Club Operators Look To Sustain Growth.

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The three leading players in the warehouse club industry - Costco, BJ's and Sam's - combined represent aggregate sales of over $57 million, according to Michael Clayman, publisher of Warehouse Club Focus. All three operators posted strong sales gains last year: BJ's with 110 stores registered a growth rate of 18.4%; sales at Costco with 325 stores were up 13.1%; and Sam's, with 514 stores, posted a gain of 8.4%.
In an effort to maintain their momentum, all three club operators have announced plans for expansion, reported Grocery Headquarters (August). Much of the clubs' planned expansion is expected to come in new market areas, notes Todd Hale, senior vice president, analytics, ACNielsen, Schaumburg, IL. "From 1993 to 1998, warehouse clubs were the only channel out of the four [club, mass merchants, drugstores, food stores/supercenters] that has shown an increase in store count," he says. "In recent months Costco has decided to go after the urban market and within the next two years will have warehouses in New York City and then roll out openings in Chicago and Los Angeles. Due to space limitations, these stores will focus on food and HBC, leaving behind clothing, general merchandise and appliances. Sam's is moving out West into the San Diego area where Costco is strong."

Club operators will increasingly look overseas for expansion, according to PricewaterhouseCoopers, Columbus, OH. For example, Costco plans to add four clubs in England and one in Mexico before its fiscal yearend, as well as a second club in Japan in December.
Some analysts believe that clubs will continue to make inroads into the grocery business. Sales at warehouse clubs are projected to reach $63 billion in five years, according to PricewaterhouseCoopers. Assuming share of sales from food remains about 60%, club store food sales are projected to be $38 billion in 2004.

Despite many positive signs, the club channel also faces a number of challenges. Observers point to issues such as limited payment methods, a lackluster Internet presence and a growing resistance in some communities to the spread of big-box stores.