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WAREHOUSE CLUB FOCUS (WCF)

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International Divisions
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1 For 29 years, your best source for information about the clubs.

WCF Visits BJ's, Costco and Sam's Club in Connecticut and New York
WCF hits warehouse clubs around the world to search for information that provides subscribers with a unique insight into their buying and operating strategies. These visits enable us to keep readers informed about current merchandising techniques, product offerings and packaging at the warehouse club level. Our reporters also provide manufacturers with ideas and strategies they can use to improve their business with the warehouse club industry nationally and internationally.

In March, 2024, WCF visited BJ's, Costco and Sam's Club locations in Connecticut and New York. See photos on the right from BJ's of a package of five 16-ounce bottles of Not Mayo plant based dressing and spread from Ralco for \$9.99.

These clubs included BJ's in White Plains, New York (an 85,000 square foot building opened in a former Saks in 2022) and Fairfield, Connecticut (a 121,000 square foot location opened in 1991); Costco in West Chester, New York (a 160,000 total square foot new store building opened in 2022) and New Britain, Connecticut (a 154,000 square foot location opened in 2005); and a Sam's Club in Westport, New York (a 114,000 square foot building opened in 1984) and Newington, Connecticut (a 121,000 square foot location opened in 2009). The following are observations from those locations:

Pet - BJ's and Sam's Club stocked several unique pet products. BJ's stocked a 10-ounce bag of fish skin dog chews from Dura Bark for \$19.99, a 32-ounce bag of sweet potato chicken dog treats from Delectables for \$16.99, a 36-ounce bag of chicken jerky dog treats from Fall Moon for \$19.99, a 36-ounce bag of natural beef, apple, carrot and medicinal herb dog chews from 1st Naturals for \$19.99, a 20-ounce box of long lasting rose bone dog chews (11 each of chicken, vegetable and beef bones) from Market Bly for \$19.99, a 100 count bag of salmon dog sticks from Kneadables for \$14.99 (see picture on the left), a 10-count package of chicken-wasabi dog chews from Kneadables for \$19.99, a 100 count case of 1.22-ounce packs of wet cat food in gravy (48 chicken and 24 each of salmon, tuna and turkey) from Simba for \$23.99, a 36-ounce bag of chicken jerky dog treat bundles from Waggin' Train for \$24.99, a 36-ounce bag of smoked chicken jerky dog treat bundles from Waggin' Train for \$23.99 and a 36-ounce bag of high protein dog meal waffles with pork, bacon and banana from Waggin' Train for \$20.99.

Meat - Costco had a 30-pound bag of wild-caught salmon dog food from Blue Buffalo for \$29.99, a case of 10 3.5-ounce bags of Waggin' Train for \$19.99 and 10 3.5-ounce bags of Waggin' Train for \$19.99. BJ's had a 30-pound bag of wild-caught salmon dog food from Blue Buffalo for \$29.99, a case of 10 3.5-ounce bags of Waggin' Train for \$19.99 and 10 3.5-ounce bags of Waggin' Train for \$19.99.

Electronics - BJ's electronics assortment included three introductory priced items from Warehouse, a 24-inch smart television with Roku for \$299.99, a 32-inch smart television with Roku for \$499.99 and a 43-inch smart television with Roku for \$729.99. BJ's electronics assortment also included two multi-item pallets. One pallet included two items from Pioneer, an Energizer lithium-ion wireless charging station for \$29.99 and an extendable wireless phone mount with a kick grip for \$24.99. The second pallet included two items from Smartop, an alarm clock and light with a phone charger for \$33.99 and a portable alarm clock with a phone charger for \$29.99.

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Herbert Zarkin 1991 - 1992	PriceSmart	Joe Hardin Jr. 1995 - 1996
Allen Sherman 1993	Robert Price 2003 - 2009	Mark Hansen 1997 - 1998
Jack Nugent 1993 - 2001	Jose Luis Laparte 2010 - 2018	Thomas Grimm 1998 - 2002
Michael Wedge 2002 - 2005	Sherry Bahrambeygi 2018 - 2022	Kevin Turner 2002 - 2005
Herbert Zarkin 2006 - 2008	Robert Price 2022 -	Doug McMillon 2005 - 2009
Laura Sen 2009 - 2014	COSTA LESS The Warehouse	Brian Cornell 2009 - 2011
Chris Baldwin 2015 - 2019	Jim Rose 1980 - 1998	Rosalind Brewer 2012 - 2016
Lee Delaney 2020 - 2021	Jeffrey Meder 1999 - 2006	John Furrer 2017 - 2018
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Packaging

Packaging is an important component of a successful warehouse club item. An effective club package will not only answer potential member questions, explain benefits and features and help sell an item but also address club distribution and merchandising strategies. The following chapter provides a wide-ranging overview of club packaging concepts. It includes seven sections: background, club buyer involvement, five feet and five seconds, operations, sustainability, freezer, cooler and deli and packaging mistakes.

Background

Warehouse club stakeholders are surveyed annually about packaging. Comments from those respondents the past few years are included throughout this chapter along with their company's size (small with sales under \$100 million, medium with sales between \$100 million and \$500 million and large with sales above \$500 million) and their company type (food, non-food, broker, packager, buyer and stakeholder). Retail prices listed in this chapter do not include coupons or rebates. Readers should understand the packaging concepts in this chapter are not presented in order of importance.

Club Buyer Involvement

Developing a warehouse club package is a team effort that must include input from your club buyer. Any supplier questions, especially before major investments are initiated, should always be addressed with your club buyer.

Five Feet, Five Seconds

As a warehouse club supplier, when it comes to your product's package, design and message, your goal is simple: within approximately five feet of your item and within approximately five seconds of seeing your SKU, a member, who does not have your product on his shopping list, should be "drawn" to your item in some way. Otherwise, you've likely lost an opportunity for a sale which, if that situation is repeatedly duplicated, you've put your item's long term success with that club buyer in jeopardy.

The following concepts and strategies offer ideas on how item packaging, a display case and pallet packaging can attract a member's attention and help increase an item's club sales.

Product Visibility – A club package design that clearly shows a member what is being purchased can tip the balance between a member walking past an item or stopping and looking (see picture on the right from Costco of an Infinity X1 flashlight). A medium food supplier said, "[We are placing] less focus on 'branding' on display cases and greater emphasis on product description. Also, [we want to] ensure key images, messages and descriptions on the product itself are visible when product is in display case."

Doug Farrell, director of sales at U.S. Merchants (USM), said, "USM established from the very outset to design a club packaging solution that not only checked the 'visibility' box but established an in-glass look and feel. Retailers have always used their best fixtures for merchandising target products. This was often items in glass cases on glass shelving with direct lighting. The challenge in the club channel is to emulate that look and feel. USM creates a powerful merchandising solution for every item it packages. USM uses a minimum amount of corrugate support and isolates the product in a fitted cavity with high-impact contrasting graphics."



Costco – Infinity X1 Flashlight

Member Need – A club supplier needs to determine who the target member is for their product: consumer or business. For the business member, a vendor should identify the potential wholesale members who would purchase the product and what would be their important needs. From those lists, the key member and the key needs should be reflected on the item package, the display case and/or the pallet.

For the consumer member, there may be an assortment of needs that the product can address. Ranking those needs may be one way to understand what message should be communicated through the item's package, the display case and/or pallet. A large broker said, "For me I am looking for a package that stands out and is easily differentiated from the 'noise' within a warehouse. It has to jump out at you and make you stop and take notice or else it's failed. Whether it's the color scheme, design work or pallet design, it has to grab your attention or it's a failure."

Pallet Billboard – A unique packaging approach is to merge the product package and display case into a single unit to leverage the marketing space that a full pallet of product provides. A large food vendor said, “Think about packaging as a pallet billboard instead of at the item level. Buyers are looking to simplify the messaging to make it easier for members to understand.”

Product Color, Theme – There are products that are easily recognized by consumers due to a color and/or theme that has been marketed over time. For these types of products, emphasizing those aspects that resonate with club consumers is a strategy that some suppliers will follow.

A large non-food supplier commented on using color to promote products. He said, “More vibrant colors and better use of color to differentiate offerings is effective. Higher quality trays with more benefits versus excessive communication of the BRAND name [is more effective].”

Co-Branding – Developing private label brands is important for BJ's, Costco, PriceSmart and Sam's Club. One of the goals for each club's respective private label development team is for its products to be judged equal or superior to the competing branded item especially when product quality is considered. One of the strategies the clubs follow to gain that trust is to co-brand their private label with existing brand name products.

By including the private label name/logo on a product's package with the name/logo of an existing consumer brand, members' associate the quality of the brand to that private label item. Additionally, a member's perception of the entire private label product line, due to that brand association, may be elevated.

For supplier's willing to co-brand with a club private label product, a deeper business relationship can be formed with the club operator and the likelihood exists the co-branded item in question would be stocked for a much longer period (possibly approaching permanent status) compared to other items in the channel.

The following are recent examples of co-branded club items: Kirkland Signature and Starbucks whole bean coffee (Costco), Kirkland Signature and Jelly Belly candy (Costco), Kirkland Signature and Stretch Tite food wrap (Costco), Member's Mark and Fliplock kitchen containers (Sam's Club), Member's Mark and Argitoni cheese (Sam's Club), Kirkland Signature and Ocean Spray juice (Costco) and Wellsley Farms and Pete & Gerry's eggs (BJ's).

QR Codes – Including QR Codes on the display case or pallet display is slowly becoming a more common strategy suppliers are using to provide additional product information to members. A small broker said, “With all of the manufacturers that I work with, we are rethinking our packaging, figuring out how to become better stewards of the earth and ... how to squeeze a little bit more onto the pallet ... to save on freight costs. Also, adding QR Codes, which have finally become mainstream due to the pandemic.”

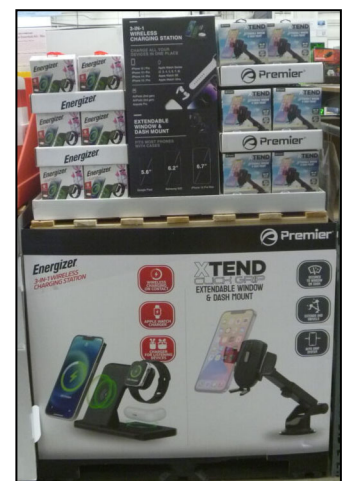
Member Attention – Club member attention can be short. As a supplier, getting the member to stop and look at your product is critical. A small broker said, “Vibrant eye-catching displays that point out key buzzwords which entices the member to put it in the cart are important. I watched members' pick up some thing, look at it, put it back, and put a competing product in their cart that has callouts that are important to them.”

Farrell said, “If nothing else, maximizing a call out on the package can attract a member's attention. The aisles are filled with many price/value propositions and while, as a supplier, you may not be competing against other manufactures in the same item category, you are competing for share of basket. Be creative with the display case or pallet design.”

Multiple SKU Pallet – Normally, the clubs' stock one item per pallet but in some cases, a multi-SKU pallet makes sense for the supplier and the club. By merchandising more than one item per pallet, the club and vendor increase the brand's visibility and increase the possibility a member will stop and notice the pallet and potentially purchase one or more of the SKUs.

However, from the club's perspective, the potential downside of a multiple SKU pallet is the least liked variety may not sell. While multiple SKU pallets are observed at all three clubs from time to time, BJ's is more likely than Costco and Sam's Club to stock this type of pallet display (see picture on the right from BJ's of a multi-SKU pallet with an Energizer charger and an extendable window and dash mount).

Saddle Package and Pre-Wrapping – For some products, designing the package so it can be “broken down” into manageable units/portions can be an important quality. For example, an issue some members may have with club meat, chicken and seafood SKUs is having to handle, rewrap and freeze unused product.



BJ's – Multi-SKU Pallet

Several fresh and frozen meat, chicken and seafood items include pre-wrapping of individual pieces or groups of pieces in a vacuum sealed package. Those pre-wrapped pieces are connected to each other through a perforated saddle package or individually placed inside a larger bag. By taking a handling step away from the member after purchase, the clubs have created an additional benefit to these products.

Pallet Skirts, Wraps and Butterfly Shroud – There are many items that the clubs’ stock whose sales volume does not require a full pallet display. For items like these, the vendor will create a half pallet display that sits on empty pallets and is surrounded by a corrugated wrap promoting the item or vendor. The corrugated wrap is typically folded up around the half pallet display during shipment. The wrap is released when it arrives at the club and, in most cases, covers the empty pallets.

In the member’s mind, the perception that a full pallet of merchandise is being offered creates the assumption that the item is popular and successful. For the club and supplier, the number of SKUs on the pallet is lowered, the total inventory dollar investment is lowered, the overall risk is lowered if the item does not sell as well as planned and inventory turnover is maximized if the item sells as well as planned.

Farrell talked about USM’s patented Butterfly Shroud. He said, “The Butterfly Shroud is typically utilized when there are two or fewer layers of display trays. In other words, when the units per pallet are on the low end. Usually this occurs with a higher priced item. The supplier can deliver a ‘full’ merchandised look in utilizing the Butterfly Shroud ... The all-sides graphic panels are affixed to the shipping platform or pallet. This ensures the item is not mistakenly separated at point-of-display. The panels have a hinge and are secured along the side of pallet with the graphics side facing inward for safe transport. Once the pallet is delivered to the club location, operators stack empty pallets, place the merchandised pallet on top, drop the panels and secure at bottom of each corner. Voila! The item is ready for display.”

Bonus Items – One of the easiest ways for club buyers to build value into a product is to include bonus items for free or at least not at the full cost of those additional products. These bonus items can include batteries for an electronic device, an item associated with a product that is typically sold separately, a coupon for additional products or services outside the club channel, a travel size item that is associated with the club SKU or any additional product that can add value or encourage a member to purchase.

Farrell said, “Without question warehouse club operators must continually show value to their paying members. For a supplier to attract the attention of a club buyer, it must identify and offer a mainstream item with proven demand velocity or an innovative item which meets a current unmet need in the marketplace. Outside of price, ‘bonus items’ are a very effective way to convey value.”

Vouchers – These types of products do not include inventory on the sales floor of the club location. Generally, there are two types of vouchers. The first type focuses on local companies such as entertainment, restaurants and personal services. These voucher cards are typically hung on a four-sided pegboard fixture. The second type are typically pallet displays for higher priced nationally distributed items.

The actual gift card, product or coupon is stored in the locked cages near the front-end register. Members take the display card to the register and pay for the merchandise which is then retrieved by a club employee.

For club vendors, standard retail packaging can be used for these items as the product is seen only after it is purchased. The picture on the right from Costco is a ticket and food discount package for the New York Yankees.



Costco – Yankees Tickets, Food Discount

Clear, Concise – As a member’s head and eyes pass over your product as they walk an aisle, the product and the PDQ have just several seconds to resonate. Providing too much information can be confusing for that member and cause them to continue on their shopping trip. Sometimes, providing clear and concise information is a good alternative.

Treasure Hunt – The clubs constantly rotate high-end or unique merchandise into their locations. This creates a “treasure hunt” atmosphere in the buildings, as nonessential or “impulse” products are constantly changing and a “buy it now” attitude among members is created as they recognize that those products may not be in stock the next time they shop in their local club.

Treasure hunt items are purchased on advantageous terms that allow the clubs to pass on substantial savings to their members. In some cases, warehouse club members may learn to recognize whether an item is a “treasure hunt” product. However, conveying that the item is a “treasure hunt” SKU in some way can benefit a supplier.

Promote Savings – BJ's and Sam's Club allow suppliers to promote the savings a member can receive if they purchase their club product. These promotions can include phrases such as "25% savings" or "Save \$11". This is not a packaging strategy approved by Costco.

Organic – Organic products have become an important part of each club's assortment. Highlighting the fact that an item is organic with callouts on the item's package or the display case is important. Consumers view organic merchandise as higher quality than non-organic products.

As the club's become a growing source of organic products for their members, a key benefit is that members will increasingly associate the club channel with higher quality products. Additional benefits of stocking organic items include: higher price points, the savings differential compared to non-club retailers is larger than normal and organic items add to the club treasure hunt philosophy.

Exclusivity – Each club prides itself on discovering unique non-private label items that can be sold exclusively to them. Having a member know he can only purchase a branded item at their club is an important quality for a club buyer. For these product types, suppliers should consider placing a graphic/text on the package that states the item is exclusive. This not only communicates that exclusivity to the club member but further enhances that supplier/buyer relationship. Sam's Club is more likely to accept these "exclusive" callouts.

On Package Club Savings – When it comes to promoting, on the package, the savings a member will receive by purchasing a club product, there is a difference in approach among the three clubs. Sam's Club accepts packaging that includes the savings a member will receive by purchasing a club item and Costco, for the most part, will not. When it comes to BJ's, despite the following example, we would believe BJ's is more likely than not to accept this type of messaging on a product's package.

All three clubs stocked Ziploc freezer and storage bags. BJ's and Costco each stocked three Ziploc items, none of which included the savings a member would receive by purchasing the item.

Sam's Club stocked five items with each item's package highlighting the savings a member would receive by purchasing the item. Sam's Club stocked: four 38-count resaleable boxes of Ziploc gallon freezer bags for \$17.98 (members can save \$9), four 52-count resaleable boxes of Ziploc gallon storage bags for \$18.98 (members can save \$9), four 54-count resaleable boxes of Ziploc quart storage bags for \$15.68 (members can save \$10), four 54-count resaleable boxes of Ziploc quart freezer bags for \$16.98 (members can save \$10) and four 145-count resaleable boxes of Ziploc sandwich bags for \$13.98 (members can save \$10).

Operations

Warehouse club items must be able to safely, efficiently and securely move through the supply chain. Once they arrive at the club location, those pallets should be display ready. The goal is to reduce the number of times a club employee "touches" a pallet not just during shipment but also while in that club location. The following concepts provide a framework for understanding packaging and its relationship to club operations.

Durability – In Club – Suppliers can't just consider how their pallet display holds up as a single pre-shipped unit. The display case or PDQ needs to structurally perform in the club location until all the product is sold. This may mean club employees hand stack the display case in a different way than what was intended by the engineers. One of the goals for any club supplier is to create "zero maintenance" for club merchandisers.

Farrell said, "As a pallet sells down and PDQ trays are removed by club members, suppliers should consider how well remaining PDQs will hold up as a 'stand alone' display or in combination with other products as club merchandisers will add residual PDQ inventory to other pallets of inventory to make room for a new pallet."

Slip Sheets – Using cardboard slip sheets in between the layers on a club pallet display can be very important. Not only will a slip sheet help to ensure your pallet display appears in the club location as intended, it will reduce display case slippage, provide added support during shipment, provide added support while in the club location and may reduce stretch wrap costs.

A large food supplier said, "We've had an issue with the case integrity of one of our items. When the product ships, it shifts a little. The cases on the lower rows start to nest and crush on the corners. The product isn't damaged, but our brand billboard is disrupted. We haven't attributed a loss of sales to the issue yet, but we aren't presenting our product the way we want. We are working on a solution."

Half Pallets – A typical BJ's (108,000 square feet) is approximately 26,000 to 38,000 square feet smaller than a typical Sam's Club (134,000 square feet) or Costco (146,000 square feet). However, a typical BJ's stocks 5,655 items compared to a typical Costco at 3,219 products and a typical Sam's Club at 4,332 SKUs.

To be able to fit the extra 1,300 to 2,400 products in a smaller footprint, BJ's utilizes pallets that are approximately one-half the height of a traditional 52-inch high pallet. These shorter pallets enable BJ's to merchandise two SKUs in the same space a single SKU is stocked and still allow members to physically retrieve the product in the steel.

Larger Packages – One strategy that club buyers constantly follow is to evaluate the package size of the products they purchase to determine what items could be sold in larger quantities. Transitioning an item into a larger package size benefits the clubs in five ways. The first advantage results in a better member value as a lower unit cost can be achieved. The next four benefits positively influence club operations: the club's average transaction is increased, studies show that consumers who purchase larger packages consume those items at a faster rate resulting in quicker repeat sales, higher gross margin dollars are generated and distribution efficiency is improved with more product being shipped.

The clubs are focusing on larger packages and not just grocery-sized items shrink wrapped together. Responding to a question about what packaging requests club buyers have been talking about, a small broker said, "[They want] larger sizes rather than multiple units packaged together."

Sam's Club is more willing than BJ's to stock larger packages on similar items and Costco is more willing than Sam's Club to stock larger packages on similar items. For example, Costco stocked a package of Windex cleaner with a 32-ounce trigger bottle and a 169-ounce refill bottle (201 total ounces) for \$12.99 or 6.5-cents per ounce. Sam's Club stocked a package of Windex cleaner with a 32-ounce trigger bottle and a 128-ounce refill bottle (160 total ounces) for \$12.22 or 7.6-cents per ounce. BJ's stocked a package of Windex cleaner with two 23-ounce trigger bottles and a 67.6-ounce refill bottle (113.6 total ounces) for \$11.79 or 10.4-cents per ounce.

Shorter Tubs – A large non-food company reduced the height of the tub used for its product. This enabled the company to add layers onto the pallet and reduce shipping costs per unit. The supplier said, "We shortened tubs to get extra layers on trays, thus removing headspace and being more efficient."

Inventory Control – One of the benefits of club pallet displays is the ability to manage the total number of products available for purchase. With clamshell, blister or corrugated-backed packaging systems, the club buyer or supplier can modify the display tray so the amount of inventory dollars better matches what the club buyer and supplier expect the item to generate in sales (see picture on the right from BJ's of an Olay moisturizer display case). At the same time, despite the inventory being managed, when looking at the front of this type of packaging system, the club member still views a full pallet of merchandise.



BJ's – Olay Moisturizer Display Case

Ease of Purchase – Club buyers try to incorporate features that not only make a product easier to manipulate but can potentially reduce handling damage before a member is able to get the product to their business or home. Handles are a common solution to the challenge of carrying and transporting club-sized packages. Handles can appear on office chair mats, many single bottle juice SKUs, multi-bottle juice items, some olive oil SKUs, some two-liter soda products, produce, cat litter and dog biscuits.

Pallet Facing – Typically, in the aisles, Costco merchandises product facing the 48-inch (long) side of the pallet while BJ's and Sam's merchandise product facing the 40-inch (short) side of the pallet. This strategy difference enables BJ's and Sam's, who stock more items than Costco, to merchandise three SKUs in a merchandising bay compared to Costco which merchandises two items in a merchandising bay.

Club vendors should make sure their pallet is engineered so it can be effectively seen and merchandised from both the 40-inch side and the 48-inch side. Club vendors have no control how their pallet and product display is merchandised at the club location. Ensuring it is effectively seen and promoted from at least three sides and preferably four sides is an important factor in a club item's success.

Disappearing Pallet – One way to address the need for cleaner operations is to eliminate secondary packaging. Some items have no display cases and/or slip sheets between layers. When the product is sold, the pallet is the only thing left on the floor.

However, suppliers need to be careful when considering a completely disappearing pallet without any second packaging. Product that is stacked upon each other in the same format layer upon layer can tip if the boxes or cases are not large enough to provide an adequate base. One option for suppliers, who use a disappearing pallet, is to engineer and change how the product is stacked and/or laid out on each layer so that an adequate base is provided which can prevent slippage.

Apparel – Merchandising apparel items, given the variety of sizes offered, can be labor intensive. However, there are unique merchandising techniques that the clubs have incorporated reducing its labor cost in this department. For example, the warehouse clubs have developed pallet programs for men's dress shirts enabling club members to not only easily see shirt styles and colors but also the size without having to touch the shirt.

Pallet Organization – Each club stocks a selection of storage containers and lids. One of the challenges storage container vendors have is pallet organization and distribution cost. If that lid is attached, the containers can then be stacked on top of each other making a nice pallet display. However, the number of SKUs on the pallet is greatly reduced increasing the distribution cost for that pallet. A supplier could choose to increase the number of containers on a pallet by keeping the lids separate. However, the downside can be that the lids are potentially loose and the pallet display can potentially become disorganized.

In the hardware/houseware category, Costco stocked a 27-gallon storage tote and lid from Greenmade (USM's injection molding division was started in 2014). Greenmade created a simple organizing solution for its 27-gallon professional storage container. The lids are placed in boxes and the containers are nested inside each other. This enables Greenmade to maximize the number of SKUs on the pallet and provide an easy method for the club and its members to keep those lids organized. Additionally, a maximized pallet provides greater economies of scale and freight cost savings.

Expiration Dates – One of the challenges the clubs have in not only managing perishable categories but some dry grocery items is product rotation. Vendors who supply perishable categories and products or are concerned that their item needs to be properly rotated, should provide clear expiration date information on the PDQ. Making it highly visible for the clubs will enable them to more effectively rotate product avoiding product loss. Additionally, club members, for those certain items, will also want to know the product's expiration date.

UPCs – With the growth of self-scanning technology, making it easier for members to scan their purchases at the register or use their phone is becoming important in the club channel. A large food supplier said, "We've added multiple UPCs to many items as a means of enhancing the member experience at Sam's Club." Another large food vendor said, "For Sam's Club, UPCs should appear on at least four sides of the package."

For multi-pack items, a unique UPC should be created. The multi-pack UPC should be placed on the outer package and the UPC bar codes of the individual units in the multi-pack should be concealed. If the individual unit UPC bar codes are not concealed, then there may be scanning problems with the multi-pack at the front-end registers.

Milk – Operationally, milk is a unique club item. When the clubs started selling milk, they were exclusively merchandised on wheeled carts that could not be stored in the steel. In high volume locations, a club would need to have a lot of milk on hand, especially during weekends. Those carts took up space on the cooler floor making it difficult for club employees to maneuver inside the cooler. Although in some locations, milk carts are still used, changes have occurred.

That operational challenge created several milk packaging changes enabling the product to be merchandised on pallets and stored in the steel. Those included: two or three one-gallon milk containers inside cardboard boxes, flat-top milk gallon containers that can be stacked upon each, one-gallon milk containers with a hollowed out area on the bottom so the top of the gallon underneath fits snugly and plastic layer trays with nesting space that supports the top and bottom of the gallon of milk.

Sustainability

One of the survey questions that stakeholders were asked was: What types of packaging requests has your company been receiving from warehouse club buyers. The most common response was the use of sustainable packaging materials.

A medium food supplier said, "Sustainability improvements are the biggest talking point." A medium broker said, "Sustainability is the big focus lately. How can we reduce packaging and the environmental impact by examining trays and packaging. How2Recycle instructions seems to be big for Costco lately (at least here in Costco TX)." The following are examples and observations about sustainability efforts in the club channel.

How2Recycle – A club buyer commented on the importance of communicating recyclability to members. The buyer said, "We want to see more how to recycle messages."

Less Plastic – Several respondents commented that they have seen less plastic packaging in the club channel. A large non-food supplier said, "[I've noticed the] effort to reduce plastic and be more sustainable. For example, very few clam shell packages anymore. PCR is big."

Paper Handles – Costco stocked two items that use paper handles instead of plastic ones. One advantage, beyond sustainability, is that the paper handles provide another palette for suppliers to communicate with members. Costco stocked: three 24-ounce bottles of Kirkland Signature organic marinara sauce from Tuscany for \$10.99 and two 35-ounce bottles of Kirkland Signature organic salsa for \$8.99.

Packaging Rights – Costco has established a six bullet point list of packaging goals/rights for itself and for suppliers. Those six packaging rights are: the right reduction, the right amount of PCR, the right fiber (tree-free or certified forest content), the right recyclable packaging, the right certified compostable packaging and the right label.

Apples – BJ's and Sam's Club tend to stock apples in bags. For several years, Costco was packaging apples in plastic clamshells. However, by 2019, the company acknowledged the challenge in getting members to recycle those plastic clamshell containers. As a result, over the past three years, Costco has converted several of its apple SKUs into cardboard packaging.

Be Careful – A large non-food vendor explained that his company's efforts to make a package more sustainable negatively his product's in-club appearance. The supplier said, "We reduced the amount of packaging material to improve sustainability. However, the item/case integrity was affected via increased damage and destroy and product quality on the floor facing the member [was reduced]."

Freezer, Cooler and Deli

Due to the environment and different distribution system, freezer, cooler and deli suppliers need to consider additional variables beyond the concepts mentioned previously. A small broker said, "One of my manufactures did not pay attention to the moist environment of the cooler/deli. Obviously, one tray on top of another with product inside, began to fail. It was corrected, but not before painful looking displays and complaints from buyers. Sometimes, suppliers try to save money, which I completely understand, but not when it comes to the integrity or quality of both the product and the packaging." The following are suggestions about concepts to consider when designing a freezer, cooler or deli display case.

Pallet Footprint – For companies creating PDQ cases for freezer, cooler and deli items, it can be beneficial to work backwards and begin development with the pallet footprint. The ultimate goal is to make sure the product and each PDQ case arrives at the club location in the same condition that it left the vendor and maintains its structural integrity as it is shopped by club members.

The product is going to be shipped from the supplier in pallet quantities to a third party or club-owned perishable consolidator who in turn will ship the product in case, layer or pallet quantities to the club locations. Making sure your product is ready to be cleanly and correctly handled by that consolidator helps to ensure it will arrive at the club locations in the expected condition.

By working backwards, understand your pallet footprint and the number of pieces per PDQ and pallet you want to pack. Generally, a pallet area of 39-inches by 47-inches is advisable when starting to design your display case. Additionally, you will need to address the following three questions before a PDQ case for the freezer, cooler or deli is developed.

Will the product be double stacked through the supply chain? Will your product be pulled from the consolidator in single case quantities? Will your product be ordered in layer quantities from the consolidator? Answers to these questions effect additional support materials, display case design, display case layout on the pallet and total display case and pallet weight.

Compression – Horizontal and vertical compression issues for freezer, cooler and deli PDQ cases are different because outbound pallets to the club locations are built by the consolidator using multiple items in layer or single case quantities. The horizontal and vertical compression issues you assume for your item will be different at the consolidator which can damage display cases.

Additionally, when the item arrives at the club location, club employees may/will be stocking your PDQ case by hand. For freezer and cooler items, this may done from the front through the doors or from behind inside the freezer or cooler box. For deli items, this hand stacking will always be done from the front.

All this hand stacking adds the potential for PDQ case damage due to compression from areas of the case you may not have considered. The front access panel and lower lip are always the most susceptible. The key is to look at your case design and build compression features where it will be needed most .

A large food company said, "Don't cut corners on the burst strength and edge crush of your corrugate. Nothing looks worse than display cases nesting into themselves or if your cases are tilting. The freezer, cooler and deli club associates will never place you in four or five high stacks so you are in essence assuring a small display if your packaging does not hold up."

Environment – The cold/cooler environment of the freezer, cooler and deli departments provide a unique challenge for suppliers: moisture. Not only is corrugate a sponge but the time in that frozen/chilled environment can also degrade strength. Suppliers should avoid exposed edges with a single wall construction. Strategically positioned rolled over edges and wide stacking surfaces are recommended. A small broker said, "A client used the wrong grade of cardboard in the deli where display case didn't hold and had to be returned and reworked."

Moisture resistant adhesive and preferably, waterproof adhesive is necessary for all freezer, cooler and deli items. In some cases, an actual moisture barrier may be needed. While trying to use 100% recycled material may add sustainability, it also absorbs exponentially more moisture than typical liner and mediums.

It is suggested that suppliers test their fully stocked PDQ cases. Suppliers should stack their PDQ cases the maximum height utilized within their entire supply chain. The display should be tested in either the frozen or chilled environment it will be merchandised within at the club location.

Every day, for a period of two weeks, a selling unit should be removed from the bottom PDQ case and a picture taken of the display. After two weeks, an analysis should be done of the display and see how it reacted not only to the environment but how the environment effected the strength of the PDQ case that product was being pulled from.

Product Information – Suppliers should not look to reduce costs when it comes to structural integrity. However, if costs need to be cut, use limited colors. A vendor can stick to one or two primary colors with a large description of what the member will be consuming. Don't be concerned with omitting your company logo/brand on the display case. The most important piece of information to communicate to the member is what they will be eating.

Tight Fit – A fully stocked PDQ case with cartons/boxes can be challenging for a club member to remove the product and the member could damage the case or product in the process. If your item fit inside the PDQ is tight, consider creating additional space inside so the product can be easily removed.

Tear Strips – Suppliers suggest it may not be beneficial to use tape or tear strips on the front side of the PDQ case. Even with the best tape or tear strips, display cases may end up looking ragged.

Club Associates – When designing the PDQ case, suppliers need to consider the club associates who will be handling the product. The clubs want vendors to understand that, as much as possible, a “one touch” experience should be delivered for club associates who will be merchandising the product. Product is always re-merchandised in the club channel but this should not have to be done because a PDQ case failed.

No Touch Pallets – A large food supplier said, “Sam's Club is focusing on no-touch pallet solutions in freezer/cooler to help minimize labor costs. Those requests work well for Sam's and Costco but can cause some cost aggravation for BJ's. Balancing the best processes and packaging across the channel isn't always easy or efficient.”

Bright Colors – A large company said, “Don't do dark packaging in the freezer. Make the product easy for the members to see what it is and decide to buy.”

Packaging Mistakes

Nobody is perfect and packaging mistakes occur. The following are examples of club packaging mistakes.

Dark Colors – Several survey respondents commented that using dark colors as part of a package or display case design is not as effective as using lighter colors. A small broker said, “Using dark colors for the packaging and display case [can negatively influence product sales] and, as you know, the clubs are not brightly lit so your colors need to stand out and pop.”

Dedicated Packaging Team – A large food company commented that the company's existing retail packaging team did not understand club requirements and a dedicated group was created. The supplier said, “We had to add a dedicated team around club packaging. The retail team has a tough time understanding the club concept and timelines.”

Another large food vendor said, “It's important to get our marketing partners to look at full pallet presentations when we design packaging and PDQs. It seems like an obvious part of the process, but many of our cross-functional internal partners are wired to think about items on a grocery shelf. Thinking end-to-end about the club process and the member shopping trip is important.”

Package Stability – One of the survey questions asked respondents to share an example of a packaging mistake that negatively affected product sales. Several comments related to mistakes made regarding packaging stability. A small packaging company said, “Going with the cheapest solution [is wrong]. With Costco, packaging matters more than most other retailers ... Spend more money on creating stacking shoulders and other things for safe transit.”

A medium food supplier said, “[We had a] poorly structured PDQ tray that did not withstand the normal pulling of the case to the front of the shelf. It resulted in a sloppy presentation and units falling out onto the floor.” A large food vendor said, “Once, we had a window on the box to show what was inside and it drastically affected stability. We made this change to have the larger window due to a Costco buyer request. We ended up having to change to a much smaller window to improve load shifting and stability.”

Printed Shrink Wrap – A large food company explained that the longer lead times for printed shrink wrap needs to be factored into an overall production and distribution plan. The vendor said, “[We shifted] to printed shrink wrap versus other methods to contain multi packs of bottles or cans. The printed shrink has a long lead time and we faced interruptions in service on them which created inconsistent product appearance in the club.”

Say “No” – A large broker said buyers are not always right and vendors need to have the confidence to say “no” to some suggestions. The broker said, “We had an item designed for dry grocery that would have been an additional SKU in a brand assortment that was nicely established. The buyer convinced us to move away from our core brand strategy and have a completely new look/feel of the package with a solid dark color and the item was lost under the steel. Great product but sales were really slow as it didn’t scream out to people and was lost in the shadows.”

A large food company said, “We moved to an odd count case pack to satisfy a Sam’s Club buyer request that ultimately was detrimental to us from a production standpoint as well as making the pallet very inefficient.”

No Touch PDQ – A large food company said a switch to a perforated display case from a PDQ was a mistake. The supplier said, “A switch from a display ready case to a perforated case made it hard for the club staff to easily open and it created clutter on floor.”

Small Print – Package designers should make sure the font size on the package and the PDQ are large enough for the club channel. Making the text too small in such a large space will hinder your item and package from getting noticed.

Notes