

- Costco September Sales—7.
- Costco New Locations—8.
- PSMT Updates Systems—8.

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Club Industry Survey – Fall, 2023

The warehouse club industry is unlike any other retail format. With its limited assortment of items, its out-of-the-box member service programs and, most importantly, its paid membership philosophy, BJ's, Costco and Sam's Club need to continually offer their members a unique, enjoyable and financially rewarding shopping experience. Club buyers and operators are constantly fine tuning their buying philosophy and changing their product assortment to better meet those member needs. Staying current on those adjustments is key for any club supplier.

Since 1998, club buying strategies have been reported on through our annual warehouse club industry surveys. Supplier, broker and stakeholder responses to these surveys provide an interesting up-close viewpoint on what is happening not only on a "macro level" in the club industry but "in the trenches" between the buyer and vendor.

This article summarizes the Fall, 2023 survey results. The number of responses to each of the open-ended survey questions is greater than what appears in the charts on the following pages. Many of the responses are similar and were not duplicated.

Company Size and Type

Regarding the size of the companies that responded: 53% were large organizations (annual sales exceeding \$500 million), 27% were medium organizations (annual sales between \$100 million and \$500 million) and 20% were small organizations (annual sales up to \$100 million). In terms of the type of company that responded: 56% were food suppliers, 19% were manufacturer representatives (brokers), 14% were non-food vendors, 7% were assorted stakeholders and 4% were club buyers.

What is the most important program attribute to a BJ's, Costco, PriceSmart and Sam's Club buyer?

Results for this question can be seen in the chart below and include data from 2015, 2018, 2021 and 2023. The most common response and the most important program attribute has always been price and value. Historically, WCF has combined these program attributes.

For the first time, respondents were asked to differentiate between the two characteristics with price representing club buyers being focused on reducing the cost to purchase an item and value representing club buyers being focused on

Most Important Program Attribute to a BJ's, Costco, PriceSmart and Sam's Club Buyer																	
BJ's					Costco					PriceSmart			Sam's Club				
Response	2015	2018	2021	2023	Response	2015	2018	2021	2023	Response	2021	2023	Response	2015	2018	2021	2023
Price Value	65%	47%	18%	37%	Price Value	40%	41%	52%	48%	Price Value	48%	44%	Price Value	61%	48%	55%	41%
Demo, End Cap, BBM	5%	5%	16%	13%	Quality	34%	25%	29%	20%	Quality	13%	11%	Quality	0%	4%	9%	11%
Margin	0%	17%	10%	12%	Unique, Exclusive	10%	3%	0%	6%	Brand	0%	6%	Value vs Walmart	0%	0%	0%	5%
Program, Assortment	5%	5%	15%	9%	Volume, Velocity	0%	13%	5%	5%	Demo, End Cap, Coupon	0%	6%	What Costco Stocks	4%	4%	23%	5%
Convenience	0%	0%	0%	3%	Demo, End Cap, MVM	9%	9%	4%	3%	Packaging	8%	6%	Program, Assortment	0%	0%	0%	4%
Guarantee Sale	0%	0%	0%	3%	Program, Assortment	0%	0%	5%	2%	Product Availability	10%	5%	Demo, End Cap, Coupon	0%	0%	0%	2%
Unique, Exclusive	5%	0%	0%	3%	Brand	2%	6%	0%	0%	Country Appropriate	11%	0%	Brand	0%	9%	0%	0%
Volume, Velocity	0%	0%	0%	2%	Member Needs	0%	0%	2%	0%	What Costco Stocks	10%	0%	Guarantee Sale	0%	4%	0%	0%
Brand	0%	5%	7%	0%	Organic Items	3%	0%	0%	0%				Margin	8%	0%	0%	0%
Diff. vs Costco, Sam's	5%	0%	5%	0%	Packaging	0%	0%	3%	0%				Member Needs	8%	0%	0%	0%
Guarantee Sale	0%	0%	5%	0%	Service, Support	2%	3%	0%	0%				Online Marketing	0%	0%	3%	0%
Market Share	5%	0%	7%	0%									Packaging	0%	0%	5%	0%
Packaging	5%	0%	8%	0%									Service, Support	7%	4%	6%	0%
Quality	0%	5%	9%	0%									Unique, Exclusive	12%	0%	0%	0%
Service, Support, Supply	5%	5%	0%	0%									Volume, Velocity	0%	27%	0%	0%
Volume, Velocity	0%	11%	0%	0%													

As can be seen in the chart, the combination of price and value continues to be the most important program attribute to all four club operators: 55% at BJ's, 64% at Costco, 66% at PriceSmart and 73% at Sam's Club. However, BJ's, PriceSmart and Sam's Club buyers are more focused on lowering the cost to purchase an item while Costco buyers are more focused on providing members with a lower retail price compared to a product being purchased at another retailer.

BJ's – Compared to its three club competitors, BJ's is more focused on accessing vendor marketing funds (product demonstrations, end caps and BBM coupons) as 13% of respondents cited this program attribute as most important compared to 3% at Costco, 6% at PriceSmart and 2% at Sam's Club.



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Additionally, BJ's places an importance on the merchandise gross margin it generates as it was cited by 12% of respondents as important. This program attribute was not mentioned as important in 2023 for Costco, PriceSmart and Sam's Club.

Other program attributes that are important to a BJ's buyer include: the program/assortment offered by a supplier (9% of respondents), how convenient a product is (3% of respondents), whether the item is a guaranteed sale (3% of respondents), whether the SKU is unique or exclusive (3% of respondents) and the sales volume a product generates (2% of respondents). Lastly, unlike its club competitors, quality was not mentioned as an important program attribute for a BJ's buyer.

Costco – Beyond price and value, the next most important program attribute to a Costco buyer is quality (20% of respondents). This has been a consistent result at Costco. Other program attributes that are important to a Costco buyer include: whether the item is unique or exclusive (6% of respondents), a product's sales volume (5% of respondents) and the program/assortment provided by the vendor (2% of respondents).

A small broker commented that Costco's focus on price and value has reduced its attention on purchasing unique products. He said, "They are focusing more on pricing and programs than product attributes or uniqueness. The 'treasure hunt' at Costco no longer exists. It seems many buyers have lost the interest or ability to develop new and different items and are more focused on managing programs."

PriceSmart – Beyond price and value, the next most important program attribute to a PriceSmart buyer is quality (11% of respondents). Other program attributes that are important to a PriceSmart buyer include: the brand recognition of an SKU (6% of respondents), how well an item is packaged for PriceSmart's needs (6% of respondents) and product availability (5% of respondents).

Sam's Club – Beyond price and value, the next most important program attribute to a Sam's Club buyer is quality (11% of respondents). Other program attributes that are important to a Sam's Club buyer include: a product's value compared to Walmart (5% of respondents), whether Costco stocks an SKU (5% of respondents) and the program/assortment provided by the supplier (4% of respondents). Lastly, one program attribute mentioned as important to a Sam's Club buyer in past surveys was the service and support provided by a vendor (7% of respondents in 2015, 4% of respondents in 2018 and 6% of respondents in 2021). That attribute was not listed as significant in 2023.

What is the typical gross margin at each club?

Respondents provided the merchandise gross margins generated on their products at each club. Respondents do not necessarily know the cost each club allocates for its cross dock and/or distribution center. Therefore, the merchandise gross margin results from this survey may be slightly elevated.

Costco's merchandise gross margin continues to be the lowest in the club industry at between 13% and 14% (see chart on the next page). The merchandise gross margins at BJ's and Sam's Club, as reported by respondents, have increased. Sam's merchandise gross margins increased from 16% in 2015 to 17% in 2018 to 19% in 2021 and 2023. Excluding Cost-U-Less, BJ's merchandise gross margins were the highest in the club industry each survey year at 18% in 2015, 20% in 2018 and 22% in 2021 and 2023.

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WCF began including PriceSmart in this annual survey question in 2021 and Cost-U-Less in 2023. Since Cost-U-Less and PriceSmart export a significant amount of merchandise from the United States to its international locations and incur import costs and fees in those countries, it is expected that its margins would tend to be higher. According to respondents, PriceSmart's merchandise gross margins were 19% in 2021, 17% in 2022 and 19% in 2023. The respondents reported merchandise gross margins at Cost-U-Less in 2023 were 26%.

Average Gross Margin					
Club	2015	2018	2021	2023	
Costco	14%	13%	13%	14%	
Sam's Club	16%	17%	19%	19%	
PriceSmart	n/a	n/a	19%	22%	
BJ's	18%	20%	22%	22%	
Cost-U-Less	n/a	n/a	n/a	26%	

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How would you rate Costco's focus on product quality?

This question was included for the first time in 2023. Given the importance of product quality to Costco's overall buying philosophy, the plan is to include this question annually and track response rate changes. Respondents were asked to choose from one of our options: very important (product quality is number one for Costco), fairly important (product quality is among the two top considerations), important (product quality along with several other attributes are equally considered) and slightly important (product quality importance has fallen behind several other attributes).

Costco's Product Quality Focus		2023
Response		
Very Important - Product quality is #1 for Costco		66%
Fairly Important - Product quality is among the top two considerations.		23%
Important - Product quality along with several other attributes are equally considered.		8%
Slightly Important - Product quality importance has fallen behind several other attributes.		3%

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As can be seen from the chart on the right, when asked to rate Costco's focus on product quality, 66% of respondents said product quality was very important, 23% of respondents said product quality was fairly important, 8% of respondents said product quality was important and 3% of respondents said product quality was slightly important.

Has your company advertised online with the Member Access Platform (MAP) at Sam's Club?

This question was included for the first time in 2023. Each respondent indicated whether their company has advertised online with MAP and in some cases, provided some "color" as to their experience with the program and their results. First, 59% of respondents indicated they have NOT advertised online with MAP and 41% of respondents indicated they have advertised online with MAP.

Subjectively, of those who have advertised online with MAP, as can be seen in the chart on the left, results leaned positive. A medium broker said, "It is comprehensive and well organized but hard to assess it's real impact on sales." A medium food vendor said, "Results have varied significantly. Greatest positive impact has been when we participated in multi-supplier seasonal events like New Year's Eve and the Super Bowl." A large food supplier said, "We've had early success with Sam's online programs. Our ROIs have been encouraging."

What Has Been Your Company's Experience with MAP?		
Company		Response
Small	Food	Sponsored search has been strong with the highest return on investment. Display campaigns were poor with little return on investment. These results were before club sales were attributed to MAP so I believe it has improved. Our buyer is requiring us to participate in a multi supplier campaign for our peak seasonal period. The results were average return.
	Broker	It is comprehensive and well organized but hard to assess it's real impact on sales. Fairly decent payback. Not favorable.
Medium	Food	Results have varied significantly. Greatest positive impact has been when we participated in multi-supplier seasonal events like New Year's Eve and the Super Bowl.
		Sponsored search has a strong ROI, however the media campaigns struggle to yield profitable results. The in club attribution is helping this metric improve. This is a significant push from our buyer right now and an area we will continue to invest in and next year we'll participate in a multi supplier campaign. This is a tactic we have not tried yet.
		Very successful in driving new sales. Very turn-key. We have utilized MAP and results have been favorable.
Large	Food	Good results. Sponsored product ads are returning the best results. Multi-supplier programs have been very unpredictable and underwhelming.
		The results are mixed. Cannot prove out direct ROI of any spend, but the spend is necessary for overall support to keep items in distribution.
		The sales lift didn't justify the spend. We've had early success with Sam's online programs. Our ROIs have been encouraging.
	Non-Food	Mostly good. I wonder about the value of high ticket programming.

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The one interesting concept mentioned by a few respondents is that Sam's Club buyers are "pushing" or "requiring" suppliers to participate. As part of its answer, a small food supplier said, "Our buyer is requiring us to participate in a multi supplier campaign for our peak seasonal period." As part of its answer, a medium food vendor said, "This is a significant push from our buyer right now and an area we will continue to invest in and next year we'll participate in a multi supplier campaign. This is a tactic we have not tried yet." A large food supplier said, "The results are mixed. Cannot prove out direct ROI of any spend, but the spend is necessary for overall support to keep items in distribution."

What are your company's YTD unit sales trends compared to last year with Sam's Club?

Respondents were asked, excluding promotional events, to comment on their company's year-to-date unit sales trends with Sam's Club in comparison to the same period last year. Subjectively, results, according to respondents, are mixed (see chart on the next page).

On the positive side, a medium food supplier said, "Our unit sales are up double digits vs last year." A medium non-food vendor said, "We are trending mid-single digit growth YTD." A large food supplier said, "Our business is trending up mid-single digits YTD. We are seeing an increase in total HH penetration and dollars per trip, with the number of trips down slightly."

On the negative side, a small food vendor said, “Soft, down single digits vs year ago. Was disappointed all the new members they gained during their anniversary campaign did not pay off. Buyer referenced that SNAP is heavily affecting our decline in sales.” A large non-food supplier said, “Our base business is declining double digits in units.”

What are Your Company's YTD Unit Sales Trends vs LY with Sam's Club?		
Company		Response
Small	Broker	Down.
	Food	Soft, down single digits vs year ago. Was disappointed all the new members they gained during their anniversary campaign did not pay off. Buyer referenced that SNAP is heavily affecting our decline in sales.
		We are up but we are a new company and only started distributing to Sam's Club late last year into this year, so results are not accurate.
Medium	Broker	Increase about 10-20%.
	Food	Declining due to previous year's tailwinds and are on par with pre-covid levels.
		Decreased 6%.
		Decreased 8%.
		Down.
		Flat.
		Our unit sales are up double digits vs last year.
		Plus 12.5% in dollars and plus 7.6% in units.
	Non-Food	Single digit increase.
		We are trending mid-single digit growth YTD.
	Large	Food
Down slightly.		
Excluding changes in distribution, YTD unit sales are plus 4%.		
Flat.		
Modest growth.		
Most categories are growing in units.		
Our business is trending up mid-single digits YTD. We are seeing an increase in total HH penetration and dollars per trip, with the number of trips down slightly.		
Overall good, but varies by SKU.		
Plus 3% organic growth.		
Plus 30%		
Non-Food		Slightly negative
		Trending negative mid single digits.
		Up significantly.
		Down.
		Flat in units.
		Our base business is declining double digits in units.
		Slight decline.
Sales and programs have increased.		

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more open to downsizing due to the pandemic. A large food supplier said, “[We] downsized due to manufacturing challenges in meeting net weight. [The] downsized item delivered the same price per ounce.” A large food supplier said they will be approaching Costco about downsizing their item. He said, “We are considering downsizing an item that may have gone over a significant price cliff for us. We will collaborate with Costco buyers on any changes. Joint decisions will be key.”

What has been your company's experience with road shows and/or special events?

Suppliers were asked if their company has used road shows (food) or special events (non-food) and, if they had, what was their experience.

As can be seen from the chart on the right, results varied with many respondents citing the cost as a negative factor. However, a couple respondents indicated road shows and special events can be used to determine which product flavor or style should be sold on the floor at Costco.

A large broker said, “Road shows are VERY challenging. We use them, but to test concept/flavor when a buyer will not give a commitment but will commit to a rotation given a result metric from a small two to three club road show commitment within their region. Also, unless they are non-consignment, they are very onerous on the vendor to perform and execute.” Another large broker said, “Road shows are expensive but they can help a buyer understand member preferences for a certain flavor.”

Can you provide an example of an item that was successfully downsized at Costco?

The large majority of respondents said they have never experienced Costco downsizing one of their items nor would they expect Costco to willingly reduce the package size of an existing item. However, some respondents provided general acknowledgement that Costco downsized an item and a few provided specific examples of Costco downsizing one of their items.

For those suppliers and brokers who provided a general example of Costco downsizing an item, all mentioned that the cost per unit-of-measure from the large package to the smaller package was maintained. A medium food supplier said, “From my experience, the only successful downsizes are generally when there are freshness/count issues.” A medium food vendor said, “This is a long time ago, but we were able to demonstrate that our DSD bakery item was too many calories and it lasted too long in the member's homes for them to think their family liked it, so ... we argued it had a negative member value due to size.”

A large food supplier said that, recently, Costco has been more open to downsizing due to the pandemic. A large food supplier said, “[We] downsized due to manufacturing challenges in meeting net weight. [The] downsized item delivered the same price per ounce.” A large food supplier said they will be approaching Costco about downsizing their item. He said, “We are considering downsizing an item that may have gone over a significant price cliff for us. We will collaborate with Costco buyers on any changes. Joint decisions will be key.”

What has Your Company's Experience Been with Road Shows, Special Events?		
Company		Response
Small	Broker	Have not done a road show in a few years, but there were mixed results. Expensive. Videos at BJ's have been effective especially with a new item and they help to create awareness.
		Not good for us, but good for the buyer. Overly expensive with little opportunity as a result.
	Food	road shows always do well at Costco and do okay at Sam's Club.
	Other	Poor, we try to avoid them as much as possible. We've done really well with road shows.
Medium	Broker	road shows exceed all expectations.
	Food	Excellent results. Built a following and gained distribution.
		Overall positive as long as you manage the spend and expectations.
Broker	Yes, for us, it's a necessity due to competition performing them. To match their comp, we need to do road shows.	
Large	Food	Hit or miss. Choice of region and building location critical.
		Not in a long time. Hope you have a profitable item. They are expensive and Costco buyers tend to look at those results as a thumb on the scale.
	Broker	road shows are tedious and the biggest negative to us is that is on consignment, meaning they do not keep what was not sold. Not efficient returning perishable product.
		Depends on the item. With multiple flavors, it is a great way to get member feedback for final SKU.
Food	Painful with no guarantee.	
	road shows are expensive but they can help a buyer understand member preferences for a certain flavor.	
	road shows are VERY challenging. We use them, but to test concept/flavor when a buyer will not give a commitment but will commit to a rotation given a result metric from a small two to three club road show commitment within their region. Also, unless they are non-consignment, they are very onerous on the vendor to perform and execute.	
Broker	road shows are VERY challenging. We use them, but to test concept/flavor when a buyer will not give a commitment but will commit to a rotation given a result metric from a small two to three club road show commitment within their region. Also, unless they are non-consignment, they are very onerous on the vendor to perform and execute.	
	Food	Modest sales but drives considerable awareness.
Packager	Food	road shows drive strong lifts in well managed clubs but underperform in clubs that don't have the high traffic.
		We have not. Too expensive.
		Very good ROI.

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A couple respondents commented that the product and brand awareness generated from a road show or a special event is very beneficial.

A large food supplier said, "Modest sales but drives considerable awareness." A medium broker said, "Excellent results. Built a following and gained distribution."

A couple respondents said that choosing the correct region and locations within that region are important. A large food supplier said, "Road shows drive strong lifts in well managed clubs but underperform in clubs that don't have the high traffic." A medium food vendor said, "Hit or miss. Choice of region and building location critical."

What changes have you seen at BJ's?

Respondents were asked what changes have they seen at BJ's in terms of buying philosophy, overall strategy or general observations and how have those changes influenced its performance? As can be seen from the chart on the right, responses varied.

A small broker commented that BJ's higher merchandise gross margin strategy has not hurt them. He said, "Their margin requirements have risen dramatically. The pandemic helped BJ's. More family oriented than the others and stock more family friendly items. This increased membership. So, higher margins have not negatively affected them at all. They have become more profitable. But a little tougher to deal with."

A small food vendor said BJ's is stocking more "newer" items. He said, "I have noticed that BJ's has been more open to new, incremental item assortment versus staying with its core business from the past. Their philosophy has

A medium food supplier said BJ's is focusing more on regional items. He said, "Regional item testing is proving to be very successful at BJ's. They are leaning in the direction of regional brands over national brands ... at a very slow pace."

A large food vendor said, BJ's is improving its operations. He said, "[BJ's is] SLOWLY moving to more operational discipline. Would love for BJ's to remove those shifty nuisance fees and apply to COGS. It would make them more competitive and provide more member value. They are realizing there are no more funds and they are just shifting them into other buckets."

A large food vendor commented that BJ's is instituting a new category management system with annual product/program reviews. He said, "They are entering a new category management process which they have tried to enact for years. It remains to be seen from an executional standpoint, but their overall strategy is to be updating/reviewing assortment on an annual basis while still maintaining promotional vehicles that will drive the business."

How much of your company's club growth is due to promotional funding versus item development?

Respondents were asked, in terms of your company's overall warehouse club business, how much is driven by promotional/marketing funds compared to new item development or existing product enhancement (see chart on the next page)? Objective results to this question leaned towards promotional/marketing funds being the "driving" force of a company's club growth.

What Changes Have You Seen at BJ's?		
Company		Response
Small	Broker	BJ's is crazy. They award new programs, then rescind. I don't understand what they are doing other than blowing things up.
		Promotions are more frequent.
	Food	Their margin requirements have risen dramatically. The pandemic helped BJ's. More family oriented than the others and stock more family friendly items. This increased membership. So, higher margins have not negatively affected them at all. They have become more profitable. But a little tougher to deal with.
		BJ's continues to widen their assortment and operate as a grocery retailer with club sizes. This causes inefficient operations and general assortment cannibalization leading to little incremental gains and declines on key category items.
Medium	Food	I have noticed that BJ's has been more open to new, incremental item assortment versus staying with its core business from the past. Their philosophy has changed slightly to allow for more "new" and incremental variety.
		Too many buyer changes and their individual understanding of corporate direction differ.
		All about price. No loyalty to private label suppliers.
		BJ's continues to expand product selection - driving cannibalization and operational inefficiencies. BJ's is focusing on charging vendors fees to reinvest in the business - giving BJ's a price disadvantage in both the club and versus the grocery market.
		Expanding margins over past two years. BJ's is moving away from club channel as main competitor with smaller packages and increased SKUs and embracing value compared to grocery and mass.
	I've recently seen a push to cut the overall number of SKUs. It's unclear at this point if that will be a good tactic.	
Non-Food	More focus on organic.	
Large	Food	Regional item testing is proving to be very successful at BJ's. They are leaning in the direction of regional brands over national brands ... at a very slow pace.
		BJ's is raising prices higher than inflationary costs on our products.
		BJ's has made great progress with helping us drive out cost to deliver member value. Ongoing changes at BJ's have slowed down their response time on new items and programs.
		Focus on private label in salt/spices.
		SLOWLY moving to more operational discipline. Would love for BJ's to remove those shifty nuisance fees and apply to COGS. It would make them more competitive and provide more member value. They are realizing there are no more funds and they are just shifting them into other buckets.
		Smaller is better and PL seems to be on the rise.
	They are entering a new category management process which they have tried to enact for years. It remains to be seen from an executional standpoint, but their overall strategy is to be updating/reviewing assortment on an annual basis while still maintaining promotional vehicles that will drive the business.	
Non-Food	They've become more "retail" focused. More interested in data versus product.	
Packager	Too much emphasis on margin.	
	Reducing SKUs in our category.	
	They focus on SKU difference from competitors.	

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changed slightly to allow for more 'new' and incremental

46% of respondents said that 60% to 100% of their club growth is due to promotional/marketing fund investment. 21% of respondents said that the reason for their club growth is evenly split between promotional/marketing fund investment and new items or existing product development. 21% of respondents said that 60% to 100% of their club growth is due to new products or existing item development. 10% of respondents said that 100% of their club growth is due to new SKUs or existing product development and 2% of respondents said that 100% of their club growth is due to promotional/marketing fund investment.

A large broker commented that Costco's success with its MVM coupon program has negatively impacted its focus on product quality. He said, "I would say that with Costco, quality mandates have seemed to wane in recent years relative to pricing. Whereas before it was 'sell the best quality at the best price' that is not always the case now. So much of their sales are driven by MVM offers and TPD offers that are not necessarily quality items but the sales that are generated are impossible to ignore and thus it makes it hard for 'great quality items' to sometimes find a home against an inferior quality item that can outspend. This has been a very challenging development for those of us that have been working with Costco for a long time (more than 10 years)."

A small food supplier said, "50/50. Both are heavy initiatives right now. BJ's offers more opportunity in promotional funds. Sam's offers more opportunity in new items or sponsored search. Costco is split 50/50." A large food supplier said, "Depends on the club. For BJ's, it would be more driven by promotional/marketing funds ... while Costco truly embraces the rotational and treasure hunt experience."

A medium food vendor said, "Promotion/marketing has generally been the driver as our new product development has been lagging." A large food supplier said, "90% promotional. Innovation requires slower build and a longer timeline that the customers no longer have due to treasure hunt focus."

A large non-food vendor said, "15% by promotional events/trade funds. 25% of workload spent on enhancing existing products 'keeping the core fresh'. New products have been a struggle due to low internal margins." A large food manufacturer said, "Our business is driven by winning with core items at a value. We work to regularly update our items to ensure we provide the necessary value for club shoppers."

Growing Your Club Business - Marketing or Item Development?		
Company		Response
Small	Food	50/50. Both are heavy initiatives right now. BJ's offers more opportunity in promotional funds. Sams offers more opportunity in new items or sponsored search. Costco is split 50/50.
Medium	Food	New product development and existing product enhancement are key focus areas. Promotion/marketing has generally been the driver as our new product development has been lagging.
Large	Broker	Promotional/marketing funds are important for trial and getting an item going.
		We build in a "program" for all items ... still think product demonstrations are a very good vehicle to drive sales with Costco.
	Food	We rely on promotion and marketing of all types to drive our everyday business and rotations while also constantly developing new products. Of our core vendors/suppliers, I would say that 80% of our business is "every day" business (or as much as every day as you can be with Costco) while the other 20% is developing new products with both existing vendors and new vendors that we are pioneering.
		90% promotional. Innovation requires slower build/longer timeline that the customers no longer have due to treasure hunt focus.
Depends on the club. For BJ's, it would be more driven by promotional/marketing funds. They always want to drive programs, while Costco truly embraces the rotational and treasure hunt experience.		
Non-Food	Our business is driven by winning with core items at a value. We work to regularly update our items to ensure we provide the necessary value for club shoppers.	
	Overall, very little driven by promo/marketing. But new demonstration support key to new products/existing enhancements.	
		Promotional/marketing funds is important as everyone is competing for the same space.
		15% by promotional events / trade funds. 25% of workload spent on enhancing existing products "keeping the core fresh". New products have been a struggle due to low internal margins.

WCF Research - 2023

FINANCIAL

Costco Wholesale

Costco Reports September, 2023 Sales

Globe Newswire – October 4, 2023

Costco reported September, 2023 worldwide sales increased 6.0% from \$21.46 billion last year to \$22.75 billion this year. It is estimated that national sales increased 4.0% to \$16.24 billion and international sales increased 11.5% to \$6.51 billion.

Costco reported overall comparable sales increased 4.5% with United States locations increasing 3.2%, Canadian locations increasing 6.7% and other international locations increasing 10.0%. Excluding gasoline and foreign currency exchange (gas/fx), overall comparable sales increased 3.7% with United States locations increasing 2.7%, Canadian locations increasing 8.0% and other international locations increasing 4.9%.

September, 2023 online sales increased 3.7%. Worldwide traffic increased 4.9% and United States traffic increased 4.5%. Costco's worldwide average transaction decreased approximately 0.4% including gas/fx and decreased approximately 1.2% excluding gas/fx. Costco's national average transaction decreased approximately 1.3% including gas/fx and decreased approximately 1.8% excluding gas/fx.

In terms of September, 2023 comparable sales by category and department: food and sundries increased in the mid to high single digits (sundries, food and candy were the stronger categories), fresh foods increased in the mid to high single digits (bakery and produce were the stronger categories), non foods decreased in the low to mid single digits (jewelry, tires and automotive were strong and offset by weakness in sporting goods, hardware and home furnishings) and ancillary increased in the high single digits (food court, pharmacy and optical were the stronger categories).

Regionally and internationally, sales were strong in the Southeast, Texas, Northeast, Spain, Mexico and the United Kingdom. Costco ended the month with 861 worldwide locations including: 587 in the United States, 107 in Canada, 40 in Mexico, 33 in Japan, 29 in the United Kingdom, 18 in Korea, 15 in Australia, 14 in Taiwan, five in China, four each in Puerto Rico and Spain, two in France and one each in Iceland, Sweden and New Zealand.

OBSERVATIONS

WCF's business is the warehouse club industry. To that end, WCF is constantly accumulating information about the industry via phone conversations, warehouse visits, industry publications and manufacturer meetings. This section is WCF's attempt to disseminate that information to the club industry in an ethical and protective manner.

- According to a September 6, 2023 report from *Eater LA*, next to a Skechers in Gardena, California, the shoe company opened a window service restaurant called Food Spot. The location was opened in May, 2023 and is modeled after Costco's food court with blue coloring and product pictures framed in red. Many of the items at Food Spot are similar to Costco's assortment and include a hot dog, pizza, Caesar salad, soft serve sundaes and churros. Michael Greenberg, chief executive officer of Skechers, said, "Years ago we thought, wouldn't it be great to have a food concession? I thought we could make shopping for shoes like a family outing. They come to visit the Food Spot, and they have to visit the shoe store. When they come to visit the store, they have to eat. All in all, it's a beautiful concept. We're very pleased."
- According to a September 17, 2023 press release, Dick's Sporting Goods appointed Bob Eddy, BJ's chief executive officer and chairman of the board of directors, to its board of directors. Ed Stack, executive chairman of Dick's Sporting Goods, said, "Bob's decades of retail experience will be invaluable as Dick's expands our newest store concepts and as we continue to find ways to innovate and provide the best possible experience for our athletes."
- Costco is opening a new location in November, 2023 on the border of Marysville and Linda, California. Sam's Club has operated a location in Yuba City, California since 1992. The new Costco building is less than five miles away from Sam's Club. Prior to opening this location, the closest Costco locations to Sam's Club in Yuba City were 35 to 40 miles away.
- Costco is opening a new location in November, 2023 in Newark, California. Within an approximate 15 mile radius from this new club, there are 11 Costco locations and just 2.5 miles from this new location is Costco in Fremont which was opened in 2005. Part of the strategy for opening this new Costco location is likely to cannibalize business from some of those 11 locations, many of which are likely too busy.
- Costco is opening its 31st business center location in October, 2023 in St. John, Missouri which is within the St. Louis market. Within a 15 mile radius from this new location, Costco operates four traditional locations and Sam's Club operates six buildings.
- According to an October 5, 2023 press release, Sam's Club discounted its membership cost for new members from October 5, 2023 through October 15, 2023. New members who sign up for its premium Plus membership would pay \$55 for the first year, a savings of \$55 and new members who sign up for its traditional Club membership would pay \$15 for the first year, a savings of \$35.
- According to an October 3, 2023 press release, PriceSmart is updating its back-office systems to better manage its supply chain and retail planning. PriceSmart selected RELEX Solutions to implement its system across PriceSmart's 52 clubs and buying offices. David Price, chief transformation officer for PriceSmart, said, "RELEX Solutions provides the capabilities we need to improve our operational efficiency and product availability. This move is a key part of our digital transformation and we're excited about the potential of increased member engagement through targeted promotions."

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