



Club stores' sales total \$57 bil and are expected to grow another 12.3% in 2001; of those figures, about \$3.22 bil consists of frozen foods

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Club stores make their money by offering big packages.

And for a beginning processor, club stores can offer a big opportunity.

For many small producers of frozen food, the path to national distribution travels through club stores. Only three players (Sam's, Costco, BJ's) control almost all of this segment's \$57 billion in sales. That total was up 11.7 percent from last year, and is projected to rise another 12.3 percent next year, according to figures collected by Warehouse Club News. Of that, about \$3.22 billion, or 5.6 percent of the total, consists of frozen foods; about \$2.42 billion, or 4.2 percent of the total, comprises refrigerated packaged foods.

This concentration means a small processor needs to convince a lot fewer people than in the supermarket sector. That's even more true for frozen products than for other kinds of food, says Michael Clayman, publisher of Warehouse Club News. "There seems to be potential that there's more smaller suppliers, more mom-and-pop operations in frozen foods who are starting in small manufacturing plants who don't have a lot of distribution and don't have the wherewithal to deal with the supermarkets," Clayman says. "The clubs are a way to gain broad distribution without a tremendous amount of buy-in expense in terms of slotting fees and things like that."

Clayman cited Austin, Texas-based Michael Angelo's Gourmet Foods as an example of an operation that grew to national prominence through club-store distribution. Another example is San Diego-based Delimex, which built its Mexican frozen food business entirely within club stores for about the first five years of its existence; it now recently cracked the \$100 million sales mark, with sales divided evenly between club and grocery stores.

Conversely, large, well-established processors also can find club stores a useful venue by developing club-specific packaging or product development. The problem, according to the store operators, is that the big processors often don't make enough of an effort.

"If you ask the warehouse club buyers and executives themselves, they say it does not happen enough," Clayman says. "The warehouse club industry still feels that manufacturers do not think of them first when developing new products and packaging."

On the other hand, major processors sometimes find club stores a useful proving ground for new products. "You have a lot of progressive manufacturers who realize there's no reason why they can't use the clubs as a distribution point or a test point for products first," Clayman says.

For example, Tyson, he says, has tested certain of its boneless, skinless chicken breast products in club stores before introducing them into mainstream retail.

#### 1999 FREEZER CASE PROFILE: SAM'S

Category	Total items	% of total	Total doors	Items per door
Breakfast	12	6.9	5.5	2.2

Entree	16	9.2	9.5	1.7
Finger food/appetizers	26	14.9	13.0	2.0
Fruit	1	0.6	0.7	1.4
Ice cream, novelties	20	11.5	14.7	1.4
Italian	13	7.5	8.0	1.6
Juice	3	1.7	1.6	1.9
Meat	10	5.7	6.5	1.5
Pizza	7	4.0	4.5	1.6
Potatoes, onions	8	4.6	6.5	1.2
Seafood	5	2.9	4.5	1.1
Shrimp	14	8.0	9.5	1.5
Vegetables	5	2.9	3.5	1.4
TOTAL	174	80.4	111.0	1.6

Source: Warehouse Club Focus.

#### 1999 FREEZERCASE PROFILE: COSTCO

Category	Total items	% of total	Total doors	Items per door
Breakfast	5	3.9	3.5	1.6
Entree	16	12.4	8.5	1.9
Finger food/appetizers	16	12.4	11.5	1.4
Fruit	2	1.6	1.5	1.3
Ice cream, novelties	12	9.3	7.0	1.7
Italian	14	10.9	7.0	1.7
Juice	1	0.8	1.5	0.7
Meat	8	6.2	6.5	1.2
Pizza	4	3.1	3.0	1.3
Potatoes, onions	2	1.6	1.5	1.3
Seafood	8	6.2	4.0	2.0
Shrimp	10	7.8	6.5	1.5
Vegetables	8	6.2	6.0	1.3
TOTAL	129	100.2	81.0	1.6

Source: Warehouse Club Focus.

Frozen foods sold in club stores often present a unique problem for consumers: The portions are often too large for one sitting, but most consumers prefer not to refreeze the leftovers. That situation is something processors can address through interior packaging, Clayman says.