

Warehouse Club Industry Guide

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2023 Warehouse Club Industry Guide

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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										
Food (69)	Beer (2)	Coors Light (can)	36	12	oz	\$24.96	36	12	oz	\$26.59	\$26.59	36	12	oz	\$27.49	\$27.49	18	12	oz	\$15.99	\$15.98	18	12	oz	\$17.99	\$17.99
		Heineken (bottle)	24	12	oz	\$27.96	24	12	oz	\$31.99	\$31.99	24	12	oz	\$30.49	\$30.49	12	12	oz	\$16.99	\$16.99	18	12	oz	\$27.99	\$27.99
		Chobani Greek Yogurt (0% fat, variety)	16	5.3	oz	\$11.98	20	5.3	oz	\$13.99	\$13.99	16	5.3	oz	\$11.99	\$11.99	4	5.3	oz	\$3.89	\$3.89	4	5.3	oz	\$3.99	\$3.99
		Go Gurt Yogurt (variety)	32	2	oz	\$6.48	32	2.25	oz	\$7.69	\$7.69	32	2	oz	\$7.99	\$7.99	16	2	oz	\$4.69	\$4.69	8	2	oz	\$2.99	\$2.99
		Kerrygold Irish Butter	6	4	oz	\$8.98	1	32	oz	\$11.99	\$11.99	1	17.6	oz	\$8.69	\$11.85	1	8	oz	\$4.39	\$4.39	1	8	oz	\$3.99	\$3.99
		Kraft Philadelphia Cream Cheese	2	16	oz	\$7.98	1	48	oz	\$8.29	\$5.53	2	16	oz	\$9.99	\$9.99	1	8	oz	\$2.89	\$11.56	1	8	oz	\$3.99	\$15.96
		Kraft Sliced White American Cheese	1	48	oz	\$7.08	1	64	oz	\$9.69	\$7.27	1	64	oz	\$9.69	\$7.27	1	16	oz	\$3.99	\$11.97	1	16	oz	\$5.49	\$16.47
		Pillsbury Crescent Rolls	4	8	oz	\$6.78	5	8	oz	\$8.59	\$6.87	4	8	oz	\$8.49	\$8.49	1	8	oz	\$1.99	\$7.96	1	8	oz	\$2.50	\$10.00
		Shedd's Country Crock Butter	1	80	oz	\$5.24	1	80	oz	\$5.39	\$5.39	1	80	oz	\$5.39	\$5.39	1	15	oz	\$2.49	\$13.28	1	45	oz	\$4.99	\$8.87
		Haagen Dazs Almond Ice Cream Bars	15	3	oz	\$10.78	15	3	oz	\$11.99	\$11.99	15	3	oz	\$12.99	\$12.99	3	3	oz	\$3.99	\$19.95	6	3	oz	\$7.99	\$19.98
		Kellogg's Eggo Waffles	1	60	ct	\$8.38	1	72	ct	\$9.99	\$8.33	1	72	ct	\$10.49	\$8.74	1	24	ct	\$5.39	\$13.48	1	24	ct	\$4.99	\$12.48
		Hershey Milk Chocolate Bar	36	1.55	oz	\$25.22	36	1.55	oz	\$22.99	\$22.99	36	1.55	oz	\$22.99	\$22.99	6	1.55	oz	\$4.99	\$29.94	6	1.55	oz	\$5.49	\$32.94
		M&M Peanut	1	62	oz	\$12.98	1	62	oz	\$12.99	\$12.99	1	62	oz	\$12.99	\$12.99	1	19.2	oz	\$5.69	\$18.37	1	19.2	oz	\$6.49	\$20.96
		M&M Plain	1	62	oz	\$12.98	1	62	oz	\$12.99	\$12.99	1	62	oz	\$12.99	\$12.99	1	19.2	oz	\$5.69	\$18.37	1	19.2	oz	\$6.49	\$20.96
		Cape Cod Reduced Fat Potato Chips	1	28	oz	\$5.98	1	30	oz	\$6.79	\$6.34	1	24	oz	\$5.99	\$6.99	1	8	oz	\$3.29	\$11.52	1	14	oz	\$5.29	\$10.58
		Crumchmaster Multigrain Crackers	4	5	oz	\$7.67	2	14	oz	\$9.99	\$7.14	2	10.5	oz	\$7.99	\$7.61	1	4	oz	\$3.19	\$15.95	1	4	oz	\$3.99	\$19.95
		Frito Lay Classic Variety Mix	50	1	oz	\$13.98	54	1	oz	\$15.59	\$14.44	50	1	oz	\$14.49	\$14.49	18	1	oz	\$8.99	\$24.97	28	1	oz	\$10.99	\$19.63
		Oreos	1	52.5	oz	\$8.38	1	52.5	oz	\$8.99	\$8.99	1	52.5	oz	\$8.89	\$8.89	1	25.5	oz	\$4.89	\$10.07	1	25.5	oz	\$5.19	\$10.69
		Pepperidge Farm Goldfish Crackers	3	22	oz	\$9.98	1	66	oz	\$10.49	\$10.49	1	58	oz	\$9.49	\$10.80	1	30	oz	\$7.49	\$16.48	1	30	oz	\$9.49	\$20.88
		Ritz Crackers	1	61.65	oz	\$8.58	1	61.6	oz	\$8.89	\$8.90	1	61.65	oz	\$8.99	\$8.99	1	13.7	oz	\$2.99	\$13.46	1	13.7	oz	\$2.99	\$13.46
		Sensible Portions Veggie Straws	1	23.5	oz	\$5.63	1	25	oz	\$6.49	\$6.10	1	23.5	oz	\$6.19	\$6.19	1	7	oz	\$2.89	\$9.70	1	16	oz	\$5.49	\$8.06
		Canada Dry (can)	24	12	oz	\$8.18	35	12	oz	\$14.39	\$9.87	24	12	oz	\$8.79	\$8.79	12	12	oz	\$5.39	\$10.78	12	12	oz	\$6.89	\$13.78
		Coca Cola Classic (can)	35	12	oz	\$12.98	35	12	oz	\$14.39	\$14.39	35	12	oz	\$12.19	\$12.19	12	12	oz	\$6.39	\$18.64	12	12	oz	\$7.59	\$22.14
		Diet Coke (can)	35	12	oz	\$12.98	35	12	oz	\$14.39	\$14.39	35	12	oz	\$12.19	\$12.19	12	12	oz	\$6.39	\$18.64	12	12	oz	\$7.59	\$22.14
		Diet Pepsi (can)	36	12	oz	\$13.68	36	12	oz	\$13.59	\$13.59	36	12	oz	\$13.29	\$13.29	12	12	oz	\$5.49	\$16.47	12	12	oz	\$6.59	\$19.77
		Monster Energy Drink	24	16	oz	\$33.98	24	16	oz	\$34.99	\$34.99	24	16	oz	\$34.99	\$34.99	4	16	oz	\$6.99	\$41.94	4	16	oz	\$8.79	\$52.74
		Pepsi (can)	36	12	oz	\$13.68	36	12	oz	\$13.59	\$13.59	36	12	oz	\$13.29	\$13.29	12	12	oz	\$5.49	\$16.47	12	12	oz	\$6.59	\$19.77
		Poland Spring Water	40	16.9	oz	\$5.48	40	16.9	oz	\$5.79	\$5.79	40	16.9	oz	\$5.99	\$5.99	24	16.9	oz	\$4.79	\$7.98	24	16.9	oz	\$5.29	\$8.82
		Arm & Hammer Baking Soda	1	15	lb	\$7.74	1	13.5	lb	\$6.99	\$7.77	1	13.5	lb	\$6.99	\$7.77	1	3.5	lb	\$2.29	\$9.81	1	12	lb	\$9.49	\$11.86
		Belvita Breakfast Biscuits - Cinnamon	25	1.76	oz	\$10.87	30	1.76	oz	\$12.89	\$10.74	25	1.76	oz	\$10.99	\$10.99	5	1.76	oz	\$3.19	\$15.95	12	1.76	oz	\$8.19	\$0.17
		Capri Sun - 25% Less Sugar (variety)	40	6	oz	\$6.98	40	6	oz	\$7.89	\$7.89	40	6	oz	\$9.79	\$9.79	10	6	oz	\$2.59	\$10.36	30	6	oz	\$7.49	\$9.99
		Coffee Mate Creamer	1	56	oz	\$5.98	1	56	oz	\$5.99	\$5.99	1	56	oz	\$5.99	\$5.99	1	35.3	oz	\$4.99	\$7.92	1	35.3	oz	\$6.69	\$10.61
		Del Monte Cut Green Beans	8	14.5	oz	\$6.48	12	14.5	oz	\$9.99	\$6.66	12	14.5	oz	\$10.99	\$7.33	1	14.5	oz	\$1.19	\$9.52	1	14.5	oz	\$1.29	\$10.32
		Del Monte Whole Kernel Corn	8	15.25	oz	\$6.48	12	15.25	oz	\$9.99	\$6.66	12	15.25	oz	\$10.99	\$7.33	1	15.25	oz	\$1.19	\$9.52	1	15.25	oz	\$1.29	\$10.32
		Dunkin Donuts Ground - Original	1	45	oz	\$17.98	1	45	oz	\$18.49	\$18.49	1	45	oz	\$18.49	\$18.49	1	30	oz	\$13.19	\$19.79	1	20	oz	\$12.99	\$29.23
		Dunkin Donuts Kcup - Original	1	72	ct	\$36.98	1	72	ct	\$36.99	\$36.99	1	72	ct	\$37.49	\$37.49	1	22	ct	\$15.49	\$50.69	1	10	ct	\$8.49	\$61.13
		Folgers Ground - Classic Roast	1	51	oz	\$9.48	1	51	oz	\$9.69	\$9.69	1	51	oz	\$9.19	\$9.19	1	30.5	oz	\$7.59	\$12.69	1	30.5	oz	\$9.99	\$16.70
		General Mills Cheerios	1	40.7	oz	\$5.57	1	40.7	oz	\$5.99	\$5.99	1	40.7	oz	\$5.99	\$5.99	1	18	oz	\$4.19	\$9.47	1	40.7	oz	\$5.99	\$5.99
		General Mills Cinnamon Toast Crunch	1	49.5	oz	\$6.28	1	49.5	oz	\$6.79	\$6.79	1	49.5	oz	\$6.79	\$6.79	1	27	oz	\$4.99	\$9.15	1	29.1	oz	\$4.99	\$8.49
		General Mills Honey Nut Cheerios	2	24	oz	\$6.26	2	27.5	oz	\$7.79	\$6.80	2	27.5	oz	\$7.79	\$6.80	1	27.2	oz	\$4.99	\$8.81	2	27.5	oz	\$7.99	\$6.97
		Goya Red Kidney Beans	8	15.5	oz	\$6.68	8	15.5	oz	\$6.99	\$6.99	8	15.5	oz	\$6.59	\$6.59	1	15.5	oz	\$1.29	\$10.32	1	29	oz	\$2.99	\$10.22
		Heinz Ketchup	3	44	oz	\$6.98	3	44	oz	\$7.79	\$7.79	3	44	oz	\$7.79	\$7.79	2	50.5	oz	\$6.49	\$8.48	1	38	oz	\$3.99	\$13.86
		Hellman's Mayonnaise	1	64	oz	\$6.98	1	64	oz	\$7.69	\$7.69	1	128	oz	\$13.99	\$7.00	1	30	oz	\$4.29	\$9.15	1	60	oz	\$8.29	\$8.84
		Hidden Valley Ranch Dressing	2	40	oz	\$9.98	2	40	oz	\$9.99	\$9.99	2	40	oz	\$9.99	\$9.99	1	36	oz	\$6.49	\$14.42	1	36	oz	\$6.49	\$14.42
		Kellogg's Froot Loops	2	21.8	oz	\$6.28	2	27	oz	\$7.99	\$6.45	2	21.8	oz	\$7.49	\$7.49	1	19.4	oz	\$4.19	\$9.42	1	19.4	oz	\$5.49	\$12.34
		Kellogg's Frosted Flakes	2	27.5	oz	\$6.12	2	30.95	oz	\$6.99	\$6.21	2	30.95	oz	\$6.99	\$6.21	1	24	oz	\$4.19	\$9.60	1	24	oz	\$5.49	\$12.58
		Kellogg's Frosted Mini Wheats	2	27.5	oz	\$6.28	1	70	oz	\$8.49	\$6.67	1	70	oz	\$8.49	\$6.67	1	24	oz	\$4.19	\$9.60	1	24	oz	\$5.49	\$12.58
		Kellogg's Raisin Bran	2	38.25	oz	\$7.28	2	38.25	oz	\$7.49	\$7.49	2	38.25	oz	\$7.49	\$7.49	1	24	oz	\$4.19	\$13.36	1	24	oz	\$5.49	\$17.50
		Kodiak Cakes Flapjack and Waffle Mix	1	72	oz	\$11.88	1	72	oz	\$11.99	\$11.99	1	60	oz	\$11.99	\$14.39	1	18	oz	\$4.99	\$19.96	1	20	oz	\$4.89	\$17.60
		Kraft Macaroni and Cheese Dinner	18	7.25	oz	\$12.99	18	7.25	oz	\$13.49	\$13.49	18	7.25	oz	\$13.49	\$13.49	5	7.25	oz	\$4.79	\$17.24	5	7.25	oz	\$5.49	\$19.76
		Lipton Tea Bags	1	312	ct	\$8.27	1	312	ct	\$8.99	\$8.99	1	312	ct	\$8.99	\$8.99	1	100	ct	\$3.99	\$12.45	1	100	ct	\$3.99	\$12.45
		Nature Valley Oats and Honey Bar	49	1.49	oz	\$11.58	49	1.49	oz	\$12.99	\$12.99	49	1.49	oz	\$12.99	\$12.99	12	1.49	oz	\$5.49	\$22.42	6	1.49	oz	\$3.29	\$26.87
		Nature Valley Sweet and Salty Bars - Almonds	36																							

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.