

Item Basket Comparison

The paid membership component of the warehouse club business model is critical to their success. It not only enables BJ's, Costco, PriceSmart and Sam's Club to operate on lower gross margins but provides each club with a revenue source that can be equal to or above net income.

When deciding to join or renew a membership at BJ's, Costco, PriceSmart and Sam's Club, members require one simple benefit. In return for the membership fee, a warehouse club member expects to save more money shopping at the club compared to the annual cost of the membership. Without that savings, members would not join and the warehouse club business model would not work.

When thinking about where potential members can shop for a wide variety of food and non-food items under one roof, grocery stores, supercenters and warehouse clubs are the top three choices. Comparing a basket of items found at each of these three retail formats provides an objective example of how much money a club member can save by shopping at a warehouse club instead of a grocery store or supercenter.

This study analyzes the retail prices at BJ's, Costco, Sam's Club, a grocery store and a supercenter where all the operators compete in the same market for the same customer (as an international operator, PriceSmart is not included in this analysis). By choosing one market, where competition for a customer's wallet is high, the true gauge of the potential savings offered by the warehouse clubs in comparison to grocery stores and supercenters is most likely revealed.

Methodology

The data for this 2021 item basket analysis was gathered from locations in Rockland/Westchester County, New York that included: BJ's (West Nyack), Costco (Nanuet), Sam's Club (Elmsford), a ShopRite grocery store (West Nyack) and a Target supercenter (West Nyack).

All five locations were within a ten-mile radius of each other. Item description, package size and retail price data was recorded on October 3 and 4, 2021. The retail price data represents an item's listed cost and does not include instant coupons, rebates or any other store/club discounts.

Consumer branded products are used exclusively for this analysis to make sure that each item being compared is the same at each retail/club operator. However, package sizes will vary. Given that issue, the method used to compare a market basket of branded items at each retailer is to set up the package sizes at one retailer as the control group. The control group (currently and historically) is Sam's Club.

The price-per-unit is calculated for each item at each operator and multiplied by the package size of the control retailer, Sam's Club. This adjusted retail price is listed next to the actual retail price under the ADJ column in the charts on pages three and four. It is our belief that comparing the adjusted retail prices for each of the non-control retailers to the retail price of the control retailer provides the most accurate apples-to-apples market basket comparison.

The following is an example of how an adjusted retail price is calculated. Sam's Club stocked a case of eight 14.5-ounce cans of Del Monte cut green beans for \$6.48. Costco stocked a case of twelve 14.5-ounce cans of the same item for \$9.99. Costco's price-per-unit (or per ounce) is calculated by dividing its retail price of \$9.99 by 174, the number of ounces in the 12-count case. Costco's resultant price-per-unit is 5.74-cents. Costco's price-per-unit is then multiplied by the Del Monte cut green bean package size at Sam's Club (116-ounces) for a Costco adjusted retail price of \$6.66. This calculation was performed for each item at BJ's, Costco, Target and ShopRite.

Chart Layout

The charts on the next two pages list item basket SKUs along with their respective package size and retail price. The totals for Sam's Club are calculated by adding up the retail price column while the totals for BJ's, Costco, Target and ShopRite are calculated by adding up the ADJ columns.

The bottom of the first chart includes a food total and the bottom of the second chart includes the general merchandise total and an overall total. The percentage numbers to the right of the totals represent the percentage higher (if the number is positive) or lower (if the number is negative) compared to Sam's Club. For example, the adjusted food total of \$791.66 at BJ's is 6% higher than Sam's food total of \$747.64.

Rockland/Westchester, NY			Sam's Club			Costco Wholesale			BJ's Wholesale			Target			ShopRite		
October, 2021			Package	Retail	Package	Retail	ADJ	Package	Retail	ADJ	Package	Retail	ADJ	Package	Retail	ADJ	
Non-Food (46)	Baby (3)	Enfamil Infant Formula - Neuro Pro	2	20.7	oz	\$42.98	2	20.7	oz	\$42.99	\$42.99	2	20.7	oz	\$42.99	\$42.99	
		Huggies Little Movers - Size 3	1	156	ct	\$44.98	1	174	ct	\$49.99	\$44.82	1	156	ct	\$44.99	\$44.99	
		Huggies Pull Ups - Boys - Size 3-4	1	116	ct	\$39.38	1	116	ct	\$39.99	\$39.99	1	116	ct	\$39.99	\$39.99	
	HBA (13)	Advil Liqui Gels (200 mg)	1	240	ct	\$18.48	1	240	ct	\$17.79	\$17.79	2	120	ct	\$17.79	\$17.79	
		Aleve Caplets (220 mg)	1	320	ct	\$17.46	1	320	ct	\$17.99	\$17.99	1	320	ct	\$17.99	\$17.99	
		Bayer Low Dose Aspirin (81 mg)	1	400	ct	\$13.47	1	400	ct	\$13.59	\$13.59	1	400	ct	\$12.99	\$12.99	
		Dove - Body Wash - Deep Moisture	3	24	oz	\$14.46	3	24	oz	\$15.99	\$15.99	3	24	oz	\$11.99	\$11.99	
		Dove Bar Soap - White	16	3.75	oz	\$15.98	16	3.75	oz	\$15.99	\$15.99	16	3.75	oz	\$12.99	\$12.99	
		Excedrin Migraine Caplets	1	300	ct	\$16.98	1	300	ct	\$16.99	\$16.99	1	300	ct	\$17.99	\$17.99	
		Glucerna Vanilla Shake	24	8	oz	\$31.98	24	8	oz	\$31.99	\$31.99	24	8	oz	\$31.99	\$31.99	
		Head and Shoulders Shampoo - Classic	1	43.3	oz	\$11.98	1	43.3	oz	\$12.99	\$12.99	1	43.3	oz	\$12.99	\$12.99	
		Listerine Mouth Rinse - Cool Mint	2	1.5	ltr	\$11.87	2	1.5	ltr	\$12.49	\$12.49	2	1.5	ltr	\$12.99	\$12.99	
		Olay Body Wash - Moisturizing	3	23.6	oz	\$13.88	3	23.6	oz	\$13.99	\$13.99	3	23.6	oz	\$14.99	\$14.99	
		Oral B Brush Heads - Floss Action	1	8	ct	\$44.48	1	9	ct	\$49.99	\$44.44	1	8	ct	\$44.99	\$44.99	
		Q-tips Cotton Swabs	1	1750	ct	\$8.38	3	625	ct	\$8.99	\$8.39	3	625	ct	\$8.99	\$8.39	
		Tylenol Extra Strength Caplets - 500 mg	1	325	ct	\$15.88	1	325	ct	\$16.99	\$16.99	1	325	ct	\$18.79	\$18.79	
	Office (3)	3M Post It Notes (3"x3")	27	100	ct	\$18.48	24	100	ct	\$16.49	\$18.55	18	100	ct	\$12.49	\$18.74	
		Scotch Packaging Tape	6	60.15	yds	\$19.88	8	54.6	yds	\$24.49	\$20.23	8	43.7	yds	\$21.99	\$22.70	
		Sharpie - Fine Point Markers	1	24	ct	\$12.98	1	25	ct	\$13.49	\$12.95	1	24	ct	\$15.99	\$15.99	
	Pet (2)	Blue Buffalo Dog Food - Chicken Brown Rice	1	38	lb	\$49.98	1	38	lb	\$49.99	\$49.99	1	38	lb	\$50.99	\$50.99	
		Purina Friskies Food - Cat	60	5.5	oz	\$31.24	60	5.5	oz	\$30.99	\$30.99	48	5.5	oz	\$24.99	\$31.24	
	Sundries (25)	Bounce Dryer Sheets	1	320	ct	\$9.47	1	320	ct	\$9.99	\$9.99	1	320	ct	\$9.99	\$9.99	
		Bounty Paper Towels	12	108	ct	\$18.98	12	107	ct	\$21.99	\$22.20	12	165	ct	\$29.99	\$19.63	
		Cascade Action Pacs - Platinum	1	92	ct	\$19.98	1	92	ct	\$19.99	\$19.99	1	92	ct	\$17.49	\$25.95	
		Clorox 2 Stain Fighter	1	112.75	oz	\$12.98	1	112.75	oz	\$13.99	\$13.99	1	112.75	oz	\$13.99	\$13.99	
		Clorox Bleach (concentrated)	3	121	oz	\$13.98	3	121	oz	\$13.99	\$13.99	3	121	oz	\$13.99	\$13.99	
		Clorox Clean Up Spray	1	212	oz	\$10.98	1	212	oz	\$11.99	\$11.99	1	212	oz	\$11.99	\$11.99	
		Clorox Disinfecting Wipes	5	85	ct	\$14.98	5	85	ct	\$14.99	\$14.99	5	85	ct	\$14.99	\$14.99	
		Downy Fabric Softener	1	165	oz	\$12.98	1	170	oz	\$12.99	\$12.61	1	170	oz	\$12.99	\$12.61	
		Downy Unstoppables	1	37.5	oz	\$16.98	1	37.5	oz	\$16.99	\$16.99	1	37.5	oz	\$16.99	\$16.99	
		Finish Action Pacs	1	117	ct	\$14.84	1	125	ct	\$15.89	\$14.87	1	117	ct	\$14.99	\$14.99	
		Gain Laundry Detergent	1	165	oz	\$12.44	1	200	oz	\$17.99	\$14.84	1	200	oz	\$17.99	\$14.84	
		Jet Dry Rinse Agent	1	32	oz	\$10.98	1	32	oz	\$10.99	\$10.99	1	32	oz	\$10.99	\$10.99	
		Kleenex Facial Tissue - 2 ply	12	144	ct	\$13.88	10	230	ct	\$19.49	\$14.64	12	144	ct	\$15.99	\$15.99	
		Lysol Disinfectant Spray	3	19	oz	\$12.68	3	19	oz	\$12.69	\$12.69	3	19	oz	\$12.99	\$12.99	
		Lysol Toilet Bowl Cleaner	4	32	oz	\$8.98	4	32	oz	\$8.99	\$8.99	4	32	oz	\$8.99	\$8.99	
		Pine Sol - Original	2	100	oz	\$10.98	2	100	oz	\$10.79	\$10.79	1	175	oz	\$9.99	\$11.42	
		Reynolds Aluminum Foil (12 inch)	2	250	sf	\$16.98	2	250	sf	\$18.49	\$18.49	2	250	sf	\$17.99	\$17.99	
		Scotch Brite Heavy Duty Sponge (green)	1	21	ct	\$12.98	1	21	ct	\$12.99	\$12.99	1	21	ct	\$13.79	\$13.79	
		Swiffer Wet Refill	1	64	ct	\$15.38	1	64	ct	\$17.49	\$17.49	1	64	ct	\$16.49	\$16.49	
		Tide Laundry Detergent (liquid)	1	208	oz	\$24.72	1	208	oz	\$24.99	\$24.99	1	208	oz	\$24.99	\$24.99	
		Tide Laundry Detergent (powder)	1	254	oz	\$29.18	1	254	oz	\$29.99	\$29.99	1	254	oz	\$29.99	\$29.99	
		Tide Laundry Detergent Pods - Spring Meadow	4	42	ct	\$29.98	4	42	ct	\$29.99	\$29.99	4	42	ct	\$29.99	\$29.99	
		Windex Window Cleaner	1	160	oz	\$9.14	1	208	oz	\$11.99	\$9.22	1	113.6	oz	\$9.49	\$13.37	
		Ziploc Freezer Bags - Quart	4	54	ct	\$13.98	4	54	ct	\$13.99	\$13.99	4	54	ct	\$13.99	\$13.99	
		Ziploc Sandwich Bags	4	145	ct	\$11.48	4	145	ct	\$11.49	\$11.49	4	145	ct	\$11.49	\$11.49	
Non Food			\$875.09			\$893.33			2%			\$907.96			4%		
Total			\$1,622.73			\$1,663.38			3%			\$1,699.61			5%		

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From 2007 to 2011, an average of 69 items were included in each analysis. From 2012 to 2016, an average of 90 SKUs were included in each analysis. From 2017 to 2021, an average of 104 products comprised each analysis including the largest basket of items in 2021 at 115 items.

Costco Limits the Number of Item Basket Items – Costco’s buying philosophy creates an overall product assortment that is more unique compared to its club and non-club competitors, making item-to-item comparisons encompassing a broad range of categories more difficult. The components of that buying philosophy include: limited SKUs (3,643 items at Costco compared to 4,633 products at Sam’s Club and 5,810 SKUs at BJ’s), a growing selection of private label, organic and ethnic merchandise, a willingness to constantly rotate a portion of its assortment, the strategy of procuring treasure hunt SKUs and product quality.

To prepare for each analysis, a master list of potential item basket items is created. The difficulty that Costco creates when conducting these annual item basket analyses is exemplified when looking at the percentage of master list items found at each operator. For the 2021 analysis, a total of 196 products were included on the master list. Of that total, 189 items or 96% were recorded at Target, 184 products or 94% were recorded at ShopRite, 180 SKUs or 92% were recorded at BJ’s, 162 items or 83% were recorded at Sam’s Club and 151 products or 77% were recorded at Costco. This disparity between the number of master list items observed at Costco compared to the other four retail operators occurs each year.

Historical Results – The chart on the next page displays the item basket results since 2007. In each year, Sam’s was the control group and is represented by 100 (a base percentage by which to judge the other retailers). The rest of the data is above or below that baseline figure, depending on the percentage difference compared to Sam’s Club.

Sam’s Club and Costco – From 2007 to 2020, overall retail prices at Costco and Sam’s Club have been extremely close. Costco’s overall retail prices have never been as low as 1% below Sam’s Club and never as high as 1% above Sam’s Club. However, in 2021, the differential between Costco and Sam’s Club was the largest ever. Food prices were 3% lower at Sam’s Club, non-food prices were 2% lower at Sam’s Club and overall retail prices were 3% lower at Sam’s Club.

Item Basket		Sam's Club			Costco			BJ's			Walmart			Target			Grocery			
Year	Market	Items	Food	Non-Food	Total	Food	Non-Food	Total	Food	Non-Food	Total	Food	Non-Food	Total	Food	Non-Food	Total	Food	Non-Food	Total
2007	Frederick/Columbia, MD	54	100	100	100	98	99	99	102	102	102	122	117	119				150	158	154
2008	Cleveland, OH	70	100	100	100	100	100	100	104	103	104	133	136	135				174	157	164
2009	Duluth, GA	76	100	100	100	100	100	100	103	104	104	120	132	126				148	153	150
2010	Miami, FL	68	100	100	100	100	98	99	101	101	101	127	136	131				161	162	161
2011	Fort Myers, FL	77	100	100	100	100	100	100	104	104	104	129	131	130				159	163	161
2012	Nashua/Hudson, NH	82	100	100	100	99	100	100	103	103	103	129	128	128				159	159	159
2013	Jacksonville, FL	84	100	100	100	101	100	101	105	104	105	129	134	132				166	157	161
2014	Raleigh, NC	94	100	100	100	101	100	101	104	104	104	131	122	127				165	173	169
2015	Baltimore, MD	95	100	100	100	101	98	100	105	102	103	133	128	131				163	166	165
2016	Hartford, CT	95	100	100	100	99	101	100	105	107	106	130	132	131				160	170	165
2017	Nashua/Hudson, NH	97	100	100	100	98	100	99	103	103	103	125	132	129				153	160	157
2018	Baltimore, MD	107	100	100	100	98	100	99	101	102	101	123	127	125				163	160	161
2019	Sarasota, FL	96	100	100	100	98	101	99	103	107	105	128	130	129				159	176	167
2020	Hartford, CT	105	100	100	100	98	99	99	103	102	103	129	124	127				171	155	154
2021	Rockland/Westchester, NY	115	100	100	100	103	102	103	106	104	105				148	134	140	160	149	154

Sam's Club and BJ's – Historically, BJ's overall retail prices have always been an average of 1% to 6% higher than Sam's Club. BJ's overall retail prices have never been lower than Sam's Club.

This trend continued in 2021 as BJ's overall retail prices were 5% higher than Sam's Club including food prices which were 6% higher and general merchandise prices which were 4% higher.

BJ's – Merchandise gross margins at BJ's are significantly higher than Costco and PriceSmart (Sam's does not report this data point). BJ's fiscal 2020 (ending January, 2021) merchandise gross margins were 17.53% compared to PriceSmart's fiscal 2020 (ending August, 2020) merchandise gross margins at 15.00% and Costco's fiscal 2021 (ending August, 2021) merchandise gross margins at 11.12%.

However, as can be seen from the historical item basket results, BJ's overall retail price differential on consumer brands is typically smaller than the 6.41% difference between its fiscal year merchandise gross margin and Costco's. This indicates, on competitive items, BJ's pays attention to the retail prices at Costco and Sam's Club and makes price adjustments to remain close but on non-competitive items, BJ's will generate higher than average merchandise gross margins.

Grocery Store and Supercenter – When comparing the market basket of all three clubs to ShopRite, while the 2021 food price and overall price differentials are consistent with historical results, the 2021 general merchandise price differential at 49% higher than Sam's Club is lower than any other year.

When comparing the market basket of all three clubs to Target, while the 2021 general merchandise price differential is consistent with historical results, the food price differential at 48% higher than Sam's Club and the overall price differential at 40% higher than Sam's Club is higher than any other year.

Savings and Membership Fees – When comparing the overall Rockland/Westchester County, New York market baskets at Target and ShopRite to each warehouse club, it can be easily seen that BJ's, Costco and Sam's Club offer savings well in excess of the annual membership fee paid by their club members.

BJ's overall retail prices are the highest among the three clubs so we'll use its results for the following example. BJ's adjusted food and non-food market basket total for all 115 items is \$1,699.61. According to our estimates, that represents approximately six months of club shopping. A typical club member, conservatively, will visit a location twice a month and spend \$140 per trip. Over the course of six months, a typical club member will spend approximately \$1,680.

In comparison to Target, BJ's members can save, on the 115 items in this study, \$577.30 every six months or \$1,154.60 annually. That represents more than nine-times the most expensive club membership option (a \$120 executive membership at Costco). In comparison to ShopRite, BJ's members can save, on the 115 items in this study, \$798.18 every six months or \$1,596.36 annually. That represents more than 13-times the most expensive club membership option.

Although this is an exaggerated way of estimating the savings a warehouse club member can realize, it does reinforce the point that the savings members receive by shopping at a club instead of a grocery store or supercenter are real, significant and historically consistent.