Q3 2021 Earnings Call

Company Participants

- Richard A. Galanti, Executive Vice President, Chief Financial Officer

Other Participants

- Chuck Grom
- Edward Kelly
- Erica Eiler
- Greg Melich
- Jake Chinitz
- John Heinbockel
- Karen Short
- Kelly Bania
- Laura Champine
- Michael Lasser
- Peter Benedict
- Robert Moskow
- Scott Mushkin
- Simeon Gutman
- Tracy Kogan

Presentation

Operator

Good day, and thank you for standing by. Welcome to the Quarter Three Earnings Call. At this time, all participants are in listen-only mode. After the speakers' presentation, there will be a question-and-answer session. (Operator Instructions) Please be advised that today's conference is being recorded. (Operator Instructions)

I would like to hand the conference over to your speaker today, Mr.Richard Galanti. Sir, you may begin.

Richard A. Galanti {BIO 1423613 <GO>}

Thank you, Sarah and good afternoon to everyone. I will start by stating that these discussions will include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve risks and uncertainties that may cause actual events, results and/or performance to differ materially from those indicated by such statements.

The risks and uncertainties include, but are not limited to those outlined in today's call, as well as other risks identified from time-to-time in the company's public statements and reports filed with the SEC. Forward-looking statements speak only as of the date they are made and the company does not undertake to update these statements, except as required by law.

In today's press release, we reported operating results for the third quarter of fiscal 2021 to 12 weeks ended this past May 9th. Reported net income for the quarter was $1.220 billion, or $2.75 per diluted share. Last year's third quarter net income was $838 million or $1.89 per share. This year's third quarter included $57 million pretax, or $0.09 per share in COVID-19 related costs. Last year's third quarter included $283 million pretax or $0.47 per share of COVID-19 related costs.

Net sales for the quarter increased year-over-year in the quarter by 21.7% to $44.38 billion this year from $36.45 billion a year ago. Comparable sales for the third quarter of fiscal '21 are as follows: in the U.S. on a reported basis, sales were -- comparable sales were up 18%, ex gas inflation up 15.2%. Canada, on a reported basis up 32.3%, ex both gas and strong Canadian dollar, ex gas and FX, up 16.7%. Other international reported plus 22.9%, ex gas and FX plus 13.1%. All told, company reported comp sales of 20.6%, and again ex gas and FX 15.1% up.

E-commerce on a reported basis was 41.2%. Ex FX was up 38.2%, and that's on top of a year ago in the third quarter, when it was up, 66.1% in Q3 a year ago versus the prior to that. In terms of Q3 comp sales metrics, traffic or shopping frequency increased 12.5% worldwide, and plus 11.9% in the U.S. Our average transaction or ticket was up 7.3% worldwide and up 5.7% U.S. during the third quarter. And that these numbers include the positive impact both of gas inflation and FX, so adjusting for that, they would be in the 1.8% and 2.7% in the U.S. adjusted for those.

Foreign currencies relative to the U.S. dollar positively impacted sales by approximately 290 basis points and gasoline price inflation positively impacted sales by approximately 260 basis points. Going down the income statement, membership fee income reported for the third quarter $901 million, or 2.03% of sales. Again we had strong FX and so adjusting for that out, the $86 million reported increase would have been up $67 million, so FX up 8.2%, on a reported basis up 10.6%.

In terms of renewal rates, the U.S. and Canadian rate came in at 91.0%, the same as it was at Q2 end. Worldwide our total company renewal rate was 88.4% at Q3 end or one-tenth of 1% lowered from the prior quarter end. China entered the renewal calculation for the first time this fiscal quarter. First year renewal rates generally lag those of later years and excluding China, the worldwide rate would have actually improved 0.1% versus the prior quarter.

In terms of number of members at Q3 end, both member households and total cardholders, at the end of third quarter, total paid households 60.6 million, up from 59.7 million 12 weeks earlier. Total cardholders 109.8 million, up from 108.3 million at the end of the second quarter, 12 weeks ago. At Q3 end, paid executive membership, totaled 24.6 million members, an increase of 817,000 during the 12-week since Q2 end.

Moving down the gross margin line, our reported gross margin for the quarter was lower year-over-year by 35 basis points, coming in at 11.18% compared to a year ago at 11.53%.

As I usually do, I ask you to jot down the few numbers. Two columns, both the reported year-over-year change in gross margin and the second column ex gas inflation. Merchandise core reported minus 52 basis points year-over-year, and ex gas inflation minus 29 basis points. Ancillary and other businesses reported plus 2 basis points and ex gas inflation plus 7 basis points. 2% reward, plus 1 basis point and minus 2 basis points, other plus 14 basis points in both columns. Total, therefore, reported gross margin again year-over-year was reported down 35 basis points and ex gas inflation down 10 basis points.

The core merchandise component is that we show here -- as I mentioned here was down 52 basis points year-over-year and down 29 on ex gas inflation. This is primarily a function of sales shifting from core to ancillary versus last year, as we begin to revert back to more historical sales penetrations. Recall last year, we saw significant shift of sales out of ancillary and other businesses and into the core.

In terms of the core margin on their own sales, in third quarter, the core and core margin were better by plus 27 basis points, with non-foods up significantly, rebounding from last year's lows. Food and sundries flat year-over-year and fresh foods down from last year, the latter still strong by historical standards.

Fresh, as we've mentioned over the last few quarters is lapping exceptional labor productivity and low product spoilage that occurred from the outside sales that began a year ago in Q3 with the onset of COVID.

Ancillary and other business gross margins again ex gas inflation was up 7 basis points year-over-year in the quarter. We have a lot going on, here as of last year -- as last year we had closed the hearing aid and optical departments and had severely limited the service and selection at our food courts for most of Q3 last year. Gas had a particularly good quarter a year ago, which had helped to offset some of those closures a year ago. This year we're showing margin improvement in optical, food court, e-com, and hearing aids, somewhat offset by gas.

The 2% reward was again on excluding gas inflation was lower by 2 basis points indicating higher sales penetration to our executive members and the rewards associated with that. And others plus 14 basis points, 9 of the 14 basis points is attributable to lower COVID-19 cost year-over-year, $44 million hit to margin in Q3 a year ago versus a $14 million hit to margin this year in the third quarter.

Last year, we incurred 10 weeks of the incremental $2 an hour premium wage. That portion you see here relates to the labors associated with our fulfillment manufacturing businesses. This year, we incurred two weeks of the incremental to our -- in the incremental $2 an hour premium wage. It's a program was discontinued at the end of the second week of Q3 after 52 weeks in place. The other plus 5 basis points are $19.7 million came from accruing or reserved last year in Q3 for certain third-party gift cards and ticket programs, that were adversely impacted by the onset of COVID.

One other comment, as I discussed during our March 4th Q2 earnings conference call, in conjunction with the discontinuing of the $2 an hour premium pay, we implemented a permanent wage increase for our hourly employees as well as most of our salaried manager employees, which took effect in week three of this fiscal quarter. Since it's a permanent wage increase going forward, its impact is simply in our reported numbers and not separated out as COVID related.

Moving to SG&A. Our reported SG&A in the third quarter was lower or better year-over-year by a 107 basis points. Again to jot down these following two columns and numbers, first column is reported, and second column excluding gas inflation. In terms of operations, year-over-year plus 37 basis points meaning lower or better by 37 basis points, ex gas inflation plus 20 basis points. Central plus 4 basis points and plus 1 basis point. Stock compensation plus 5 and plus 4. Other plus 61 and plus 61. For a total on a reported basis again SG&A year-over-year was lower better by 107 basis points on a reported basis and excluding gas inflation better by 8 or lower by 86 basis points.

Again, looking here, the core operation was better by 37 and better by 20 excluding the impact of gas inflation. A good result particularly given that we implemented a permanent $1 an hour wage increase for the last 10 of the 12 weeks that comprise Q3. Central, nothing surprising there, same with stock comp. And other, the plus 61 basis points, ex gas inflation. 56 of the 61 was attributable to the lower cost from COVID. $239 million hits SG&A in Q3 a year ago, compared to 44 million in Q3 this year. The balance or plus 5 basis points are lower by 5 basis points was $18.5 million were costs associated with the acquisition and integration of Innovel a year ago.

Next on the income statement is preopening expense. Basically, this year was came in at $10 million, $2 million higher than the $8 million in Q3 of fiscal '20. Nothing out of the ordinary with the preopening this quarter. All told, reported operating incoming in Q3 '21 increased 41%, coming in at $1.663 billion this year compared to $1.179 billion a year ago in the quarter.

Below the operating income line, interest expense was $40 million this year versus $37 million a year ago. Interest income and other for the quarter was higher by $6 million or better by $6 million. Interest income was actually lower by $2 million year-over-year, due to lower interest rates, additionally FX and other was higher by $8 million year-over-year. Overall, reported pre-tax income in the third quarter was up -- reported a pre-tax income was up 42%, coming in at $1.650 billion this year compared to $1.163 billion a year ago.

In terms of e-commerce, our e-commerce sales as I mentioned earlier -- I'm sorry before I go to e-commerce, our tax rate in the third quarter came in at 25.2% compared to 26.7% in year earlier. This quarter benefited from one-time discrete tax item that benefited our number.

For all of '21, based on our estimates, which of course are certainly subject to change, we anticipate that our effective normalized total company tax rate for the year to be in the 26% to 27% range.

A few other items to note. In terms of warehouse expansion, in Q3, we opened six new warehouses. One in the U.S., three in Canada, and two internationally. We also have plans in Q4 to open seven additional ones; five in the U.S. and two others at internationally. And that would put us at a total of 21 net new warehouses for the fiscal year '23, which included two relocations, so 21 net.

In addition to the 21 planned openings for fiscal '21, we are looking to open about 25 new units, net new units in each of the next two fiscal years, including a second warehouse in China, in fiscal '22, which would be the end of -- towards the end of calendar '21. And a third expected to open in late calendar '22, which would be early fiscal year '23.

Regarding CapEx, the third quarter fiscal '21 spend was approximately $1.03 billion. Our full year CapEx spend is now estimated to be in the $3.3 billion to $3.5 billion range, increased a little from our estimate made 12 weeks earlier to include the recent $340 million purchase of a distribution facility on the West Coast to support our big and bulky delivery activities.

Now turning to e-commerce. Again, e-commerce sales in the third quarter ex FX increased 38.2% year-over-year. Stronger departments include jewelry, home furnishing, sporting goods, hardware and majors, which of course includes both everything from appliances to consumer electronics.

In terms of Costco Logistics and an update there. We anniversaried the purchase of Innovel now called Costco Logistics this fiscal quarter. Costco Logistics continues to drive big and bulky sales with the U.S. e-com sales on these items up 53% during the quarter.

Costco Logistics fulfilled about 70% of all U.S. big and bulky orders and we also continued to add some new big and bulky vendors. Overall, we've improved delivery time on many items from up to two weeks in many instances several cases now five to seven days as well we've taken several items that were previously vendor-drop shipped that are now -- and are now being direct imported allowing us to not only speed up delivery, but reduce prices to our members.

From a supply chain perspective, port delays are continuing to have an impact. We are utilizing additional carriers in some cases to help alleviate some of that. Containers and pallets are also facing shortages anecdotally 35% to 50% increase in incoming containers this year versus a year ago. Some of that's pent-up demand, but just from the low points a year ago. The turnaround of a container hitting the U.S. delivering its contents and being back at the U.S. port to head back overseas has gone from approximately 25 days to 50 days. So, a combination of things in terms of delays.

Ship shortages are impacting many items from an inflation standpoint some items more than others. And again, as I mentioned with regard to containers and shipping, transportation costs have increased as well.

Despite these issues, we continue to work to mitigate cost increases and supply chain delays in a variety of different ways as best we can. The biggest way we've handled supply chain delays, is adjusted ordering and front-loading, if you will orders of many items. We think we've got that pretty well under control. This will continue -- the feeling is, this will continue for the most part of this calendar year.

And we've had a lot of questions about inflation over the past few months. There have been and are a variety of inflationary pressures that we and others are seeing. Inflationary factors abound these include higher labor costs, higher freight costs, higher transportation demand, along with a container shortage and port delays that I mentioned. Increased demand in various product categories, some shortages, various shortages of everything from ships to oils and chemical supplies by facilities hit by the Gulf Freeze and storms, and in some cases higher commodity prices.

Some inflationary sound bites, if you will. Price increases on items shipped across the ocean with suppliers paying up to double for containers and shipping. Price increases of pulp, paper goods, some things up 4% to 8%. Plastic and resin increases from trash bags to plastic cups, plates et cetera and plastic wraps. Metals, aluminum foil, mid-single digit cost increases also cans for sodas and other beverages. Higher import prices on cheeses, the combination of the product itself as well as some FX strength of foreign currencies as well as freight, anywhere from 3% to 10% increases on certain apparel items not all.

In terms of fresh, higher protein prices, for example, meat overall year-over-year is up 7%, beef in the last month has been up as much as 20%. Some of that is due to feed labor and transportation costs, as well as restocking some of the additional increased demand coming now from institutional needs, as restaurant start to reopen. And the list could go on and on.

Now all this being said, I was asked back on our March 4th second quarter call, at what level we felt inflation was running overall at that time with our goods. I stated that our best guess was somewhere in the 1% to 1.5% range. As of today, we guess that overall price inflation at the selling level and excluding our gasoline sales would be estimated to be probably more in the 2.5% to 3.5% range.

Some items are up more and some items, the sale prices haven't yet changed. And some items are even down a little bit. We think, again, we've done pretty well in terms of controlling that as best we can, but the inflation pressures abound.

In terms of sampling and demos in the warehouse, as you all know, we eliminated our popular food sampling and demo activities in our warehouses last March, at the onset of the pandemic. As various states opened and closed last summer and fall, we tried a few sampling events. A few single serve items like cookies and crackers. Take out only, no cook to prepared sample items and a few enhanced talking demos such as items for display only.

I'm happy to report that over the next couple of weeks, we're beginning a phased return to full sampling. This come in waves. The first wave of locations about a 170 of our 550-ish locations of U.S. will be activated by the first week of June, with most of the remaining locations returning towards the near or towards the end of June. The first wave will actually determine how fast we rollout and what and when restrictions are lifted. I'm sure there will be a few states that with unique restrictions as well.

Increased safety protocols are and will be in place, including all samples prepared behind plexiglass, prepared in smaller batches for better safety control and distributed to members one at a time.

Food courts, same thing as well, I'm pleased to report that our food courts are also coming back over the next few weeks in a bigger way. Last March again, in 2020 as the pandemic took hold, we pared back to menu, basically to hotdogs and pizza, and soda and smoothies, and we've eliminated all seating, those take out only. We began several weeks ago, adding back tables and seating at a handful of outdoor food courts in a few states. Over the past few months, we've also added back a few more food items including bringing back a new and improved churro, which will be at all U.S. locations by the 4th of July, and adding a high-end soft ice cream to replace our frozen yogurt.

And by June 7th, we plan to have tables and seating back at most locations, but with more physical separation tables of four instead of six and eight, and about half the seating capacity as we had before. Again, these are still subject to doing this in waves and see how it goes and subject to any additional state rules or restrictions in a few cases.

Finally, in terms of upcoming releases, we will announce our May sales results for the four weeks ending the Sunday May 30th, on next Thursday June 4th after market closes.

With that, I will open up to questions and answers, and I'll turn it back over to Sarah. Sarah?

Questions And Answers

Operator

(Question And Answer)

Yes, sir. (Operator Instructions) Your first question comes from the line of Michael Lasser from UBS. Your line is open.

Q - Michael Lasser {BIO 7266130 <GO>}

Good afternoon, Richard. You outlined a variety of inflationary pressures that you're seeing in the business. How is this going to impact Costco's gross margin over the next couple of quarters? Costco tends to move more slowly with changing prices than others, should we expect this to be a pressure point, especially as you lap a period of strong gross margin gain given the good sell-through last year?

A - Richard A. Galanti {BIO 1423613 <GO>}

Well, I mean, we'll have -- of course, Michael, we'll have to wait and see. I mean our view is, is that while historically, we want to be -- mitigate those increases and work with our vendors and try to be as efficient as possible to lower those pressure points, some of it will pass through, and some of it has passed through. From a competitive standpoint, our view is it has not really impacted our margins in any big way. Some of the inflationary pressures, some very simple examples might be things like our $4.99 rotisserie chicken and our $2.99 40-packet of water. Those have stayed the same, notwithstanding there's been some pressure on some cost components of these items. So, those are already impacting our margins a little. And I don't -- I think overall, relative to competition, that's not going to be an impact -- big impact of where we go margin wise.

Q - Michael Lasser {BIO 7266130 <GO>}

Okay. My follow-up question is on the value of the Costco membership. Amazon is enhancing the value of its membership with more media content. Walmart continues to focus on the value of its membership offering. Do you think these factors are influencing the pricing power that Costco has to raise the fees associated with either the gold or executive membership? And do you feel like there has been a sharp increase in the value of a Costco membership over the last four years is that as you approach the normal cadence of when you would typically raise your fees, you could do it this time again?

A - Richard A. Galanti {BIO 1423613 <GO>}

Sure. Well, look, we focus first on driving more value. And I would like to think that some of the benefits that we've had in terms of strong business over the last -- not only the last year with COVID, certainly, we've been helped by the fact that we've been deemed an essential business and the strength in fresh and food items has helped quite a bit as well and buying things for the home.

But I think we've gained market share on top of that, and that's all about value. I mean our model is -- our view is our model is intact, as it relates to the best prices on the best quality goods and services. And certainly, our buying power keeps improving in that regard. We've added things as it relates to different forms of procuring the merchandise, whether it's in-store or a big increase like many people with e-commerce. Certainly, our acquisition of what's now called Costco Logistics has been a big boom for our -- we believe, for our sales strength and competitiveness in those areas. So, we think from a value proposition standpoint, the value of what we offer our members keeps going up.

As it relates to fee increases, historically, we've done it about every five years, so we would expect now to start getting questions since this is a year before that, and our answer is pretty straightforward. We'll have to wait and see. But we certainly feel good about our competitive position.

Q - Michael Lasser {BIO 7266130 <GO>}

Galanti, thank you so much and best of luck.

A - Richard A. Galanti {BIO 1423613 <GO>}

Thanks.

Operator

Your next question comes from the line of Simeon Gutman from Morgan Stanley. Your line is open.

Q - Simeon Gutman {BIO 7528320 <GO>}

Hey, Richard. The core on core, I think you said up 27. And I know you don't guide on this. I just want to ask maybe about the puts and the takes, if you talk about other categories that are higher margin that have yet to recover on the positive side. And then on the other side, the spoilage and some other things that helped you last year sort of come back. So, just kind of think are there more good guys, the bad guy and just another way to think about the gross margin core on core going forward?

A - Richard A. Galanti {BIO 1423613 <GO>}

Sure. Well, there's always different pieces to that equation. As I mentioned, one of the things that we mentioned over the last few quarters were particularly strong fresh foods margins with higher labor productivity and much lower products spoilage. While, again, we're still above where we were pre-COVID, it's come down a little from its peak a year ago in Q3, but still nonetheless better than historical numbers.

One of the things that I mentioned picked up was nonfood. Again, the strength that we've seen in nonfoods has continued. It really started in the summer, when people buying things for their home. Outside of that, certainly, I would expect on an ancillary business, taking gas out of it for a minute, because that goes up and down at -- with a lot of factors causing it, who the heck knows. But at the end of the day, if you look at some of the other ancillary businesses, I would expect to see, of course, margin improvement with optical and hearing aid relative to a year ago, for sure, even in Q4.

Same thing with travel. Travel is coming back as we see on the news every night. Travel is coming back in a big way with the improvement with COVID as well as probably a lot of pent-up demand. And we're seeing that ourselves in our travel business. And that's a high margin business, although a small piece of the total sales action for the company.

So I think, overall, we seem to figure out how to get there in different ways, even something like Costco Logistics that in the last three or so quarters, I pointed out, it was a 5 to 7 basis point hit to margin. It's finally anniversaried some of that, and hopefully, we'll start to show some improvement. But there's little things like that, that might show you a little improvement in the future. But overall, it gets back to our ability to price our goods for great value and being competitive and still hopefully improving the bottom line will continue. But we'll let you know each quarter.

Q - Simeon Gutman {BIO 7528320 <GO>}

Okay. Sorry about the noise, but one quick question on inflation. It sounds like maybe other retailers are raising prices, but you're just -- your prices are up and not letting them lag. So, I guess you're seeing the demand staying healthy. Or are you seeing the environment just stay rationale all across the board, and that's allowing you to take pricing up sort of at the same time as the input costs go up?

A - Richard A. Galanti {BIO 1423613 <GO>}

Well, look, I think, first of all, we look at what we can do with our own blinders on. There's been a lot of CPG companies, both in paper goods, soda pop that have announced increases. And many of them are sticking because we and other retailers are aware of the underlying costs associated with it. I think, I'd like to think we can do as good a job as any given our purchasing power and limited number of SKUs that can mitigate that as best we can. To the extent that those are happening, the fact that, on average, our competitors are taking those probably as fast as, not a little faster than us, is a positive. But we've taken some price increases on things that have gone up.

Q - Simeon Gutman {BIO 7528320 <GO>}

Okay. Thanks, Richard.

Operator

Your next question comes from the line of Paul Lejuez from Citigroup. Your line is open.

Q - Tracy Kogan {BIO 6300571 <GO>}

Hey. It's Tracy Kogan filling in for Paul. I have a question about your customer -- the customers that you've gained over the past year during the pandemic. And I was wondering if you could talk about maybe the demographics of that customer and what the repeat purchases have looked like? And how their spending might differ from your core group of customers. Thanks.

A - Richard A. Galanti {BIO 1423613 <GO>}

Right. What's -- I guess, most interesting is, other than from an age standpoint, being a demographic that's so -- the next young generation of Gen Z or Millennials before that and Gen Y or whatever else, we're getting our share of them. We did see over the -- as COVID hit, there was, of course, a spike not only, there was a big spike, a big increase with same-day fresh delivery in many -- in most cases, with us, with our relationship with Instacart. And also doing ourselves two-day dry grocery and some other items.

And again, anecdotally, we know that we garnered some additional members that way. On the two-day, since that is done via mostly UPS, you may have -- we've gotten some members that are outside of our geographic market areas of physical warehouses, but not a big giant number. So overall, I think if anything, we've seen our continued strength of adding net new members to existing warehouses.

Certainly, opening new warehouses helps and perhaps getting a few related to the online next-day delivery of fresh and things like that. Beyond that, again, when we see who from -- again, from an age demographic, we're getting -- we think that we're getting our good share of younger people as we did in previous. Historically, that was sometimes a concern of some on Wall Street. Is this for the older generation? And what we're finding is, as long as we keep changing our product mix to gear towards our -- who the member is, and in our case, when you see what we've done with organics over the last 10 years or more now, and summer sporting equipment and you name it, we get our fair share of those people.

Q - Tracy Kogan {BIO 6300571 <GO>}

Great. Thank you.

Operator

Your next question comes from the line of Chuck Grom of Gordon Haskett. Your line is open.

Q - Chuck Grom {BIO 3937478 <GO>}

Hey, Richard. Inventory dollars were up about 27%, which is much higher than you guys currently run. Just curious if there's any pull forward of items. And I guess, how do you feel about the currency the position right now?

A - Richard A. Galanti {BIO 1423613 <GO>}

I think what's interesting is, yes, it was a little lower last year because we were just being hit with it. And so while we were scurrying to get merchandise in, we would also -- if you recall, back in March and early April, as we were realizing like everybody else that this was going to last longer, we were starting to cut back, where we could seasonal orders and might have reduced our patio furniture needs for the part of the summer season and some of our Halloween needs and Christmas needs.

And then we found out that we needed it even more. So, probably some of it has to do with the fact that it being a little lower. And then as what I talked to earlier in this call about front-loading and buying early, that's -- we are happy to have some extra inventory. We clearly have a lot of -- we have plenty of cash to do that. And certainly, the cost of buying forward a little bit on some of these things is de minimis relative to what we earn on our cash.

Q - Chuck Grom {BIO 3937478 <GO>}

Okay. Great. That makes sense. And then just on the consumer. Curious what you're seeing over the past few weeks or maybe the past couple of months from a behavior perspective, both frequency in your clubs, basket sizes, particularly in states that are further along in the reopening process.

A - Richard A. Galanti {BIO 1423613 <GO>}

Well, again, it's hard to figure all these out because so many things were happening particularly last year in April, May, June time frame. What we saw is the states that opened a little early, we started seeing a little bit more shopping frequency a little earlier like Texas and Florida, but not in a meaningful discernible way. Trend-wise, yes, but not like let's wait for that everywhere.

But even in states that have been a little bit more closed. I mean the U.S. in particular has opened up quite a bit in the last month, month-and-a-half, as evidenced by new CDC guidelines. And I think the spring weather in general, and so -- and just the pent-up interest in doing that. So, I think a lot of that's already in there.

And in other countries, in Canada, there's still some -- for much of the last fiscal quarter, in about 38 of the 101 or 102 Costcos in Canada, one of the main provinces, there was limitations on -- we had to cordon off non-essential items or so nonfood items. We can only sell food and cleaning supplies and paper goods and health and beauty and the like. So that -- but that's -- even that is, I think, in a big way pretty much over.

Q - Chuck Grom {BIO 3937478 <GO>}

Okay, great. Thanks. And then just last one for me. COVID costs were down meaningfully here in the third quarter. I'd imagine relative to the $281 million that you booked in the fourth quarter last year, you'd expect them to come down a lot. Is that a fair assumption for 4Q?

A - Richard A. Galanti {BIO 1423613 <GO>}

Yes. Yes, again, a big chunk of that is the $2 an hour premium, which has been eliminated. And again, mind you that there'll still be a chunk related to the $1 permanent -- mostly $1 permanent wage increase that we did.

Q - Chuck Grom {BIO 3937478 <GO>}

Got it. Thanks a lot.

Operator

Your next question comes from the line of Karen Short from Barclays. Your line is open.

Q - Karen Short {BIO 7215781 <GO>}

Hi. Thanks very much. Actually, just following up on that last question. So looking at your sales growth versus your SG&A growth and recognizing that within SG&A dollars, you did still have the $2 for part of the quarter, I mean, it's been -- it's a much wider gap than we've seen for a long time, like even kind of looking at pre-COVID. So I'm wondering if there's anything you could point to on that specifically, and how to think about that going forward. And then I had one other question.

A - Richard A. Galanti {BIO 1423613 <GO>}

Sure. I think first and foremost, it's sales, strong sales. This is a business that we know the benefits -- the operating leverage we got when we could do a 7% comp instead of a 4% or 5%, and enjoying the comps that we have now, that's the biggest single piece of it. If anything, in the quarter, health care cost probably a little higher because people weren't going for their regular doctor visits a year ago in the third quarter. And so that was probably a little bit of a hit. But more -- what offsets all those types of anecdotal things is strong sales and just a core labor costs.

Q - Karen Short {BIO 7215781 <GO>}

Okay. And then...

A - Richard A. Galanti {BIO 1423613 <GO>}

Gas as well, taking gas inflation out of there would reduce that a little bit.

Q - Karen Short {BIO 7215781 <GO>}

Right. Okay. And then my second question or actually maybe two more, with respect to the membership fee, obviously, recognizing the value of membership fee to your members, how are you thinking about time line on the next possible increase just because I think we did anniversary what would be the five-year mark?

A - Richard A. Galanti {BIO 1423613 <GO>}

No. Actually, the five-year mark is next June.

Q - Karen Short {BIO 7215781 <GO>}

Okay. And so what's -- how are you thinking about that philosophically?

A - Richard A. Galanti {BIO 1423613 <GO>}

Philosophically, I get to think about not thinking about it for several months. No, jokes aside, again, we feel good about our member loyalty. Needless to say, with our renewal rates, we feel very good about our competitive position. But there's -- we really haven't given a lot of thought yet.

Q - Karen Short {BIO 7215781 <GO>}

Okay. And then just my last question. In terms of e-com, obviously, you gave us a good percent of sales and the growth that doesn't include third party. Can you actually give us a number -- and can you just give us an update on where that stands when you include the third-party in food?

A - Richard A. Galanti {BIO 1423613 <GO>}

Yes. I think it's -- my guess is it's probably not as impactful now. The third party, most particularly the same-day fresh delivery really peaked last, I want to say, May or April, late April. And where -- it was huge and, I mean, it was tenfold increase. And it's now probably halved, still huge relative to pre-pandemic. But -- so it's not as impactful as it was. So again, I think there are a couple of quarters where we had -- a couple of quarters ago, we had like an 86% comp in e-commerce.

And we said that if you added back the stuff that we don't put in there like same-day fresh since third parties come in and buy it in the warehouse and take it to you, that 86% -- that 85% or 86% was up towards 100%. If you just -- this is -- I'm shooting from the hip here, but if that was 15 percentage points, let's assume it's 5 to 8 percentage points, but certainly not 15.

Q - Karen Short {BIO 7215781 <GO>}

Okay, great. Thank you.

Operator

Your next question comes from the line of John Heinbockel from Guggenheim. Your line is open.

Q - John Heinbockel {BIO 1508150 <GO>}

Richard, let me start, Costco Logistics, where are you guys now with capacity utilization? And where will you be when you add this new facility? And to the degree that costs are coming down, have you yet invested in price? Or are you investing more in delivery timetable, quickness of delivery?

A - Richard A. Galanti {BIO 1423613 <GO>}

Well, we were proving -- not to say that we don't have a few complaints every day from someone that screwed something up. But at the end of the day, we're improving in a big way. We actually were aggressive on pricing immediately. It's kind of like when we went into a new country like France or Spain, we're pricing in low volume, less efficient departments like fresh as if we were doing a lot of volume. And so those are examples where it's hurting us to start with as it relates to -- we're going to price the goods or lower the price of a mattress or a furniture set delivery based on what we can do before we actually do it.

Now that's thankfully catching up for itself -- with itself. In terms of capacity, it has a lot of capacity. As I mentioned, right now, about 70% of our big and bulky is now delivered through Costco Logistics. Some of it was being delivered by third parties that we're doing fine, but now we're doing it ourselves. That business, as I mentioned, is continuing to grow very handily not only for us but industry-wide with furniture and things for the home, exercise equipment, TVs and the like. And we think that we have tremendous capacity available. What we bought was at a capacity of less than 50% of what it had been doing itself a few years before. But again, those aren't completely -- you can't completely compare those two.

What we just bought was a huge facility and acreage that allow us to do more big and bulky and recognizing so many things come in from overseas in big and bulky, and it's again on the West Coast in California. And so it's going to help us continue to grow that business. We think we have a lot of growth. Way before COVID and more big and bulky and everything else, recall in the U.S., what we saw over the last five years, I think it was five years ago, we said in just white goods when all we did was sell them in store, we did about $50 million.

And the year pre-COVID, three years hence, we did about $750 million or something. We're well beyond that now, both natural growth as well as what COVID has done in terms of people buying things for the home and then us being able to become more competitive on pricing. We've seen items, not across the board, but items where we've lowered the price by 10% and 15% or more, greatly improved the delivery time and are driving that business.

Q - John Heinbockel {BIO 1508150 <GO>}

And then just real quick, lastly, the cold and frozen delivery program, the two-day program, how is that being fulfilled? And how do you think about that conceptually, right, in terms of consumer uptake versus the dry grocery that you did previously?

A - Richard A. Galanti {BIO 1423613 <GO>}

It's really too early, John, to tell. We just started that three weeks ago, and something that our people in that operation wanted to try. And business centers, it's -- we think it's something that lends itself well to our business customer needs as well, and we'll see.

Q - John Heinbockel {BIO 1508150 <GO>}

Thank you.

Operator

Your next question comes from the line of Scott Mushkin from R5 Capital. Your line is open.

Q - Scott Mushkin {BIO 7138867 <GO>}

Hey, thanks for taking my questions. So Richard, I actually wanted to get back at this big and bulky that we were talking about before. Kind of hoping you can maybe size the opportunity. Obviously, you guys are putting a lot of money into it. What kind of -- maybe you can give us like what percentage of your sales are in those items now, where do you think it's going to go. Like how much do you think you can drive sales? I was just wondering if you could do anything to size it because it's obviously a big focus for the company and a big capital investment.

A - Richard A. Galanti {BIO 1423613 <GO>}

Yes. I don't have that detail in front of me. We're seeing 30% and 50% increases on items within some of those categories, everything from outdoor patio furniture or indoor furniture to mattresses to exercise equipment, the TVs along the way.

Q - Scott Mushkin {BIO 7138867 <GO>}

And is your expectation to bring in more vendors? And I don't know how many SKUs you're offering, but will you have more SKUs? And how are you thinking about advertising at your membership base?

A - Richard A. Galanti {BIO 1423613 <GO>}

Well, yes, I mean, first of all, I think that when we look at our three- to five-year plan, we think there will be outsized growth certainly for the next three-plus years, we'll see. In terms of adding SKUs, yes, but we're not going crazy. Certainly, there's more SKUs online furniture sets, sofa and chair sets. We might have one or two on display, sometimes, in a warehouse, we'll have a dozen or so online. So we are adding both vendor names as well as additional selection, but still greatly limited relative to the traditional retail of those items.

Q - Scott Mushkin {BIO 7138867 <GO>}

Perfect. And then my second question is something we've talked about all the time, and I could go at it again. It's just on the openings. I know you said 25 this year over '22 and 25 in '23, I guess. I mean obviously, our research suggests you guys could do a lot more. And I know we've talked about the, I guess, the hard thing of getting the right locations and everything else. But what would it take to get that to 30 to 35, again on a more permanent basis? And is that something you guys would kind of strive to do, because clearly there is some market opportunities there. Hello?

Operator

Excuse me, sir. This is the operator. I'm sorry. The line of the speaker got disconnected for a second.

Q - Scott Mushkin {BIO 7138867 <GO>}

Should I just hold on?

Operator

Yes, sir, for a second here.

Q - Scott Mushkin {BIO 7138867 <GO>}

Okay. So, everyone got disconnected?

Operator

No, sir. Just the line of speaker.

Q - Scott Mushkin {BIO 7138867 <GO>}

Hey, you're back.

A - Richard A. Galanti {BIO 1423613 <GO>}

Hi, sorry about that. Scott, let's go back to your question. My apologies.

Q - Scott Mushkin {BIO 7138867 <GO>}

That's all right. So, my question was, I don't know what -- did you guys hear any of my question or no?

A - Richard A. Galanti {BIO 1423613 <GO>}

You can start again.

Q - Scott Mushkin {BIO 7138867 <GO>}

Okay. So basically, you said fiscal '22 and '23, 25 clubs and 25 clubs, we've talked about this a number of times about trying to get that number up. Obviously, the market opportunity is there. Can you beef up the real estate department? Like what's the -- what's holding you guys back to getting to 30 to 35? Again, because it looks like the opportunities there to us with the research.

A - Richard A. Galanti {BIO 1423613 <GO>}

Well, I think some other countries tend to be a little slower and challenged, but we have beefed it up. That's one of the reasons I think that I went out as far as I did by saying 25 in each of the next two years. We feel relatively confident that the -- all the items that we have in the fire right now, both U.S. and Canada as well as other parts of the world, we feel good about. We've got a lot of things going on.

Now going from 25 to 35, I'm not sure we're prepared to do that yet. Could we do it? Yes. But certainly, in some of the countries that are smaller, we like to go slow. And I mean, we picked up the pace in China by now having two ready either under construction or getting ready to be under construction and to open over the next 18 months. And for us, that's faster than we would have gone. And you'll see more announcements both there and elsewhere over the next few quarters.

Q - Scott Mushkin {BIO 7138867 <GO>}

Terrific. Sounds like there's a lot of good growth ahead. Thanks Richard.

Operator

Your next question comes from the line of Rupesh Parikh from Oppenheimer. Your line is open.

Q - Erica Eiler {BIO 20192312 <GO>}

Good afternoon. This is actually Erica Eiler on for Rupesh. So first, I wanted to touch on your services business. As we look at travel and optical and food court, is there any way you can help us frame, at this point, how much of your service businesses have recovered versus 2019 levels?

A - Richard A. Galanti {BIO 1423613 <GO>}

Well, there's a few different things. I mean if I look at travel, I think, in the last month, we probably had 10 of our top 15 days ever in our history, so even at holiday time in '19. Part of that, again, though, was the pent-up demand. So we'll see where it normalizes out. Right now, both car rentals, we also pivoted and added in addition to -- while cruises are still down, they're being booked again now, but still down. We did a big push starting several months ago to negotiate and offer some great deals on other, what I'll call, U.S., Mexico and Hawaii-type trips -- vacation trips.

Yes. So bookings, they're not revenue yet, but bookings are particularly strong now. And hearing aid, you had a little bit of the same issue when they were essentially closed down because of direct one-to-one contact, when you're getting fitted for a hearing aid. There was a lot of pent-up demand that we've seen and we continue to see, the same with optical. We think that will continue to be normalized, but we'll have to wait and see. Food courts is probably going to take another several months. Having tables out there will help, expanding the menu will help. And of course, pharmacy didn't really ever see a big dramatic downturn.

Q - Erica Eiler {BIO 20192312 <GO>}

Okay. Great. And then your food categories have held up really well in spite of lapping the difficult comparisons last year. So maybe just an update on how you're thinking about food-at-home consumption from here.

A - Richard A. Galanti {BIO 1423613 <GO>}

Well, I mean, our 40,000-foot view of that is that what was gained because of food away from home stopping a year ago, and while it picked up some with takeout and delivery, it's now starting to improve a little bit, but some of that's going to be sticky. I don't know what the exact number is going to be, but our view is, is that it still certainly hasn't reverted back.

I mean restaurants are just beginning to open in a bigger way. In many cases, still people are reluctant to go in. In many cases, the tables are further separated. So some of that's going to continue for the next six-plus months, is my guess. Beyond that, when all is said and done, will some of it still be sticky? Our view is probably the fact that we, as a company, have done a pretty good job of staying in stock and certainly the quality of our fresh foods, I think that we've not only benefited from that. I'd like to think that we gain market share from other traditional food retailers in that regard, particularly on the fresh side.

Q - Erica Eiler {BIO 20192312 <GO>}

Okay, great. Thank you so much.

Operator

Your next question comes from the line of Kelly Bania from BMO Capital Markets. Your line is open.

Q - Kelly Bania {BIO 16685675 <GO>}

Hi, Richard. Thanks for taking our questions. First just wanted to ask about executive membership, the penetration, I guess, up over $800,000 this quarter. This is high as I can see it in our model here. Just was curious if that's still happening in a meaningful way in the U.S.? Or if there's any other countries? And just any color you can provide on that point.

A - Richard A. Galanti {BIO 1423613 <GO>}

I think the one factor that was a little a bit of an anomaly is as we -- just in the last year, we expanded executive membership to Japan where we have 29 locations, 28 locations -- 29 locations, and including two new Japan locations this quarter. And as a company, I think, overall, we continue to get better at signing people up as executive members, telling them what the virtue of it is and doing a better job of having a higher percentage of every 100 new members that sign up as well as converting. I think within that 817,000 something just under 200,000 was Japan. So even taking that out, I think it was 180-something thousand. So even taking that out, the six 30 or 40 pluses, it was still a very strong number for the quarter outside of that.

Q - Kelly Bania {BIO 16685675 <GO>}

Okay. That's helpful. And then just any update on the pickup test that's happening?

A - Richard A. Galanti {BIO 1423613 <GO>}

It's still a test. We're still just doing it in New Mexico in three locations. And the utilization of it, when we first did it, we marketed a little bit. The utilization has not set the world on fire in terms of where it's trending.

Q - Kelly Bania {BIO 16685675 <GO>}

Okay. Thank you.

Operator

Your next question comes from the line of Laura Champine from Loop Capital. Your line is open.

Q - Laura Champine {BIO 4748805 <GO>}

Thanks for that. So Richard, you mentioned the negative impact on renewals from the Chinese store lapping. Are they renewing at about the same pace that you would normally expect first year renewals relative to prior store openings in new geographies?

A - Richard A. Galanti {BIO 1423613 <GO>}

Well, one of the unique things, if I go back over the last 15 years when we've opened in new countries, you have outsized new sign-ups and, frankly, probably some that are just lucky of us. And so you have a lower-than-average renewal rate to start with. When I look back at the 7 or 8 countries outside of the U.S. and Canada, I mean, there's 10 or so, but what we've seen is that instead of -- in the U.S. or Canada, we might add anywhere from 5,000 to 20,000 members in the first year, recognizing in some of these are existing markets. So you've got people shopping more often because they're closer to the new opening.

We've enjoyed in Korea, Taiwan, Japan and even more so in China 50,000 to 100,000 new member sign-ups when we open up. And then a year later, 1.5 years later, when they're renewing -- when that first batch is renewing for the first time to get to that 88-plus worldwide renewal rate and the 90.1 in the U.S. and Canada, it starts off, it could be anywhere from the high 50s to the mid-60s in that first year.

And I don't have in front of me what China is. But China is also outsized in that regard. I think we have close to 400,000 members in that one location. Remind you, it's a very large city and Costco entered as a well-known entity, notwithstanding the fact that it was our first one. So for all those reasons, it alone affected that worldwide renewal rate.

We're not surprised. And by the way, even whatever renewals, non-renewals we've been -- that have been incurred, we've gotten more than that in terms of new sign-ups. I think at the end of about three months after we opened in China, which was August of '19, we had around 300,000 members, and I think now we have about 400,000. So even if we've lost a bunch, we've gained a bunch plus some more.

Q - Laura Champine {BIO 4748805 <GO>}

Understood. And then secondly, on the roughly 30 basis points decline in core margins on an ex gas basis, you mentioned that that is related in part to the sales shift back to lower-margin ancillary business. Was this the quarter where you're lapping the most extreme move away from ancillary? Or is it -- are we likely to see a similar impact as we move through the year?

A - Richard A. Galanti {BIO 1423613 <GO>}

I think Q3 was probably the most. It will still be impactful in Q4, probably not as much.

Q - Laura Champine {BIO 4748805 <GO>}

Got it. Thank you.

Operator

Your next question comes from the line of Greg Melich from Evercore ISI. Your line is open.

Q - Greg Melich {BIO 1507344 <GO>}

Hi. Thanks. Got two questions. First on e-commerce and multichannel. Do you have an update on the penetration now for e-commerce? Is it 10% or close? And what are you seeing in terms of the percentage of members that use multichannel and what their renewal rates look like, if they're any different?

A - Richard A. Galanti {BIO 1423613 <GO>}

First of all, I think it's about 7.5 or 8, and part of that is the huge shrink in gas.

Q - Greg Melich {BIO 1507344 <GO>}

Got it.

A - Richard A. Galanti {BIO 1423613 <GO>}

And what was the other part of the question, Greg?

Q - Greg Melich {BIO 1507344 <GO>}

The other part of that was just for people that -- like what percentage of members actually use multichannel offering? Like used either two-day or Instacart, is it majority that have used it? And then what do their renewals look like once they've used you in multiple channels?

A - Richard A. Galanti {BIO 1423613 <GO>}

Okay. Somewhere around 45% of our members have used e-commerce. And the renewal rate is slightly better. I'm not talking about new members that signed up that have just used e-commerce, I'm talking about just how many people -- how many existing members have used e-commerce.

Q - Greg Melich {BIO 1507344 <GO>}

Got it. No, that's great. And then the second question was on gasoline, I just want to make sure I got this right. Do you have a number for what the gallons growth was? And a penny profit was up or down. I think -- I know it hurts the mix, but just where we are in that cycle right now with gas inflation?

A - Richard A. Galanti {BIO 1423613 <GO>}

Yes. Gas dollar profits were down because we had a -- it was interesting. Notwithstanding the fact that -- well, if you think back again in the third quarter last year, it was mid-February effectively to mid-May. The first four -- three to four weeks of that, there was a frenzy. It was either pre-COVID or the frenzy of people hoarding and everything. So gas was pretty strong in those first few weeks.

Then it plummeted and -- but not withstanding the fact that it plummeted, pricing was less competitive. So we had a very strong P&L, as I think I'm sure I mentioned last year in the quarter, it was particularly strong. We had a fine gas profit this quarter. But last year was fine with a capital F.

Q - Greg Melich {BIO 1507344 <GO>}

Got it. And so the pressure on any penny profit that you can get when gallons are recovering, I mean gallons are recovering now. Are we at that stage?

A - Richard A. Galanti {BIO 1423613 <GO>}

Yes. Very much so.

Q - Greg Melich {BIO 1507344 <GO>}

Okay. And what's -- do you have a number that you can give us in the quarter?

A - Richard A. Galanti {BIO 1423613 <GO>}

I have one I cannot give you. No, I can't. Gas has been -- for those of you who've known us for many years, gas used to be a business that, on a given day or week, on a fully allocated P&L, could actually lose a little or all the way to make a lot. And it would be very volatile. In a matter of a week or two, it could switch from the top to the bottom there.

The normal over the last few years has been it is a profitable business, and there's still some outlying big profitable days and a lot more days that are just regularly profitable. But the fact that it's coming up and the fact that it is probably overall a little less competitive out there, but that's not just in the last few weeks, that's been over the last year.

Q - Greg Melich {BIO 1507344 <GO>}

Last year. Okay, great. Thanks and good luck.

Operator

Your next question comes from the line of Robert Moskow from Credit Suisse. Your line is open.

Q - Robert Moskow {BIO 6299775 <GO>}

Hi, thanks for the question. I want to know, do you have any data you can share about the demographics or income levels of the new members that you've picked up in the past year? Is it trending any differently than your typical new member growth? Is it younger? I think Tracy kind of asked this question already, but I wonder if you had any specifics.

And then lastly, I wanted to know, do you think you've got any benefit this quarter from consumers having just more money in their pocket from stimulus payments? Or is that not really characteristic of your membership?

A - Richard A. Galanti {BIO 1423613 <GO>}

I don't have any economic average income demographics in front of me. I know when we look at new member sign-ups currently versus a year ago versus two and three years ago, we still are getting our share of younger people maybe a little younger than that right now simply because of e-com and what have you has helped a little bit on that area, but nothing discernibly different.

As it relates to where we helped -- when we've looked at things in the past as it relates to some unusual stimulus, our view is we haven't seen as big a benefit as some of the other discounters or general merchandise discounters have seen. But it can't hurt. So my guess is it certainly it's probably helped us some, but not as much as others.

Q - Robert Moskow {BIO 6299775 <GO>}

It probably helped a little, not a lot. Okay.

A - Richard A. Galanti {BIO 1423613 <GO>}

Yes.

Q - Robert Moskow {BIO 6299775 <GO>}

Thanks a lot.

Operator

Your next question comes from the line of Peter Benedict from Baird. Your line is open.

Q - Peter Benedict {BIO 3350921 <GO>}

Hey Richard, first question, just given the sourcing challenges around the pandemic, I'm just curious, any updated thoughts you have on your vertical sourcing initiatives? Anything being sped up or slowed down? Just what's your -- what's the latest update on that?

A - Richard A. Galanti {BIO 1423613 <GO>}

Yes. Well, look, I mean, in a big way, I think the fact that we've got two meat plants and a chicken plant and a bakery commissary and a couple of optical grinding labs, if anything, those things have helped us a little bit. They're at full production in a big way. When feed costs go up -- in the chicken plant, for example, we go out somewhat with feed costs, but I'm sure we don't hedge ourselves completely in either directions, but we've done a pretty good job of managing those costs.

Q - Peter Benedict {BIO 3350921 <GO>}

Okay.

A - Richard A. Galanti {BIO 1423613 <GO>}

Yes, go ahead -- but nothing major there. And then what was the other question?

Q - Peter Benedict {BIO 3350921 <GO>}

Yes, I was just wondering if you accelerated any initiatives that you maybe had in the pipeline, given what you've seen in COVID? Or if there's been any maybe new areas of the business that you maybe weren't considering vertical before, but maybe now you are?

A - Richard A. Galanti {BIO 1423613 <GO>}

Yes. I think the big one that has -- again, that has surprised us in the sense that we think there's lots of opportunity there is the whole Costco Logistics side. For a variety of reasons, not only handling it ourselves and controlling the destiny of delivery times. But actually, there's a number of items that we historically have drop-shipped, if you will. The supplier carries the inventory, the supplier sends it and, needless to say, there's a cost associated with that. As we get bigger and higher volume and do some of those things direct, we're able to basically improve the delivery time and lower the price, and we've seen that.

And then we're getting better at insulation. That's something that we will continue to improve on as well. So I think that's probably the one area. I don't -- there's nothing currently planned in terms of the next big chicken plant, if you will. There's going to still be significant money spent on fulfillment, in distribution and logistics, as I just mentioned earlier about our CapEx. Beyond that, there was one other thing I was going to mention, which I can't remember now.

Why don't we take two more questions?

Q - Peter Benedict {BIO 3350921 <GO>}

No worries. Richard, just one follow-up on self-checkout, that effort you have. How penetrated is that across the chain right now? And what's been the member feedback? Are you guys pleased with the service you're giving there? Obviously, volumes are really high through the club, so I'm just curious on that. Thank you.

A - Richard A. Galanti {BIO 1423613 <GO>}

Self-checkout works. It's in 90-plus percent of our warehouses. I've seen locations where we started with 6, 2 stacks of 3, and now we're at 9 and 12 in a couple of locations. So, it's working. Certainly, the customer likes it. And it improves the frontline and service. So -- and it's cost efficient.

Q - Peter Benedict {BIO 3350921 <GO>}

Okay, great. Thanks so much.

Operator

Your next question comes from the line of Scott Ciccarelli from RBC Capital Markets. Your line is open.

Q - Jake Chinitz

Hi, this is Jake Chinitz on for Scott. I know you've done a couple of things to stay more in touch with members, especially on the e-commerce side, for example, building a database of updated member e-mails. So can you just give us an update where that may be from a progression standpoint? And any results you've seen from that?

A - Richard A. Galanti {BIO 1423613 <GO>}

Well, I think we're improving and a lot of the improvement we're doing in terms of a better mobile site and is -- and better service to our members, and ability to communicate to our members. Hold on one second here.

In the last quarter -- I'm sorry, the last year, we've gone -- we've increased the number of emailable addresses by 24%. And we're seeing higher conversion rates, as I mentioned already. And we're doing more things in the warehouse with -- to drive traffic online as well. So I think all those things are working, and we'll continue to improve our mobile. I'll make a point on the next earnings call to talk about -- I mentioned on Q2 earnings call, there were kind of like three phases of upgrades to our mobile site starting in September and then over the next six-or-so months after that. I'll make a point of pointing some of those things out. Recognizing some of those things others have been doing, and we're just getting around to do.

Why don't we take one more question and that will be it.

Operator

Okay. Your last question, sir, comes from the line of Edward Kelly from Wells Fargo. Your line is open. Mr.Edward Kelly, your line is open. You may ask your question.

Q - Edward Kelly {BIO 5710674 <GO>}

Hey guys, I'm sorry I was on mute. So thanks for squeezing me in here. Just first one for you, Richard, on timing and next openings in China. Any more detail on when that next door is going to open? And then you talked about good news coming on pace of maybe opening beyond that. Thoughts on the potential to accelerate there now that you've had that first store open for a while?

A - Richard A. Galanti {BIO 1423613 <GO>}

Well, yes. I mean our view originally was we'd open one, and even before that opening, we -- where would be five years hence, maybe we'd have three. And my guess is today, we'll shoot for a number a little bigger than that, maybe four or five. But there's a lot of -- there's a few irons in the fire over there, but those are the two that are signed, sealed and under construction.

Q - Edward Kelly {BIO 5710674 <GO>}

And the next opening, when is that scheduled for?

A - Richard A. Galanti {BIO 1423613 <GO>}

I believe the fall -- hold on a second. Late next summer. Yes, calendar '22, which would be Q1 of '23.

Q - Edward Kelly {BIO 5710674 <GO>}

Got it. Okay. And then just one for -- on your business customer. Just remind us of your business customer mix. And then what are you seeing in that customer as things start to recover? Do you think there's any permanent damage to that business at all? Or do you expect it to just sort of come back with reopen?

A - Richard A. Galanti {BIO 1423613 <GO>}

Look, there's fewer businesses. I mean yes, I think one of the things that recognize this change over our 37 years or so in business, if you go back in the first few years, it was probably 75/25 or 80/20 business to consumer. And consumers were buying a lot of institutional business items. Today, arguably while we're still a wholesaler and, certainly, business members are important to us, it's probably 75/25 the other way, 75 consumer. And recognize one of the reasons we've done our business center is to focus more on that as well. In fact, I think all three openings in Canada this coming quarter or this past quarter, are business centers. And our deliveries are starting to come back.

Look, at the end of the day, I don't have the statistics in front of me, but if there were -- for every 100 small restaurants, be it a food truck or takeout or ethnic, I don't know how many of them closed, probably not a lot, but was it 10 or 20, I don't know. And the others are coming back. So there's probably a little bit of detriment there. And as I mentioned earlier, though, our view is that we think some of the business, not just in the food area, will be sticky to us as well.

Q - Edward Kelly {BIO 5710674 <GO>}

All right. Thank you.

Operator

They are no questions at this time. Sir, you may continue.

A - Richard A. Galanti {BIO 1423613 <GO>}

I would like to just say one last thing. At the end of the call before opening it to Q&A, I mentioned that our May sales release for the 4 weeks ending May 30 would be on Thursday, June 4. It's actually Thursday, June 3.

So thanks for that correction. Thank you, everyone, and have a good day.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect.