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Warehouses bulk up with designer wear

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At Sam's Club in Franklin Mills, a mountain of men's Levi jeans are priced at \$22.62. Sam's and other clubs have been loading cut-rate big-name clothing next to the humbler inventories to lure shoppers.

The first thing you see at Sam's Club in Franklin Mills is clothing.

And corny, private-label stuff it's not.

Fresh white Pro-Keds line the tables. Ralph Lauren Polo shirts for men and Calvin Klein denim shorts for women are folded-tossed on hulking gray tables.

Shopping carts slow to a stroll as bargain-hunters gaze at the diamond rings, Coach bags, Prada sunglasses and Fossil watches locked in glass display cases.

"I'm sort of surprised at the prices and the quality," said Gwendolyn J. King of Logan, as she leaned over for a closer look at the Barse jewelry. "I've been noticing more and more stuff in here every time I come. I wonder where they are going with it."

Over the last two years, Sam's Club and other warehouse stores have moved big-name designers into their clothing sections to snag discriminating shoppers.

At Sam's, only one-sixth of the cavernous, 144,000-square-foot warehouse has clothing. But there you'll find Prada bags, Fossil watches and Glow by J.Lo perfume at less than half the retail price - only yards away from frozen pizza, motor oil, and back-to-school supplies.

"Sam's Club is in business to serve small business' wholesale needs," said Jolanda Stewart, a Sam's Club spokeswoman. "The entire family will find great deals at Sam's Club. We carry everything from onesies for toddlers to Birkenstock sandals for Mom and Dad... ."

Now that's a lofty fashion mission.

Sam's, owned by Wal-Mart, is tight-lipped about its newfound fascination with fashion. But this much we do know: Sam's sales have been suffering from "slow growth," increasing less than 10 percent from \$32.6 billion in 2001 to \$35.8 billion in 2002, according to Michael Clayman, editor of Warehouse Club Focus, a biweekly newsletter

in Foxboro, Mass. He estimated Sam's apparel sales last year at \$1.5 billion, or 4.1 percent of overall sales.

Last August, Kevin Turner, 37, was named Sam's Club CEO. With the change in brass came a new focus to serve small-business customers. The thought was that if Ms. Small Businessowner wore designer labels, Sam's should surprise her with the latest fashions while she searched for reams of printer paper.

"The strategy for the club channel has always been name-brand products at aggressive prices, and they've constantly tinkered and toyed with the selection," Clayman said. "But the apparel category is something Sam's has paid close attention to since the fall of last year."

In addition to new apparel, Sam's offers high-fashion jewelry - yes, they do have chandelier earrings - and semiprecious stones. Two years ago, Sam's hired a full-time jewelry buyer.

Last spring the club introduced its Regal Elegance Collection, which includes gold and platinum diamond engagement rings and wedding bands. The diamonds are certified by the International Gemological Institute, the same entity that stands behind jewelry sold in chain stores.

Sam's is not the only warehouse luring customers with hipness. Competitors BJ's Wholesale Club and Costco Warehouse have strengthened relationships with top fashion manufacturers, including Ralph Lauren, Reebok, Carter's and Speedo.

The way warehouse clubs sell clothes is the opposite of the techniques used by the fashion boutiques and department stores. The clubs buy as much apparel as they can - for example, Sam's might buy 244 pairs of Levi's men's jeans - and stock the tables as densely as possible.

Accessories are different. To keep that feeling of exclusivity, the store's buyers may snag one denim Fendi handbag that retails for \$400 and sell it for \$229.76. The same with a black Ferragamo that was originally \$500, and is labeled for \$384. A \$75 Fossil watch goes for \$39.84.

Sam's tries to get its customers engaged in a treasure hunt.

"The fastest-growing segment of the warehouse business is upper-income people buying apparel," said Milton Coleman, senior industry analyst for NPD Group, a market research firm in New York. "When you go to these stores, you don't know what you are going to find. You can't try it on, but so what? You buy it anyway because the reward is greater than the risk."

It's too early to tell if the companies' new focus will prove profitable, but customers are noticing.

On a stifling day in early July, shoppers look for deals and chill out in Sam's air-conditioned warehouse. (Only shoppers who become members, paying \$35 a year, can get inside.) The sales floor is filled with final summer markdowns and an early peek at fall fashions.

Packages of two lightweight Carter's onesies in mint green, yellow, peach, pink and blue, originally \$10 for just one onesie, go for \$9.86. Women's Speedo halter-top bathing suits are tied around plastic busts. Sam's puts so many suits out, Speedo provides the forms to help the display stay neat, said merchandise manager Susan Gerace. Still, the customer pays only \$22.84 for a one-piece swimsuit that retails for \$54.

Next table, Levi's boot-cut jeans, complete with the faded booty, are \$19.44. Calvin Klein denim shorts, originally \$42, are \$19.87.

"I always buy clothes here," said Deborah Knowles of Bensalem, as she dropped a pair of shorts in her cart. Knowles has been buying clothes there for more than a year.

"I bought my husband and my daughter's boyfriend Eagles and Flyers gifts for Christmas and they loved them," she said. "It's the best deal."

Knowles even buys items for her 21-year-old daughter, also Deborah, who's a stickler for name brands.

"It's nice stuff," her daughter said. "I just don't tell people I get it here."