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Shopping in a Big Way: Warehouse vs. Big Box

By JANE HODGES

Americans love discounts. This is the land of the two-for-one dinner special and double supermarket coupons. It's also home to a thriving warehouse-club industry, where consumers pay nominal membership fees for the privilege of filling huge grocery carts with everyday products sold in bulk.

Warehouse-club sales in the U.S. grew to \$113.3 billion in 2009 from \$91.3 billion in 2005, according to Michael Clayman, publisher of Warehouse Club Focus, an industry trade journal. He anticipates continued increases in sales since consumers are penny-pinching in the soft economy and the club companies have plans to add more locations. He says warehouse-club pricing is often 50% less than a regular retailer's and up to 25% less than nonclub big-box stores. "Warehouse stores do save you quite a bit," he says.

For years, warehouse clubs have been attracting customers looking to stock their homes with cans of tuna fish and rolls of toilet paper by the dozens and at a discount. We decided to see for ourselves whether the discounts and shopping experiences justify the membership fees and the trip to the clubs' often far-flung locations. We visited BJ's Wholesale Club, Costco Wholesale, and Sam's Club over two days in mid-May. For comparison, we hit a Wal-Mart, a nonclub retailer known for its bargains. (Wal-Mart Stores Inc. is also the parent of Sam's Club.) Joining the clubs is easy and inexpensive, and an individual membership allows for one additional name on an account.

Packed with everything from bulk packages of Spam to six-pound tubs of tapioca pudding, the clubs bustle on any given day with bargain hunters bent on buying 20-pound boxes of frozen King Crab legs or outdoor furniture. Samplers hawk snacks while some shoppers push pallet-like carts loaded with everything from potting soil to underwear, from cellphones to flat-screen TVs.

All the stores offered name brands but frequently cut the best deals under their own labels, which include Kirkland at Costco; Member's Mark, Baker's, and Chef's at Sam's; and Berkley and Jensen at BJ's. Most of the stores had services like eye examinations and glasses fittings, photo development, pharmacies and bakeries that take custom orders. They also have car tire and battery sales and installations. The BJ's we visited, though, didn't have a pharmacy, photo development or car batteries.

On the grocery front, Costco had the most organic and "alternative" choices (rice milk in addition to soy milk for nondairy drinkers), the most creative "international" foods, and the more upscale selection of beer and wine. Sam's had a surprisingly well-stocked deli, with a range of cheeses including Stilton with amaretto. Meat and deli pricing and selections were good at all stores, making them great pit stops before barbecues and parties. And at Sam's we made some surprise finds—great deals on coconut milk, or bulk chopsticks, alongside 30-pound tubs of mayonnaise.

Outside the food aisles, the stores offered an extensive mix of inventory, including electronic equipment, jewelry, handbags, bedding, furniture, and kitchen appliances. While good deals were abundant, we felt some of the major items available—such as mattresses at BJ's and Costco, or Waterford Crystal in a case near the flat-screen TVs at Costco—felt out of place in a warehouse.

As for the prices, we compared the cost of common household items—coffee, toilet paper, and soda—at the clubs with those at Wal-Mart. While our study was unscientific, the results showed the clubs don't beat all retailers all the time.

With toilet paper, Wal-Mart won: Its store brand, sold in six packs, cost 21 cents a roll. Sam's per-roll prices range from 43 cents (Member's Mark) to 50.5 cents (Charmin Ultra Soft). BJ's ranged from 47 cents (Charmin) to 50 cents (Berkley and Jensen), and Costco prices ran from 50 cents (Kirkland) to 60 cents (Charmin Ultra Soft).

In the soda aisle at Wal-Mart, a 24-can case of Coke products cost only \$5, or about 21 cents a can, while Coke products sold in 32-can cases at Costco for \$9.69, about 30 cents a can. At Sam's, the same 32-can case of Coke products was \$9.44, and \$9.39 at BJ's.

The clubs beat Wal-Mart on some coffee prices, which we converted from unit to per-pound pricing for comparison. However, Wal-Mart spokesman Greg Rossiter notes that comparing per-pound pricing on its stores' smaller packages versus club stores' larger packages is somewhat unfair as larger sizes will always cost less.

At club stores, ground coffee cost between \$2.16 (Chock Full o' Nuts at BJ's) to \$3.30 (Kirkland Signature at Costco) and whole bean cost from \$3.89 (Pleasant Hill at Costco) to \$9.79 (Starbucks at Sam's). Wal-Mart's ground coffee came in at per-pound prices ranging from \$2.33 (Maxwell House) to \$12.20 (Starbucks).

Ultimately, all the stores' pricing was compelling. In the clubs, we saw meat for as little as \$2 per pound, great deals on nut butters and snack mixes, and deals on everything from vitamins to lawn tools and home appliances.

If we had any quibbles with club stores, they'd involve long check-out lines and unwieldy shopping carts. Still, bigger packages and bargain pricing mean fewer trips to the store, and consistent discounts mean we don't have to hunt for specials at our grocer.

—Anjali Athavaley in New York contributed to this article.

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Bargain Hunters' Paradise?

Here's how the major warehouse-club stores company with each other and Wal-Mart:

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