

## Sam's Club Raises Apparel Profile

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Sam's Club store.  
Photo By Courtesy Photo



Brian Cornell

If there is a bright spot for apparel at Wal-Mart Stores Inc., it may be at Sam's Club.

"We're seeing good trends in apparel, and we're bringing in new brands that are appropriate on a seasonal level," Brian Cornell, chief executive officer of Sam's Club, said after the Wal-Mart annual meeting on June 4. In contrast, vice chairman Eduardo Castro-Wright characterized Wal-Mart's apparel business as "disappointing" and "a work in progress."

Without the constraints of Wal-Mart's "low-price leadership" strategy, Sam's Club can sell department and specialty store brands but still at significant savings.

The approach of Sam's Club to apparel "is generated by aspirational brands and a treasure hunt vibe," said Linda Hefner, executive vice president of merchandising. "At Sam's, this is achieved through innovation, fashion, newness, aspirational brands and service."

So as Wal-Mart highlights its grocery business, rolling back prices 30 percent to appeal to struggling core customers, Sam's is waving the upscale flag with \$58,111 diamond earrings, \$36,000 Ebel watches and \$275 Furla handbags.

"Sam's is [good] at figuring out what customers want and what they will spend," said Coral Rose, former ladies' apparel buyer for Sam's Club,

Photo By: Courtesy Photo

who in 2004 introduced eco-friendly clothing when she ordered organic cotton yoga tops and pants for Sam's.

The warehouse club still sells organic cotton apparel. In addition, Sam's Club features Nicole Miller New York, manufactured by Delta Galil, as a club channel offering for Sam's; along with Levi's boot-cut jeans, Calvin Klein shorts, Speedo swimsuits, Anne Klein Sport, DKNY, Reebok, Everlast, Champion, Cole Haan, Chaus and Lizwear.

Sam's has been down the road before with designer brands. While sales were strong, the retailer encountered turbulence. Tommy Hilfiger sued Wal-Mart in 1998 for selling counterfeit products with the designer's name at Wal-Mart stores and Sam's Clubs. Wal-Mart in 1999 agreed to pay Tommy Hilfiger \$6.4 million to settle the lawsuit. Fendi filed a complaint in 2006 alleging that Sam's Club and other retailers were selling counterfeit products under the Fendi label. The case was settled the following year.

"We continue to see small-business members struggle," Cornell said. "They are reluctant to add employees, and have health care concerns. Access to credit and capital is difficult. We're trying to find ways to help them. We're not seeing signs of a strong recovery."

But Sam's is confident that members will pay for appealing items and their idea of a bargain. Online, Sam's is offering a 2.23-carat diamond engagement ring for \$42,000, Concord's La Scala 18-karat gold watch for \$3,995 and jewelry by Judith Ripka.

Buying for Sam's Club is more difficult than buying for Wal-Mart because "you're limited as far as the number of sku's you buy," said a retail expert. "With fewer sku's per season, they have to be really right. Sam's is not a destination place for apparel. Consumers are going in to buy food. Sam's customer that keeps coming back knows they're going to find something that's well priced and probably a brand."

Sam's plans to introduce more exclusives and special offers developed in partnership with its vendors. The approach is called joint business planning. Sam's Club is using insight gleaned from consumer surveys to determine what products consumers want.

A new store design features expanded health and wellness departments. Jewelry has been moved closer to apparel and electronics makes a greater impact with large-screen TVs against the back wall to highlight brands.

There's momentum at Sam's Club, evidenced by a new 370,000-square-foot headquarters in Bentonville. Wal-Mart paid \$29.9 million for the four-story brick-and-glass building, which is the fourth-largest commercial structure in Arkansas.

In the first quarter ended April 30, comparable-store sales at Sam's Club rose 0.7 percent, without fuel. Categories with strong sales included fresh foods, health and wellness, apparel and home. Operating income grew at a faster rate than sales, increasing 9.2 percent. Wal-Mart's same-store sales in the U.S. dropped 1.5 percent in the quarter. Profits at Wal-Mart grew 10 percent to \$3.32 billion on a 5.9 percent rise in sales to \$99.85 billion.

Bill Dreher, a retail analyst at Deutsche Bank, said the recent hiccup in consumer spending led to weak monthly sales trends. "Wal-Mart's core customers are so stretched, they appreciate what Wal-Mart can do in terms of lowering food [prices]," he said. "Wal-Mart is evolving more toward a supermarket, and that's been a steady progression for last 15 years."