A lot has changed since the first Sam’s Club opened in Midwest City, Okla., back in 1983. A banner of Bentonville, Ark.-based Walmart, the warehouse-style club originally catered mostly to small business owners. In fact, the club’s original slogan — until 2006 — read, “We’re in business for small business.”

However, during the 2006 holiday season, the retailer began to realize that although small businesses made up a large chunk of its customers, consumers made up another large portion. A Nov. 22, 2006, article in USA Today said Sam’s Club would launch its first national ad campaign that Thanksgiving, with spots focusing on everyday consumers instead of small-business customers.

A few years later, on Oct. 22, 2009, Reuters reported that Sam’s Club was beginning to shift its focus from opening new clubs to remodeling existing ones — with a clear emphasis on expanding its food and drug categories. Specifically, the retailer said it would increase space for produce, meat, bakery, over-the-counter (OTC) and health and beauty care (HBC) products.

Also in 2009, the retailer began focusing on its Hispanic consumer base by opening a Hispanic-focused club store in August. Dubbed Más Club, the Houston-based store is said to "bring consumers a wide assortment of brand name products imported from Mexico at great values."

And a Sept. 15, 2010, Houston Chronicle article cited Howard Davidowitz, chairman of New York-based Davidowitz & Associates, as saying that parent company Walmart realized it could do a lot more to compete in the club channel after looking at its rival chain, Issaquah, Wash.-based Costco Wholesale Corp. (which Hoover’s called "the largest wholesale club operator in the U.S."). Thus, the remodeling — and refocusing — was necessary.

Sales have improved quite a bit since Sam’s Club’s refocusing and remodeling efforts. During Walmart's fiscal 2012 first-quarter earnings call on May 17, Brian Cornell, Sam’s Club’s president and CEO, reported an increase of 4.2 percent in comparable store sales (excluding fuel) for the 13-week period ending April 29, 2011 — exceeding the retailer’s guidance of 1 to 3 percent.

"This is our fifth quarter of sequential quarterly comp improvement," Cornell stated. "We combined solid unit sales growth and increased traffic with excellent margin management."

It’s likely that an increased focus on store brands plays into this good news. Sean Prouty, director of consulting, Enhanced Retail Solutions LLC, New York, says proprietary brands at Sam’s Club are a key component of any potential growth.

**Breaking down the brand**

Within their private label programs, both Sam’s Club and Costco have used a single brand to span a number of categories — Sam’s Club with Member’s Mark, and Costco with Kirkland Signature.

But while Costco positioned Kirkland as a premium brand, Sam’s Club positioned Member’s Mark as mostly a national-brand-equivalent (NBE) label, says Jim Wisner, president of the Libertyville, Ill.-based Wisner Marketing Group.

But it’s not easy for a club store to develop a brand that spans multiple categories, notes Neil Stern, senior partner with Chicago-based McMillanDoolittle LLP.

So on June 2, Sam’s Club unveiled a major overhaul of its proprietary brands program. Maurice Markey, vice president of proprietary brands at Sam’s Club, told Progressive Grocer’s Store Brands that the brand-development process actually began when he joined the company two-and-a-half years ago. During that span of time, Sam’s Club spoke with thousands of members — including Advantage and Business members — to gain insights to help create the brands.

Based on those insights, Sam’s Club created three new brands — dubbed Artisan Fresh, Daily Chef and Simply Right. The company began launching products under these brands this summer; they will be in all 600 Sam’s Club locations by the end of October.

The Artisan Fresh brand covers a line of deli and bakery goods that includes products such as All Natural Spinach and Three Cheese Ravioli, All Natural Spinach and Asiago Cheese Chicken Sausage, Triple Chocolate Bundt Cake and All
Natural Sliced Bagels.

The Simply Right brand, meanwhile, goes across health-and-wellness-minded products that include items such as Triple Strength Fish Oil Supplements, Hand Sanitizer, Premium Diapers and Baby Wipes, and Exceed Premium Dog Food.

And the Daily Chef brand covers a "top-quality" line that includes products such as Colossal Easy-Peel Shrimp, Dried Montmorency Tart Cherries Sweetened with Fair Trade Certified Sugar, Organic Whole Bean Coffee and Lump Meat Crab Cakes.

The overhaul essentially reinvented Sam's Club's exclusive brands to "delight members with high-quality products at an extraordinary value," a spokeswoman for Sam's Club says.

"Our new brands drive loyalty with our members and optimize key financial metrics through driving sales and strengthening our margins," she explains. "At the same time, our proprietary brands must be a viable driver within our merchants' overall category strategies. Launching these new brands and redefining quality in line with key categories is simply another way we are giving our members what they want, which is our core mission."

Although Sam's Club is narrowing the scope and assortment of Member's Mark, it still holds a place in several categories as a source of reliability and value.

But don't expect Member's Mark to disappear anytime soon. Although Sam's Club is narrowing the scope and assortment of the brand, it still holds a place in several categories as a source of reliability and value, the Sam's Club spokeswoman says.

"Moving forward, Member's Mark will remain in such categories as laundry care, paper products, trash bags, cleaning products, etc.," she notes.

Stern notes that Member's Mark works fine when positioned as an NBE brand that competes against commoditized national brands, so there's no reason to abandon the brand altogether. In fact, Michael Clayman, editor of the Warehouse Club Focus online newsletter, recently spotted a newly introduced item — a macaroni and cheese dinner — on a recent visit to a Chicago-area Sam's Club.

"I don't think they would have released this item under Member's Mark — given their previously announced rebranding strategy — if the long-term intention was to eliminate Member's Mark," Clayman says.

**Sam's Club, at a glance**

- **Headquarters:** Bentonville, Ark.
- **Top Executive:** Brian Cornell, President and CEO
- **Retail Banners:** Sam's Club, Más Club
- **No. of Stores:** 609 (as of April 2011)
- **Proprietary Brands:** Artisan Fresh, Bakers & Chefs, Calle Azul, Daily Chef, Member's Mark, Rue 33, Simply Right, Sophyto

**Catch-up time**

Gene Detroyer, a retail consultant and professor of entrepreneurship and strategy at the New York campus of the European School of Economics, believes the Member's Mark name has not communicated a premium message on Sam's Club's better-quality products. He says the new brand names do a much better job here.

"If we didn't know these were being put out by Sam's ... we'd say, 'Oh, it's a branded company,'" he says.

James Lewis, founder and CEO of Enhanced Retail Solutions, agrees, noting that Sam's Club realized many of the Member's Mark products needed a new name and fresh looks to compete better with Kirkland Signature products.

"The implication is that there is an additional brand 'promise' to shoppers, and it suggests that the products will be positioned more as premium entrants," he says.

"If this is the approach Sam's is taking, then Member's Mark could be the profit generator and coexist with — or even complement — the brands," he explains.

And the new brands could help to better differentiate Sam's Club's products in a number of categories, Stern says — they could become destination-type products similar to certain Kirkland Signature items.

"The areas they chose to focus their new private brands in — fresh, premium, wellness —
In 2010, Sam's Club unveiled two new brands of ultrapremium liquor products: Rue 33 (for vodka) and Calle Azul (for tequila).

Private and premium
The rebranding initiative is not Sam's Club's first foray into premium store brands. In 2010, the retailer launched two high-end liquor brands developed in partnership with the New York office of global design firm Dragon Rouge.

The Rue 33 brand covers an ultra-premium French vodka. Dragon Rouge said the product's image is built around the concept of "French premier grand cru vodka."

The Calle Azul brand, meanwhile, covers both an ultra-premium tequila and a margarita mix. The brand name is suggestive of the path to the blue agave source and region, Dragon Rouge said.

Doug Stephens, president of Toronto-based Retail Prophet Consulting, says he's not surprised to see Sam's Club getting involved in liquor, which has been a recession-resistant category.

Neither is Wisner, who notes that he recently purchased and tried the Calle Azul margarita mix. The look and taste were of such good quality, he was unaware that Calle Azul was a private brand.

"It's from a very reputable producer who generally is popping out $40 bottles of the stuff," he says. "Now, Sam's is selling a very comparable product for $20. I talked with one of the liquor distributors who was involved in helping them source the product, and they [said Sam’s is] pretty serious about going [into liquor]."

Exclusive relationships
Along with liquor, many experts agree that HBC also can be a competitive area that is dominated by the national brands.

To better succeed in HBC and offer destination-style products, Sam's Club struck two important partnerships within the last year.

In October 2010, the retailer said it teamed with Asheville, N.C.-based Tozai Group LLC to exclusively merchandise Sophyto, a brand of anti-aging skincare products previously available at only dermatologist offices and medical spas. The products harness "the healing power of botanicals to naturally nourish and restore skin’s youthful glow," Sam’s Club said.

Five months later, Sam's Club announced a partnership with Pittsburgh-based General Nutrition Centers (GNC) to roll out select GNC brand products as exclusives at Sam's Club. The products would support Sam's Club’s "increased focus on health-and-wellness-oriented consumers through more robust offerings of natural supplements and sports nutrition items, while increasing the visibility of GNC's specialty retailing brand with mass-market customers," GNC said.

Ben Ball, senior vice president of Northbrook, Ill.-based Dechert-Hampe, believes Sam's Club's "borrowing" of credibility through exclusivity agreements is a smart move.

"As long as it's an exclusive within the channel, then it's as good as — or better than — owned credibility," he notes.

The GNC brand, in particular, is substantially stronger than most other brands of natural supplements, Ball adds.

Anderson agrees that the GNC partnership was a good move, comparing it to Costco's cobranding efforts.

"It brings in a recognized brand in an area that the member can see, trust and feel good about when taking for their health," he says.

As time goes by
But whether it is in food or HBC, Stephens expects Sam’s Club and other club stores to continue exploring a variety of nontraditional categories that "might represent incremental sales" as the lousy economy persists — just as the retailer has done with liquor.

Wisner suggests that Sam’s Club also could explore better marketing strategies for their store brands through mailings.

"They don't communicate enough," he says, explaining that while Costco sends mailings once a month, Sam's Club does so once every six months or so.
Sam’s Club is partnering with General Nutrition Centers (GNC) to roll out select GNC brand products as exclusives at Sam’s Club.

Online, however, the retailer is getting more involved. In August, it partnered with eight all-star executive chefs from across the United States to provide restaurant-quality, “simply delicious” mealtime solutions — some of which incorporate proprietary brand products. Through the Sam’s Club Simply Delicious Chef Brigade partnership, the retailer said it is sharing recipes and cooking tips every month via its Facebook page and SamsClub.com/meals.

The retailer also might want to consider getting into the magazine business to better market store brands, Wisner says. Costco publishes print and digital editions of its monthly lifestyle magazine, Costco Connection, which helps to market products (national brand and private label) and services.

And in the end, Wisner wonders if Sam’s Club should rethink the overall purpose of its proprietary brands program.

"I don't know if it works the same way at Sam’s Club, but Costco tends to stick to their margin requirements for their private labels,” he says. "They don’t use them necessarily as a way of … enhancing their overall gross margin."

Wisner adds that on a penny-per-profit basis, Costco is quite content to earn less than it does on a higher-priced item.

"That used to be the rule of thumb — you always have to earn a higher penny profit," he says. "Costco doesn’t look at it that way. They seem to be more focused on, 'I want this as a reason to come to the store, and if I leave an extra two bucks in my customer’s pocket, they can spend it with me.'"

On the other hand, Sam’s Club might do better maintaining the traditional approach of using store brands to enhance overall profitability while offering good value. Wisner says he could make an argument either way.

In the end, only time will tell what works — and what doesn’t.