a specialized merchandising area. The majority of the items in this category are geared to the wholesale member. Results of the survey are charted by product and store.

Full Text:
Copyright Maclean Hunter Media Incorporated Mar 2000
[Headnote]
There's a look at the ice cream/novelty categories of Costco, BJ's and SAM's.

Warehouse Club Focus (WCF) performed a macro analysis of the ice cream and novelty

categories for Frozen Food Age at typical BJ's Wholesale, Costco and SAM'S Club locations in late January. We estimate that the freezer department at all three clubs generates approximately \$2.85 billion in annual sales, with ice cream and novelties making up about \$380 million of that total.

At the time of our store visits (see charts), Costco was stocking 14 SKUs, BYs 47 SKUs and SAM'S 20 SKUs. BYs stocks the most items of all three clubs and its overall buying philosophy is different from Costco or SAM'S. BYs attempts to better meet the needs of its consumer or retail member by providing a larger selection of products.

For instance, Costco stocks four frozen cake SKUs, SAM'S stocks seven and BJ's stocks 11. Costco is the only club to use its private label brand in this department as it stocks a one-gallon tub of vanilla ice cream under the Kirkland Signature name.

BJ's stocks a separate, two-door frozen case that has seven ice cream items from Hagen-Dazs. In other departments in its club, BJ's extends the selection of a particular brand and sets up a specialized merchandising area. The majority of the items in this category are geared to the wholesale member.

Restaurants and caterers are attracted to the pre-sliced frozen cakes. Meals on wheels or vending operators are attracted to the single serve ice cream and yogurt bars, Italian ice and ice cream cups.

Enlarge 200%

Enlarge 400%

Costco-Avon, MA

When it comes to merchandising, each club uses a different frozen layout. Typically, Costco merchandises its frozen products in two lineups that combined have 81 doors. BYs normally has two lineups with a total of 91 doors, while SAM'S typically has two lineups that have a combined 111 doors.

Costco has seven freezer doors for ice cream and novelties, while SAM'S uses fifteen and BYs uses 16. The effect of the different door counts is that the typical ice cream and frozen novelty item at Costco or SAM'S receives up to one-half a door of space vs. BYs, which provides one-third of a door of space.

Manufacturers selling to the clubs (or interested in selling to them) should be aware of this fact when designing packaging and display cases, Manufacturers who design a case or product for maximum visibility at Costco or SAM'S may find that their product is not displayed as well at BYs.

Club Industry Trends

-Sales: Looking at overall club sales, it's safe to say business is booming. In the 1999 calendar year, the club industry saw total merchandise sales rise 12.8% to \$57.4 billion. Costco led with \$28.6 billion, followed by SAM'S (\$24.7 billion) and BYs (\$4.1 billion).

From 2000 to 2003, WCF projects that BYs will expand an average of 14.3% per year and by 2003 will generate revenues of \$6.9 billion. Costco will grow an average of 11.4% annually to generate revenues of \$44.1 billion by and SAM'S will expand an average of 9.1% and to reach 2003 revenues of \$35.0 billion.

-Internet: Costco will continue to expand the product selection on its Web site, www.costco.com. SAM'S is in the process of introducing a revamped Web site at www.samsclub.com and the focus of the site will be product selection. With SAM'S and Costco's focus on their Internet business, WCF believes that at some point, BJ's will also be introducing its own revamped Web site that will focus on product sales.

-Private Label: All three clubs will continue to expand their private label programs. Member acceptance of these brands and the value that they represent will help to increase sales.

Enlarge 200%

Enlarge 400%

Sam's-Seekonk, MA

Enlarge 200%

Enlarge 400%

BJ's-South Attleboro,MA (Store Visit: 1/27/2000)

-Member Services: All three clubs will continue to expand their member benefits and services. With additional programs and savings, club membership will become more valuable and important to existing and potential members.

-International Expansion: Costco and SAM'S will continue their international expansion programs. One advantage of operating international locations is that unique and interesting products from those markets may begin to appear in U.S. club locations, increasing the uniqueness of the club shopping experience.

-SAM'S Remodel Program: SAM'S will continue to remodel existing clubs to include expanded fresh food and ancillary businesses. The remodel program, as Costco demonstrated in the mid- to late1990s, increases sales and the frequency of member visits.

Warehouse Club Focus, Norwood, Mass., is a bi-weekly publication written by former club buyers exclusively about the club industry. It provides insight and information to help manufacturers understand how to more effectively market their products to club buyers. For a four- issue trial subscription, visit www.warehouseclubfocus.com.

[Author note]

By Michael G. Clayman, Warehouse Club Focus www.warehouseclubfocus.com

Reproduced with permission of the copyright owner. Further reproduction or distribution is prohibited without permission.