

The “Culture” of the Warehouse Club Industry

WCF Research – May, 2010

WCF recently made a presentation about the warehouse club industry for a supplier. The vendor had approximately 50 employees attend the in-house seminar. The club industry related experience of those attendees varied from salespeople who have worked with club buyers for a long time to employees who work in other areas and have less club industry knowledge. One of the attendees, who initiated this supplier's club business more than 20 years ago, asked an intriguing question.

He wanted to get our opinion of the “culture” of the warehouse club industry, not for himself, but for his less experienced sales and support team so they can better understand some of the nuances in how BJ's, Costco, Cost-U-Less, PriceSmart and Sam's Club do business. While the question was answered as part of the presentation, we realize our vendor and club buyer subscribers can provide even more insight to that question.

In May, 2010, WCF subscribers were asked the following: “Pretend you have just hired a salesperson who has experience selling all forms of retail but has never dealt with BJ's, Costco, Cost-U-Less, PriceSmart and Sam's Club. This person has been hired to call on all five club operators. What advice and/or suggestions would you provide to this person to prepare them for their initial sales call at each club and the unique culture inside the buying office and club locations?” The following responses are divided into two sections: club specific responses and club industry responses.

Club Specific Responses

Costco Culture – A Costco executive said the “essence” of the Costco culture was “bringing ideas, products, items and brands that lower the price and/or improve the quality (i.e. increasing the VALUE) of those items for members.” A food vendor said, “Be prepared to know your product inside and out. Costco buyers are the most knowledgeable buyers on products, production and ingredients. However, expect to deal with difficult personalities.” A food vendor said, “Costco buyers take pride, ownership and accept responsibility if the item succeeds and or fails and learn from the situation. The Costco buyer looks for honesty, integrity and use of your learned wisdom regarding the product and category to build the best program for its member.”

Sam's Culture – A food vendor said, “Expect sustainability to permeate the call. Print on both sides of your paper. Develop your presentation through their new strategies. However, expect buyer turnover which will cause some level of buyer inexperience.”

BJ's Culture – A food vendor said, “Expect a high level of strategic thinking, especially at the level above the buyer and expect a true interest in your brand. They will want you to get creative to help drive traffic.” A club broker commented on BJ's autonomy. He said, “BJ's buyers have more autonomy in the decision making process. If they are strong buyers, generally, they can make the decision or sway their superiors.”

Club Industry Responses

Not for Everyone – A club buyer said, “I think anyone trying to call on the clubs should understand we are not everything for everyone and that we don't intend to be. We are not about having a million options but offer the best option on the club floor ... A salesperson who really understands our business should not show us their 5,000 page 100,000 item catalog and offer to do anything we want. They should say that based on your business needs, here are the best couple of items for your member.”

Product Use – Where possible, make sure you are using products sold by the club you are meeting with, especially their private label merchandise. A club broker said, “When calling on Sam's Club, make sure your legal pad is the one purchased at Sam's, not Costco. Buyers notice these little things.”

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Club Membership – Don't ignore the fact that as a club supplier, it is important that you and your company should be club members. No matter the reason or benefit, being a club member does create the perception that you are more knowledgeable about what is happening in the industry. A club broker said, "Don't call on the buyer without making sure he knows you are a member of his club and let him know how many of your company employees are members."

Location Visits/Homework – A Costco buyer said, "I know this sounds ridiculous, but we have salespeople who try to sell us product without ever having visited our warehouse. Visit one of our clubs before your meeting." A food vendor said, "Before meeting with any buyer, walk several clubs that they buy for and get an understanding of the types of product that they purchase in your department ... Look for packaging trends, retail pricing, product size and use of multiple packs to get a sense of your immediate competition."

Club buyers are proud of the low prices they offer whether in their respective department or not. To incorporate that knowledge, you should be a consistent consumer at the clubs you sell. A club broker said, "I was meeting with Sam's Club and we got on the subject of their food prices (far removed from his responsibilities). As part of that conversation, I told him about the great ribs I bought at Sam's Club and the low price I paid. This set the stage for a terrific meeting."

Capitalize on Brands – A club broker recounted a presentation that focused on a new item and brand and the fact that the club he was selling would be the first to stock it. The club buyer told this broker, "We don't build brands, we capitalize on them." After the item developed a track record, the broker presented the product again and the club buyer purchased it. A club broker said, "Club buyers seem to be less innovative than in earlier years and rely more on the retail market to build brand and item awareness ... Buyers seem to be looking for proven high demand retail goods."

Monday – A club broker commented on the fact that Monday's tend to be report review days. He said, "You should never call a buyer on a Monday."

Presentation – A club buyer said, "No PowerPoint presentations please. There is nothing worse than a canned or packaged presentation where only the intended audience's logo is changed. A one page product bragging sheet should be sufficient."

Product Distribution – A club buyer said any vendor should understand the differences between the three clubs and how they view each other. He said, "Proudly saying to the buyer you are meeting with that your item is carried by another club may be a 'Kiss of Death'"

Member Focus – A Sam's Club buyer said, "Every key account needs to develop the initial conversation centering on member benefit. Considering that my members pay to shop, it is my responsibility to find merchandise with these three characteristics: relevancy, value and excitement."

Another club broker said, "As the selling environment is membership based, the key buyer focus is on goods and services specifically designed to that member's wants and needs. This adds an additional consideration outside the category they represent. Each club has its own membership characteristics mixed with the corporate mandate, to help that buyer in their decisions."

Experience – Even if a buyer is new to his position, that does not mean he is new to the company. Understand, in most cases, buyers have significant experience in the club channel. A club broker said, "Almost without question, each club hires buying staff from within. Most buyers started as an assistant, as a reorder, as an employee at the club location level or as part of a non-buying function. Thus, in almost every situation, buyers have many years of experience within their own company and understand what their member needs are."

Club		Month End Stock		WW Club Count		Comp Sales			Traffic		Sales Growth		U.S. Sales	WW Sales
		Monthly	Year Ago	Monthly	Year Ago	YTD	Monthly	Year Ago	Monthly	Year Ago	Monthly	Year Ago		
Costco (COST)	Mar-10	59.71	46.32	567	555	9.1%	10.0%	-5.0%	3.5%	5.0%	11.7%	-2.7%	\$5,612	\$7,404
	Apr-10	59.08	47.92	567	554	9.5%	11.0%	-8.0%	4.0%	4.0%	12.5%	-6.5%	\$4,582	\$6,094
	May-10	58.25	48.20	568	555	9.4%	9.0%	-7.0%	5.5%	3.0%	11.3%	-5.2%	\$4,787	\$6,354
Sam's Club (WMT)	Mar-10	55.60	52.10	732	727	3.8%	3.9%	1.3%	n/a		5.0%	2.2%	\$4,603	\$5,623
	Apr-10	53.64	50.84	732	727	3.9%	4.1%	-5.1%			4.8%	-4.3%	\$3,629	\$4,649
	May-10	50.56	49.90	735	726	4.3%	6.1%	-4.3%			7.0%	-1.6%	\$4,005	\$5,047
BJ's (BJ)	Mar-10	36.99	31.99	187	180	9.0%	10.6%	-0.1%	7.0%	7.0%	15.7%	1.7%	\$1,007	n/a
	Apr-10	38.28	32.77	188	180	8.0%	4.6%	-4.9%	1.0%	5.0%	9.5%	-3.2%	\$787	
	May-10	40.07	35.72	189	182	7.7%	6.8%	-6.8%	4.0%	5.0%	11.3%	-4.7%	\$872	
PriceSmart (PSMT)	Mar-10	23.25	18.01	26	25	8.5%	12.0%	8.5%	n/a		18.6%	7.0%	n/a	\$119
	Apr-10	24.88	17.63	27	26	8.6%	9.1%	6.9%			6.8%	8.8%		\$103
	May-10	24.01	16.80	27	26	9.1%	10.7%	3.9%			16.2%	7.5%		\$119

WCF Estimates. Sales in millions.

Beginning June, 2009, Sam's Club began reporting overall and comparable sales on a quarterly basis only. WCF will now estimate monthly overall and comparable sales for Sam's Club. After Sam's reports its quarterly results, WCF will update its estimates to the actual quarterly results.