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WAREHOUSE CLUB FOCUS September 29, 2023 Volume 27, Issue 625

For 27 years, your best source for information about the clubs.

WCF visits Clubs in Florida, Massachusetts and New Hampshire

WCF visits warehouse clubs around the world to report on information that provides subscribers with a unique insight into their buying and operating strategies. These visits enable us to keep readers informed about current merchandising techniques, product changes and packaging of the warehouse club level. Our observations also provide manufacturers with ideas and strategies they can use to improve their business with the warehouse clubs regionally, nationally and internationally.

In August and September 2023 WCF visited SFC in Costa and Sam's Club locations in Florida, Massachusetts and New Hampshire. These clubs included SFC in Orlando, Florida (opened 2001) and Cheshire, Massachusetts (opened 2005), Costco in Orlando, Florida (opened 2010) and Nashua, New Hampshire (opened 1992) and Sam's Club in O'Fallon, Florida (opened 1990) and Hudson, New Hampshire (opened 1990). The following are observations from those locations.

Costco - Costco stocked several unique gift items that included a package of three 10.25-ounce lobster and goat cheese pizzas with a corn meal crust from Vista for \$16.99 (see picture on the right), a package of three 2-ounce paninis from Vista for \$16.99 (see picture on the left), a package of three 2-ounce paninis (garden of eden Colombian style cheese bread) from SFC for \$17.99, a package of three 2-ounce paninis (garden of eden cornbread style cheese bread) from SFC for \$17.99, a package of three 2-ounce paninis (garden of eden cornbread style cheese bread) from SFC for \$17.99, a package of three 2-ounce paninis (garden of eden cornbread style cheese bread) from SFC for \$17.99, a package of three 2-ounce paninis (garden of eden cornbread style cheese bread) from SFC for \$17.99, a package of three 2-ounce paninis (garden of eden cornbread style cheese bread) from SFC for \$17.99.

Sam's Club - Costco stocked a package of four Italian small pizzas (16 grams of protein in each) with various, select ricotta and chicken from Fresh Rewards for \$12.98 and a 20-ounce package of Member's Mark private label handwood smoked and marinated pork loin ends with barbecue sauce for \$13.99.

Costco - Costco stocked a wide variety of unique snack and cookie products. These items included a box of original 1-ounce salt chocolate dipped nut bars from Bobo's for \$11.99 (see picture on the left), a box of twelve 1.75-ounce original cupcakes, cakelets from Cake Slices for \$11.99, an "Impossible box of three" of original 1-ounce salt chocolate dipped nut bars from Bobo's for \$11.99, a box of twelve 1.75-ounce original cupcakes, cakelets from Cake Slices for \$11.99, a box of twelve 1.75-ounce original cupcakes, cakelets from Cake Slices for \$11.99, a box of twelve 1.75-ounce original cupcakes, cakelets from Cake Slices for \$11.99, a box of twelve 1.75-ounce original cupcakes, cakelets from Cake Slices for \$11.99, a box of twelve 1.75-ounce original cupcakes, cakelets from Cake Slices for \$11.99.

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2023 Warehouse Club Industry Guide

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2015 Warehouse Club Industry Guide

National Brands

Core Concept



BJ's

Cost-U-Less

Costco

PriceSmart

Sam's Club

Warehouse Club Industry Guide

2015 Edition

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Preface

HHC Publishing, Inc. (HHC) is proud to present the 2015 edition of the *Warehouse Club Industry Guide (Guide)*. This book provides everything you need to know about selling products to BJ's Wholesale, Costco Wholesale, Cost-U-Less, PriceSmart and Sam's Club. It will help you learn how to get ahead in this business and get your products on the club floor.

This book, written by a former club buyer, is the one information source that enables you to understand club buyers' needs and goals. The book is divided into eight sections: overview, club programs and products, company profiles (five sections) and financial past and future.

Industry Overview

This section provides a description of a typical warehouse club operation, an analysis of club SKU counts and sales data by category, member demographic data, an item basket comparison and worldwide location analysis.

Club Programs and Products

This section offers a basis for understanding what club buyers look for in a club program. Topics covered include packaging, product demonstrations, marketing money and club product and program development.

Company Profiles

There are five company profile sections covering BJ's, Costco, Sam's Club, Cost-U-Less and PriceSmart. The profiles include a detailed history of each company, a typical layout, recent fiscal year financial information and each company's buying and operating strategy.

Financial Past and Future

In this section, club industry merchandise sales are projected through 2019.

Disclaimer

The information in the *Guide* is based on reliable sources that include annual reports, press releases and trade articles. While extensive efforts have been made to assure its accuracy, no guarantee can be made. The opinions expressed in the *Guide* are merely the opinions of HHC and those opinions do not necessarily reflect the opinions of the companies covered in the *Guide*. HHC is not necessarily endorsed or supported by the companies covered in the *Guide*.

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What is a Warehouse Club?

The principle operators in the warehouse club industry are BJ's Wholesale, Cost-U-Less, Costco Wholesale, PriceSmart and Sam's Club. These five companies follow the basic warehouse club principles developed by Sol and Robert Price, who founded the warehouse club industry when they opened the first Price Club in San Diego, California in 1976 (the picture on the right is of that first Price Club location on Morena Boulevard).

However, those five warehouse club operators have adapted the basic concepts for today's retail environment. This chapter provides an overview of the key characteristics of a warehouse club in 2015.



Price Club – First Location, Morena Boulevard

Overall Description

A warehouse club offers its paid members low prices on a limited selection of nationally branded and private label merchandise within a wide range of product categories. Rapid inventory turnover, high sales volume and reduced operating costs enable warehouse clubs to operate at lower gross margins (8% to 14%) than discount chains, supermarkets, supercenters and online retailers, which can operate on gross margins of 20% to 40%.

Buying and Merchandising Philosophy

When it comes to buying and merchandising, the warehouse clubs (for the most part) follow the same simple and straightforward six-point philosophy that was originated by Sol Price:

1. Purchase quality merchandise.
2. Purchase the right merchandise at the right time.
3. Sell products at the lowest possible retail price.
4. Merchandise items in a clean, undamaged condition (see picture on the right from Sam's Club of liquid plumr).
5. Merchandise products in the right location.
6. Stock items with the correct amount of inventory, making sure supply is not excessive.



Sam's Club – Liquid Plumr

Low Prices

The one overriding focus for each warehouse club is offering the lowest possible retail price. Everything done by those five companies is based on the fact that club merchandise gross margins and consequently retail prices must be lower than any other non-club retail competitor. Without those lower prices, members would not pay to shop.

The buying and operating strategy of non-club retailers is not structured or managed to profitably compete at the gross margins at which the clubs can operate. Low prices create a positive downward spiral effect for the clubs. Buyers negotiate lower costs due to the volume that the clubs generate. Buyers set retail prices, based on those lower costs, using gross margins of just 8% to 14%. The resulting retail price should be the lowest price that can be achieved on a particular product. The low prices help to increase sales, which increases inventory turnover and enables the buyers to further negotiate lower costs and further reduce retail prices for their members.

In a 1999 interview with *Supermarket Business*, Sol Price said, "My attitude toward pricing policy is 'give before you get.' The lower the prices you offer, the more business you get. It becomes a chicken and egg type of thing: which comes first, low prices or high volume? ... My attitude has always been give before you get, and by giving you end up getting."

Limited SKUs

The clubs stock approximately 3,800 to 6,700 products with Costco at the lower end of the range, BJ's at the higher end of the range and Sam's at approximately 5,400 products. This is significantly less than a discount store, supermarket or supercenter, which can stock between 25,000 to 100,000 products.

The limited item selection allows the clubs to maximize efficiencies in product distribution, handling, stocking and merchandising. The limited SKU assortment also enables buyers to change a club's product selection from one well-known brand to another. The "backlog" of brand name suppliers also reduces potential out-of-stock situations. When distribution and competitive pricing issues occur with existing vendors, changes can be easily made using that vendor "backlog".

Additionally, by stocking a limited number of items in a product category, the clubs are able to maximize the number of times a given item will "turn". Therefore, the actual amount of gross margin dollars on each item can be smaller, especially in comparison to non-club competitors, because it will be generated more times.

Walter Teninga, a former Price Club executive, founded a club operator called The Warehouse Club in 1982. By 1995, The Warehouse Club filed for bankruptcy. In a 1983 interview with *Chain Store Age*, Teninga commented on the importance of stocking a limited number of SKUs in a category. He said, "The temptation to add SKUs is one of the most terrifying aspects of this business. We must constantly remind ourselves that we are not in the full-line retail business."

National Brands



BJ's – Tide Detergent Pods

The club's focus on national brands (see picture on the left from BJ's of a case of Tide laundry detergent pods) is rooted in the 80/20 assumption in retail where 80% of a category's sales are generated from 20% of its inventory. The club's limited assortment philosophy "cherry picks" the best of that 20% group.

Typically, those items are known brand name SKUs that are recognized by members, perceived to be of high quality and whose non-club retail prices are more commonly known making it easier for members to determine the value offered by the clubs.

By duplicating this formula throughout its wide variety of categories, the overall perception that the clubs stock high quality merchandise is assured. Nationally branded merchandise also enables the clubs to reduce operating costs by avoiding the need for product advertising and offering minimal sales help in each location.

Private Label

BJ's, Costco, PriceSmart and Sam's Club have each developed a "premium" private label line of products that meet or exceed the standards of competing national brands. BJ's, PriceSmart and Sam's Club stock multiple private label brands while Costco's primary private label is Kirkland Signature (see picture on the right of Kirkland Signature coconut water).



Costco – Kirkland Signature Coconut Water

There are two main benefits to club private label products. First, the clubs leverage their buying power to offer members a superior quality product at a lower unit price than that of the competing national brand. Secondly, the clubs are able to generate higher margins in the 12% to 14% range, while still offering their members low retail prices.

Quality

Offering the lowest cost is very important, but when it is combined with product quality, a competitive advantage is created. The clubs are fully capable of offering the lowest price in the marketplace on ketchup by stocking a low quality brand. However, the value proposition is magnified when the clubs offer the lowest price on the top selling and highest quality brand of ketchup, like Heinz.

In a 1992 interview with the *Daily News Record*, Jim Sinegal, Costco's founder and former president and chief executive officer, explained how the concept of the lowest cost and product quality are intertwined. He said, "I don't think there is any secret about the fact that people shop with us because of our value. And I stress the word value as opposed to price. We are attractively priced on quality merchandise. That is our reason for being."

Paid Membership

The concept of paid membership is critical to the success of BJ's, Costco, PriceSmart and Sam's Club (Cost-U-Less does not charge a membership fee) for four main reasons. First, the paid membership program provides the clubs with a revenue stream that in most years is equal to or greater than its net income. Therefore, the money the clubs make selling merchandise (gross margins) cover operating costs with membership revenues "dropping" to the bottom line.

Second, the paid membership format is designed to reinforce member loyalty and the perception that a bargain is being offered with lower prices. Third, paid membership also discourages the casual shopper, who generally purchases fewer products, thereby reducing the average transaction and making the clubs less efficient. Lastly, paid membership creates a form of commitment from the member giving them an added reason/incentive to shop frequently.

In a 1990 interview, Sol Price said, "First, membership provides a way for us to pre-select the demographics of our customer base without having to do all the extensive research that would otherwise be required. Business owners and managers, licensed professionals and people who work for governments, utilities, hospitals or banks tend to be more stable than many others ... Second, dealing exclusively with selected groups makes it possible to communicate with your customers effectively ... Finally, someone who pays for a membership in an organization makes a form of commitment. They have a built-in reason to come back."

Broad Assortment

The clubs strive to be a "one-stop" shopping experience by offering both business and retail members a wide variety of products and services including: dry grocery, perishable food, office supply, automotive, books, computer supplies, hardware, sports equipment, tobacco, general merchandise (see picture on the right from Costco of an OVE rolling bathtub door), soft goods, footwear and health and beauty aids.

In a 1990 interview with *The Business Journal of Greater Sacramento*, Bo Cheandle, a stock analyst with Montgomery Securities, commented on this strategy and the effect it has not only on club operators but on its competitors. He said, "These guys take a little bit of business away from a lot of retailers."



Costco – Rolling Bathtub Door

Treasure Hunt

The clubs constantly rotate high-end or unique merchandise into their locations. This creates a "treasure hunt" atmosphere in the buildings, as nonessential or "impulse" products are constantly changing and a "buy it now" attitude among members is created as they recognize that those products may not be in stock the next time they shop in their local club. Treasure hunt items are purchased on advantageous terms that allow the clubs to pass on substantial savings to their members.

For example, out of Costco's 3,800 product assortment, approximately 800 slots are for treasure hunt items. Assuming each treasure hunt item is stocked for ten weeks; those 800 slots will require approximately five SKUs annually resulting in 4,000 treasure hunt items purchased annually.

Rapid Inventory Turnover

Rapid inventory turnover is the result of strong sales of limited SKUs. Interest and cash flow are key benefits. In many cases, the clubs sell items before payment terms are due. The resulting cash can then be invested or directed into operations.

Intelligent Loss of Sales

The clubs follow an "intelligent loss of sales" strategy that primarily concerns two concepts: savings and assortment. Regarding savings, the clubs will only stock items in which they can offer a significant value. If a manufacturer prices an item too high or requires that the item be sold at the manufacturer's suggested retail price, a club will not stock the item.

When it comes to its product assortment, the clubs are not in the business of meeting every member's needs by stocking a wide variety within each category. Offering a larger number of items increases operational costs forcing merchandise margins to increase and damaging its most important competitive advantage, low prices. By focusing on top selling items, the clubs accept the fact that they will not meet all member needs and are prepared to give up sales to those customers.

Member Services

BJ's, Costco, PriceSmart and Sam's Club offer their members access to an assortment of "out-of-the-box" business and consumer services that make a club membership even more attractive. Although these programs are marketed in a club or on each company's web site, the actual transaction/service occurs at the member's business or residence. Some of these services include business payroll processing, check printing and water delivery.

Wholesale Members

The continued importance of the business member to overall club industry success can't be understated. This member represents two revenue streams: purchases for his business and purchases for his family. By better meeting this member's wholesale needs, the clubs are more likely to gain a larger percentage of his personal shopping needs.

In a 2003 interview with *Fortune*, Jeff Brotman, co-founder and chairman of the board of directors at Costco, said, "We understood that small-business owners, as a rule, are the wealthiest people in a community, so they would not only spend significant money on their businesses, they'd spend a lot on themselves if you gave them quality and value. Jim [Sinegal] saw that you had to be just as much a merchant as Saks Fifth Avenue. You couldn't entice a wholesale customer with 20-pound tins of mayonnaise; you had to romance him with consumer goods."

Specialty Businesses

Over the years, the clubs have increased the number of specialty businesses at their locations. These include one-hour photo, optical shops, hearing aid centers, pharmacies, snack shops, gasoline stations, car washes and cellular phone sales. These specialty departments not only raise the value of a club membership but add to the "one stop shop" aspect of the channel.

Fresh Food

In the late 1980s, the clubs introduced fresh meat, produce and bakery products into their merchandise assortment. Since then, BJ's, Costco, Cost-U-Less, PriceSmart and Sam's have added expanded fresh food departments, which include a wider selection of deli products, rotisserie chicken and prepared meals. The fresh food departments increase member shopping frequency and positively affect net income as gross margins on these items are typically higher than an average club item.

Operations

The clubs cannot afford to have high costs as their operating margins are very thin. The clubs use a number of strategies to reduce operating expenses: shorter shopping hours to better manage payroll, design floor plans to allow employees to efficiently handle merchandise, install skylights and solar panels to reduce energy costs, reduce or eliminate advertising expenditures relying on club marketing teams and "word of mouth" and control a club's entrance and exits to reduce shrink or product loss due to damage or theft.

Distribution

The clubs must cost effectively distribute product to their locations. The clubs accomplish cost-efficient distribution through the use of cross-dock distribution centers. Cross-docking enables the clubs to reduce inventory, increase inventory turnover, reduce transportation costs, improve product quality and increase responsiveness to changing market conditions.

Web Sites

BJ's (bjs.com), Costco (costco.com), Cost-U-Less (costuleless.com), PriceSmart (pricesmart.com) and Sam's Club (samsclub.com) sell a wide variety of constantly changing merchandise online.

Coupons

BJ's, Costco and Sam's Club each offer a coupon program that is available to all members. Costco and Sam's Club offer instant redeemable coupons (IRC) where members do not have to provide a physical coupon to get the discount. BJ's offers a mix of IRC coupons and coupons that need to be presented at checkout.

Retail Merchandising Displays

In some categories, BJ's and Sam's Club stock retail-sized products so it can offer its members a larger product selection. These product displays are generally small and contain a larger than normal number of SKUs per square foot than is found in the rest of the club (see picture on the right from BJ's of a Duracell battery display). In addition, within the past five years, BJ's began merchandising items that hang on the vertical posts of its steel called shelf hangars.

Historical Quotes

The following are an assortment of interesting and insightful quotes from warehouse club industry observers as well as the people responsible for creating and shaping the business.

1954 – First FedMart – Commenting on opening the first FedMart location in San Diego, California in a building owned by his mother-in-law, Sol Price said (*Supermarket News*, December 3, 2012), “Fortunately, most of us had backgrounds that were alien to retailing ... When we didn’t know what we were doing, it only took \$50,000 to start a business. Five years later, when we were really experienced at running FedMart, it took \$5 million to open.”

1954-1960 – Employee Focus – Sol Price said the following in a FedMart employee bulletin (*Supermarket News*, December 3, 2012), “You must feel confident that you are working for a fine and honest company ... You will be permitted, encouraged and sometimes even harassed into growing with the company to the limit of your ability ... We believe you should be paid the best wages in your community for the job you perform ... We believe you should be encouraged to express yourself freely and without fear of recrimination or retaliation.”

1960 – Fed Mart Philosophy – The following is an excerpt from an article from *Barron’s National Business and Financial Weekly* about FedMart. “Merchandise in most instances is priced below manufacturers’ suggested retail prices, selling costs are held down by an emphasis on self service in almost all departments, the location of the stores in low rent areas and the elimination of advertising expenditures, loss leaders, free deliver and wrapping services. A monthly newspaper is published to keep members informed of new merchandise.”

1976 – Price Club Opening Week - First week sales at the first Price Club were only \$32,000. Sol Price said, “We knew there was a market for the small business owner who needed goods like office supplies and other things to help them run their business. We also knew they could use consumer goods like food and housewares at great values. We never advertised sales. We just always tried to carry honest merchandise at an honest price. I’ve always felt we had an obligation to our members to get them the best goods at the best price and not try to take an extra nickel out of them.”

1983 – Each Element Important – Joseph Ellis, an analyst at Goldman Sachs, summarized the warehouse club operating philosophy that continues to be relevant today. Ellis said, “The temptations are everywhere. It wouldn’t be difficult to increase the gross margin by a point or two. Prices would still be well below almost any retailer. But it would defeat the purpose. The same is true for opening membership to the public, or increasing SKUs to offer a broader selection, or using price-oriented advertising, or allowing the use of credit cards. Each element of the strategy—facilities, operating efficiency, disciplined assortment, systems and, most of all, pricing—must be in place, or the concept can easily fail.”

1983 – Limited Assortment – In an interview with *Chain Store Age*, Walter Teninga, president of the now defunct The Warehouse Club, said, “The temptation to add SKUs is one of the most terrifying aspects of this business. We must constantly remind ourselves that we are not in the full-line retail business. We need to take an ‘intelligent loss of sales’ instead of broadening our assortment in order to compete.”

1989 – Contraceptive – In an interview with *Weekly Home Furnishings Newspaper*, Sol Price was asked how it felt to be the father of the membership warehouse industry. He replied: “I should have used a contraceptive.”

1990 – Paid Membership – Sol Price commented on the paid membership concept. Price said, “First, membership provides a way for us to pre-select the demographics of our customer base without having to do all the extensive research that would otherwise be required. Business owners and managers, licensed professionals and people who work for governments, utilities, hospitals or banks tend to be more stable than many others ... Second, dealing exclusively with selected groups makes it possible to communicate with your customers effectively ... Finally, someone who pays for a membership in an organization makes a form of commitment. They have a built-in reason to come back.”

1990 – Advertising – Sol Price commented on the company’s advertising philosophy in an interview with *Supermarket Business*. He said, “When we use advertising, it is low key and information-oriented. We strive to make our advertising absolutely clear. We have never used comparatives - for example, saying regular retail price is so much and the Price Club price so much. We never used superlatives like ‘best’ or ‘lowest’ or ‘cheapest’ in our advertising. We make sure the merchandise we offer is top quality. We do not offer unpopular lines of goods, seconds, or out-of-season stock. Our refund policy is that when customers bring something back, they get their money right up at the front register - no red tape. Every part of our operation is focused on being cleaner than clean. We learned that you can do very well in the retail business without cheating, lying, being cute or spending a lot of money on advertising.”

1990 – Buy Correctly - In a November, 1990 interview with *Supermarket Business*, Sol Price said, “If you want to introduce a new item, and you aren't buying it in sufficient quantities to buy it right, you should price it as though you were buying it right instead of basing your price on the higher cost. Let me explain. Suppose we are selling a fountain pen. You could get the right price if you bought 10,000 gross of pens, but you're not sure you can sell them, so you buy only one gross. Obviously, buying one gross doesn't get you anywhere near the right price. But if you price the pen on the basis of what you paid for it – the one gross cost instead of the 10,000 gross cost – you will never find out how much volume you could do if you priced it right. Price it as though you were buying it right, and then you'll find out whether can do the buying right.”

1992 – Walmart – Commenting on a visit from Sam Walton, Sol Price said (*Supermarket News*, December 3, 2012), “He spent all this time telling me how impressed he's been with FedMart and how he'd never have all these Walmarts and be worth \$700 million without that model. ‘I owe it all to you,’ he said. I told him, ‘Then don't you think I'm entitled to a finder's fee?’”

1999 – Give Before You Get – In an interview with *Supermarket Business*, Sol Price said, “My attitude toward pricing policy is give before you get. The lower the prices you offer, the more business you get. It becomes a chicken and egg type of thing, which comes first, low prices or high volume, my attitude has always been give before you get, by giving you end up getting.”

1999 – Cost – Jim Sinegal, Costco's founder and former president and chief executive officer, was asked about his greatest concern at Costco. He said, “Our concern is always that we continue in all our warehouse units to instill a discipline of pricing in our type of operation – a discipline of cost containment at every level of our company. That's always our main concern, that we don't lose that thrust. That's what has made us a viable business force on the retail scene in North America. We have a fanatical attitude about cost containment.”

2002 – Planning – In the April issue of *Ethix Magazine*, Sinegal responded to a question about how he finds time to plan. Sinegal said, “You have to schedule it. You have to plan the opportunity to think about your business and plan what you're going to do. Otherwise, you're just a hamster running on a treadmill, you're never going to get anywhere. You've got to schedule it. Strategic planning is an important part of running any business and the more so for businesses that operate in multiple states and countries.”

2003 – Small Businesses – In a November article in *Fortune*, Jeff Brotman, co-founder and chairman of the board of directors at Costco, said, “We understood that small-business owners, as a rule, are the wealthiest people in a community, so they would not only spend significant money on their businesses, they'd spend a lot on themselves if you gave them quality and value. Jim [Sinegal] saw that you had to be just as much a merchant as Saks Fifth Avenue. You couldn't entice a wholesale customer with 20-pound tins of mayonnaise; you had to romance him with consumer goods.”

2004 – Calvin Klein Jeans - In the book *Around the Corporate Campfire* by Evelyn Clark, Sinegal said, “We were selling Calvin Klein jeans for \$29.99, and we were selling every pair we could get our hands on ... All of a sudden we got our hands on several million additional pairs of Calvin Klein jeans, and we bought them at a very good price. It meant that, within the constraints of our markup, which is limited to 14% on any item, we had to sell them for \$22.99. That was \$7 lower than we had been selling every single pair for. Of course, we concluded that we could have sold all of them (about four million pairs) for that higher price almost as quickly as we sold them at \$22.99, but there was no question that we would mark them at \$22.99 because that's our philosophy.”

2011 – Affluent Members – In a June article from the *Winnipeg Free Press*, Sinegal commented on the company's members. He said, “Affluence is a big part of what makes us successful. [Affluent people] are almost always the smartest shoppers and are looking for value.”

2012 – Promote from Within – Craig Jelinek, Costco's president and chief executive office, commented on the company's culture. He said, “I think the key is that we retain our talent so the positive of that is that the next level down completely understands the culture of the company. Along with the culture, they know what has made us a success ... We don't have people from the outside in senior positions that need to learn who we are.”

2012 – Parking Stalls – Sinegal said (*MMR*, February 6, 2012), “We try to make shopping easier for our members. That's why we have 10-foot parking stalls, rather than the traditional nine feet. We don't want our members denting the bumpers on their expensive car.”

2012 – Sol Price – Sinegal said (*Supermarket News*, December 3, 2012), “Sol Price was one of the most significant individuals in my life. His work ethic and set of values are at the core of everything we do at Costco ... Because of his teaching, I've come to understand that our presence in a community benefits everyone, not just Costco members.”

2012 – Sol Price – Motivator – Sinegal said (*Supermarket News*, December 3, 2012), “He motivated us to do our very best, not just because he had a formidable presence, but [because] we really did not want to let him down. We idolized the guy. We thought about him on a continual basis. What would he do? How would he handle the situation? And it influenced our lives.”

Retail and Club Sales Data

This chapter reviews 2014 calendar year sales. Since the clubs end their fiscal years at different times, using calendar year sales data provides a timely comparison. Each club's sales figures are calculated differently.

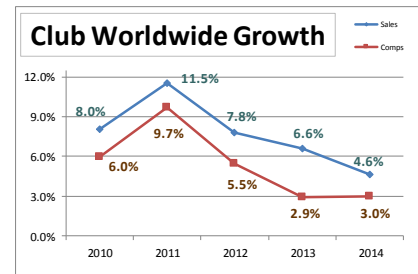
Costco and PriceSmart report monthly company wide sales. Sam's Club reports quarterly United States sales. Monthly United States sales estimates are made for Sam's Club but are updated when its quarterly results are reported. BJ's, as a private company, and Cost-U-Less, as a division of The North West Company (a publicly traded Canadian company), do not report monthly, quarterly or yearly sales results. Monthly and/or yearly estimates are calculated using historical data, industry trends and research for BJ's, Cost-U-Less and Sam's international locations.

Please note, due to the limited amount of public information regarding Cost-U-Less, sales data for this operator is not included within the club industry totals referenced throughout this chapter. This chapter is divided into six sections: overall sales, club operator sales, comparable sales, U.S. retail sales, item sales and U.S. market share.

Overall Sales

Club Worldwide Growth – The graph on the right shows yearly, worldwide club industry sales growth (top line) and comparable sales growth (bottom line). In 2014, overall worldwide sales increased 4.6% and comparable sales increased 3.0%.

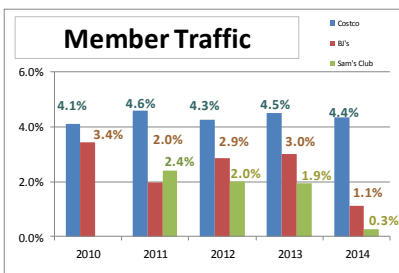
In terms of individual club performance the past two years, Costco's worldwide sales increased 8.7% in 2013 and 5.6% in 2014, BJ's national sales increased 5.7% in 2013 and 2.8% in 2014, PriceSmart's international sales increased 12.1% in 2013 and 8.0% in 2014 and Sam's worldwide sales increased 3.9% in 2013 and 3.4% in 2014.



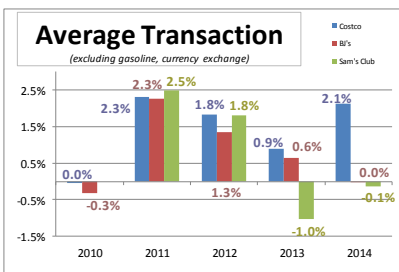
Costco was the only club operator whose 2014 comparable sales (4.7%) was higher than its 2013 comparable sales (4.0%). BJ's comparable sales decreased from 3.5% in 2013 to 1.1% in 2014, PriceSmart's comparable sales decreased from 8.1% in 2013 to 2.7% in 2014 and Sam's comparable sales decreased from 0.6% in 2013 to 0.1% in 2014.

Member Traffic and Average Transaction – The two components of comparable sales are member traffic growth and a club's average transaction. Sam's Club began reporting quarterly member traffic and average transaction data in 2011. BJ's used to report member traffic and average transaction data but since it went private in 2011, those figures have been estimated. PriceSmart does not report monthly or quarterly member traffic and average transaction data.

Average member traffic is the primary driver of annual club comparable sales growth and portends future sales growth. Average member traffic growth is comprised of two factors: new members and more frequent visits by existing members. Strong and/or consistently positive member traffic growth shows that new and existing club members recognize the value and excitement provided at their particular warehouse club and that recognition is translating into more frequent visits.



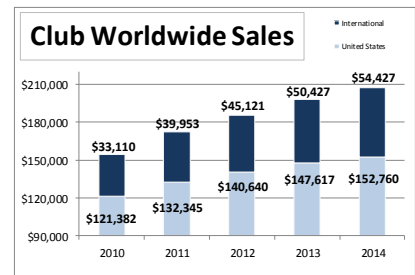
The graph on the top left displays average member traffic growth for the past five calendar years. Costco continues to report strong member traffic growth. BJ's and Sam's member traffic growth dipped slightly in 2014 but remains positive. In the past five calendar years, Costco's average member traffic growth ranged from 4.1% to 4.6%, BJ's average member traffic growth ranged from 1.1% to 3.4% and Sam's average member traffic growth ranged from 0.3% to 2.4%.



The overall "softness" in the comparable sales figures for BJ's and Sam's the past two years does not necessarily indicate member dissatisfaction with the club operators as evidenced by the generally consistent positive member traffic data. Rather, it is due to generally weaker average transaction growth which can be attributed to: a continued focus on competitive pricing, some deflation, smaller package sizes in some categories and the challenge to increase the number of items in a member's shopping cart.

The graph on the bottom left provides average transaction data excluding gasoline and the effect of currency exchange. BJ's and Costco have produced "flat" to positive average transaction figures the past four years. Sam's Club reported positive average transaction data in 2011 and 2012 but produced negative results in 2013 and 2014. The combined four year average transaction growth for each club is: 7.1% for Costco, 4.2% for BJ's and 3.2% for Sam's.

Club Worldwide Sales – The graph on the right shows national and international sales for the club industry since 2010. The international operations for Costco, PriceSmart and Sam's Club (BJ's does not operate internationally) continue to be an increasingly important part of each company's business.



In 2010, club international sales of \$33.11 billion represented 21.4% of total industry sales of \$154.49 billion. By 2014, club international sales of \$54.43 billion represented 26.3% of total industry sales of \$207.19 billion. Since 2010, club international sales increased 13.2% annually while club national sales increased 5.9% annually.

Club Operator Sales

This section provides worldwide sales and location data for the past five calendar years, 2010 through 2014 (see charts below). The charts include sales and locations nationally, internationally and worldwide, comparable sales (including gasoline for BJ's, Costco and Sam's and foreign currency exchange for Costco) and the average annual growth rates (CAGR).

Calendar	BJ's Wholesale			Costco							Sam's Club					PriceSmart				
	United States			United States	International	Worldwide		Comps	United States	International	Worldwide		Comps	International						
	Sales	Clubs	Comps	Sales	Clubs	Sales	Clubs	Sales	Clubs	Comps	Sales	Clubs	Sales	Clubs	Sales	Clubs	Comps	Sales	Clubs	Comps
2010	\$10,730	194	5.0%	\$61,571	421	\$19,040	161	\$80,611	582	7.4%	\$49,081	598	\$12,602	149	\$61,683	747	3.7%	\$1,468	28	13.6%
2011	\$11,749	192	7.6%	\$67,044	429	\$23,416	169	\$90,460	598	10.6%	\$53,552	600	\$14,729	165	\$68,281	765	8.3%	\$1,808	29	19.0%
2012	\$12,707	198	5.2%	\$71,633	444	\$26,627	178	\$98,260	622	6.0%	\$56,300	609	\$16,413	177	\$72,713	786	4.3%	\$2,082	30	11.5%
2013	\$13,428	201	3.5%	\$77,084	457	\$29,686	191	\$106,770	648	4.0%	\$57,105	619	\$18,409	198	\$75,514	817	0.6%	\$2,333	32	8.1%
2014	\$13,801	207	1.1%	\$80,905	474	\$31,845	197	\$112,750	671	4.7%	\$58,054	634	\$20,064	205	\$78,118	839	0.1%	\$2,518	36	2.7%
10-14 CAGR	6.5%	1.6%	n/a	7.1%	3.0%	13.7%	5.2%	8.8%	3.6%	n/a	4.3%	1.5%	12.3%	8.3%	6.1%	2.9%	n/a	14.4%	6.5%	n/a

Sales figures are in millions.

BJ's, Costco, Sam's Club and PriceSmart– Costco leads the industry with worldwide sales of \$112.75 billion and 671 locations. Sam's is next with worldwide sales of \$78.12 billion and 839 locations, BJ's is third with national sales of \$13.80 billion and 207 clubs and PriceSmart is last with international sales of \$2.52 billion and 36 locations. Internationally, Costco, Sam's Club and PriceSmart have been producing strong results. PriceSmart's average annual sales growth the past five calendar years was 14.4%, the highest in the industry.

Calendar	Club Industry						
	United States		International	Worldwide		Comps	
	Sales	Clubs	Sales	Clubs	Sales	Clubs	Comps
2010	\$121,382	1,213	\$33,110	338	\$154,492	1,551	6.0%
2011	\$132,345	1,221	\$39,953	363	\$172,298	1,584	9.7%
2012	\$140,640	1,251	\$45,121	385	\$185,761	1,636	5.5%
2013	\$147,617	1,277	\$50,427	421	\$198,045	1,698	2.9%
2014	\$152,760	1,315	\$54,427	438	\$207,187	1,753	3.0%
10-14 CAGR	5.9%	2.0%	13.2%	6.7%	7.6%	3.1%	n/a

Sales figures are in millions.

Costco's worldwide sales increased an average of 8.8% annually the past five calendar years with national sales increasing an average of 7.1% annually and international sales increasing an average of 13.7% annually. Sam's worldwide sales increased an average of 6.1% annually the past five calendar years with national sales increasing an average of 4.3% and international sales increasing an average of 12.3%.

Nationally, BJ's United States sales increased an average of 6.5% annually and its location count increased an average of 1.6% annually. Overall club industry sales increased an average of 7.6% annually from \$154.49 billion in 2010 to \$207.19 billion in 2014. The number of worldwide locations increased an average of 3.1% annually from 1,551 at the end of 2010 to 1,753 at the end of 2014.

Cost-U-Less – The chart on the right shows estimated calendar year sales for Cost-U-Less. Overall sales in 2014 increased 2.0% from \$291 million in 2013 to \$297 million in 2014. The comparable sales data for Cost-U-Less in 2010 is based on financial presentations and quarterly reports from The North West Company. The company's comparable sales, which were weak in 2010, are estimated to have increased in 2011, 2012, 2013 and 2014. Cost-U-Less' annual sales are not included in the club industry totals above.

Calendar	Cost-U-Less		
	Worldwide		Comps
	Sales	Clubs	Comps
2010	\$261	12	-2.8%
2011	\$262	12	0.5%
2012	\$268	12	2.1%
2013	\$291	13	2.5%
2014	\$297	13	2.2%
10-14 CAGR	3.3%	2.0%	n/a

Sales figures are in millions.

Comparable Sales

Comparable Sales	Company	United States		International			
		Overall	Ex Gas/FX	Overall	Ex FX		
		Overall	Ex Gas	Overall	Ex FX		
Costco	2012	6.0%	6.1%	6.3%	5.8%	5.7%	7.0%
	2013	4.0%	5.4%	4.4%	4.9%	3.0%	6.5%
	2014	4.7%	6.5%	5.5%	6.3%	2.4%	7.2%
Sam's Club	2012			4.3%	3.8%		
	2013	n/a		0.6%	0.9%		n/a
	2014			0.1%	0.1%		
BJ's	2012			5.2%	4.2%		
	2013	n/a		3.5%	3.7%		n/a
	2014			1.1%	1.1%		

WCF research, estimates, club reports.

The chart on the left provides detailed comparable sales data from 2012, 2013 and 2014 that shows the effect of gasoline sales on U.S. figures and the effect of foreign currency exchange (FX) on international figures. In the U.S. in 2014, Costco reported comparable sales excluding gasoline of 6.3%, Sam's Club reported comparable sales excluding gasoline of 0.1% and BJ's estimated comparable sales excluding gasoline increased 1.1%. FX affected Costco's international comparable sales figures. In-country international comparable sales in 2014 increased 7.2% compared to a 2.4% increase including foreign currency exchange.

U.S. Retail Sales

The chart on the right compares overall retail, food and beverage, general merchandise (non-food) and club industry sales in the United States (BJ's, Costco and Sam's Club only) during the past ten years. The overall retail, food and beverage and general merchandise sales data is gathered from the U.S. Census web site (www.census.gov).

Overall retail does not include motor vehicle and parts dealers. Food and beverage includes grocery and beer, wine and liquor stores. General merchandise includes department stores, other general merchandise stores, warehouse clubs and supercenters.

The columns to the right of the overall club total, the food and beverage club total and the non-food club total provide the percentage the club's represent of that particular category. Warehouse club ancillary business sales are not included in the food and beverage and non-food figures but are included in the overall club number.

United States	Overall			Food, Beverage			Non-Food		
	Retail	Club		Stores	Club		Stores	Club	
2005	\$2,800,375	\$91,312	3%	\$508,245	\$36,761	7%	\$528,149	\$39,774	8%
2006	\$2,977,178	\$98,018	3%	\$525,755	\$39,483	8%	\$554,361	\$44,220	8%
2007	\$3,090,831	\$107,536	3%	\$548,329	\$43,777	8%	\$579,070	\$48,456	8%
2008	\$3,155,995	\$113,430	4%	\$568,833	\$46,313	8%	\$596,573	\$47,992	8%
2009	\$2,956,883	\$113,278	4%	\$569,571	\$48,311	8%	\$592,285	\$48,598	8%
2010	\$3,094,314	\$121,382	4%	\$582,293	\$51,048	9%	\$608,202	\$51,118	8%
2011	\$3,313,341	\$132,345	4%	\$611,038	\$55,838	9%	\$630,314	\$53,091	8%
2012	\$3,444,944	\$140,640	4%	\$630,794	\$59,638	9%	\$648,805	\$55,852	9%
2013	\$3,548,824	\$147,617	4%	\$649,324	\$64,005	10%	\$652,832	\$59,362	9%
2014	\$3,644,584	\$152,760	4%	\$669,356	\$67,702	10%	\$662,910	\$60,037	9%
05-14 CAGR	1.4%	5.5%	n/a	2.9%	7.1%	n/a	2.9%	5.1%	n/a
10-14 CAGR	4.2%	5.9%	n/a	3.5%	7.3%	n/a	2.2%	4.1%	n/a

Sales are in millions. 2014 data includes December estimates.

Over the past five calendar years, overall club industry sales growth at 5.9% exceeded overall retail sales growth of 4.2%. Food and beverage club growth from 2010 to 2014 at 7.3% more than doubled sales growth at food and beverage stores of 3.5%. General merchandise club growth the last five calendar years at 4.1% exceeded sales growth of general merchandise stores at 2.2%

Item Sales

The chart on the right shows key calendar year data for BJ's, Costco, Cost-U-Less, PriceSmart and Sam's Club. The chart is based on 2014 calendar year merchandise sales and SKU counts as well as the average number of club locations at the end of the previous two calendar years. The chart includes yearly sales per club, weekly sales per club, sales per square foot, annual sales per item if it is stocked in every location and weekly sales per item for one location. Ancillary business sales results are not included in the sales per SKU columns.

An average Costco location generates the highest average annual volume at \$171 million compared to Sam's Club at \$94 million, PriceSmart at \$74 million, BJ's at \$68 million and Cost-U-Less at \$23 million. When looking at sales per square foot, Costco has the highest figure of \$1,187 followed by PriceSmart at \$1,058, Cost-U-Less at \$714, Sam's Club at \$704 and BJ's at \$621. In terms of the average sales per item per week per location, the average SKU at Costco generates \$710 followed by PriceSmart at \$628, Sam's Club at \$278, BJ's at \$168 and Cost-U-Less at \$133.

Club	2014 Calendar Year - Worldwide				
	Sales per Club		Sales per Square Foot	Sales per SKU	
	Yearly (million)	Weekly (million)		Yearly/Chain (million)	Weekly/Club
Costco	\$171	\$3.3	\$1,187	\$24.8	\$710
PriceSmart	\$74	\$1.4	\$1,058	\$1.2	\$628
Cost-U-Less	\$23	\$0.4	\$714	\$0.1	\$133
Sam's Club	\$94	\$1.8	\$704	\$12.2	\$278
BJ's	\$68	\$1.3	\$621	\$1.8	\$168

WCF research, estimates, club reports.

U.S. Market Share

Total Sales – The data in this section (see chart below) includes both product and ancillary sales. Costco has grown its share of United States club sales from 50% in 2008 to 53% in 2014 while Sam's share decreased from 41% in 2008 to 38% in 2014. BJ's share of national club sales was at 9% from 2008 to 2014.

United States Club Market Share								
Calendar Year	2008	2009	2010	2011	2012	2013	2014	CAGR
Total Sales	Costco	50%	50%	51%	51%	52%	53%	1%
	BJ's	9%	9%	9%	9%	9%	9%	1%
	Sam's	41%	41%	40%	40%	40%	39%	-1%
Square Footage	Costco	36%	37%	37%	38%	38%	39%	1%
	BJ's	13%	13%	13%	13%	13%	13%	0%
	Sam's	51%	50%	49%	49%	49%	48%	-1%

WCF research, estimates, club reports.

Square Footage – Sam's share of United States club square footage is the highest in the club industry. However, that figure has decreased from 51% in 2008 to 48% in 2014. Costco's square footage share increased from 36% in 2008 to 39% in 2014. BJ's square footage share has remained steady at 13% since 2008.

Notes

Location Analysis

The state and country location totals listed in this chapter are current as of December 31, 2014. These figures were confirmed using club financial reports and web sites. The population data used throughout this chapter is from the United States census web site (www.census.gov) and general research. The population figures represent 2014 estimated totals. This chapter is divided into nine sections: background information, 2014 state analysis, club openings by state, regional analysis, metropolitan markets, worldwide locations, Cost-U-Less and PriceSmart, unique formats and expansion plans.

Background Information

It is estimated that a typical club location requires a market population of between 180,000 and 220,000 people. This range is supported by the following four points:

Relevant Range – The state chart on the right lists eight states that have fewer than 180,000 people per club, 18 states that have fewer than 220,000 people per club and 32 states that have more than 220,000 people per club. Having states above and below our market population estimate supports the assumption that it's a relevant range.

Small Markets – Costco, Sam's and BJ's already operate in small markets and continue to open locations in areas with a population density much smaller than 180,000 people per club location. For example, the following clubs were opened in 2014: Sam's Club in Moline, Illinois (147,300 people in surrounding Rock Island County, Illinois), Sam's Club in Bossier City, Louisiana (123,800 people in surrounding Bossier Parish, Louisiana), Sam's Club in Moorhead, Minnesota (60,700 people in surrounding Clay County, Minnesota) and BJ's in Chambersburg, Pennsylvania (152,000 people in surrounding Franklin County, Pennsylvania).

Cannibalization – BJ's, Costco and Sam's have continually opened clubs in existing markets, demonstrating their ability to profitably operate within a smaller population base. When new clubs are properly located in existing markets, incremental sales and membership revenue more than offset the initial sales loss at existing locations. Additionally, by expanding in existing markets, the clubs increase shopping frequency and market share, making it more difficult for competitors.

United States		Costco	Sam's	BJ's	Total	2014 Estimated Population	Population Per Club	220,000 Per Club	180,000 Per Club
South Central	Alabama	3	14	0	17	4,849,377	285,257	22	27
Off Shore	Alaska	3	3	0	6	736,732	122,789	Saturated	Saturated
Southwest	Arizona	18	16	0	34	6,731,484	197,985	Saturated	37
South Central	Arkansas	0	7	0	7	2,966,369	423,767	13	16
Southwest	California	120	33	0	153	38,802,500	253,611	176	216
Southwest	Colorado	13	15	0	28	5,355,866	191,281	Saturated	30
Northeast	Connecticut	5	3	13	21	3,596,677	171,270	Saturated	Saturated
Southeast	Delaware	1	1	4	6	935,614	155,936	Saturated	Saturated
Southeast	Florida	22	46	31	99	19,893,297	200,942	Saturated	111
Southeast	Georgia	11	23	5	39	10,097,343	258,906	46	56
Off Shore	Hawaii	7	2	0	9	1,419,561	157,729	Saturated	Saturated
Northwest	Idaho	5	1	0	6	1,634,464	272,411	7	9
North Central	Illinois	19	33	0	52	12,880,580	247,703	59	72
North Central	Indiana	5	16	0	21	6,596,855	314,136	30	37
North Central	Iowa	2	8	0	10	3,107,126	310,713	14	17
North Central	Kansas	2	9	0	11	2,904,021	264,002	13	16
South Central	Kentucky	2	9	0	11	4,413,457	401,223	20	25
South Central	Louisiana	2	15	0	17	4,649,676	273,510	21	26
Northeast	Maine	0	3	2	5	1,330,089	266,018	6	7
Southeast	Maryland	10	12	10	32	5,976,407	186,763	Saturated	33
Northeast	Massachusetts	6	3	25	34	6,745,408	198,394	Saturated	37
North Central	Michigan	13	26	0	39	9,909,877	254,099	45	55
North Central	Minnesota	8	14	0	22	5,457,173	248,053	25	30
South Central	Mississippi	0	7	0	7	2,994,079	427,726	14	17
North Central	Missouri	5	18	0	23	6,063,589	263,634	28	34
Northwest	Montana	5	2	0	7	1,023,579	146,226	Saturated	Saturated
North Central	Nebraska	1	5	0	6	1,881,503	313,584	9	10
Southwest	Nevada	7	7	0	14	2,839,099	202,793	Saturated	16
Northeast	New Hampshire	1	4	6	11	1,326,813	120,619	Saturated	Saturated
Northeast	New Jersey	16	10	22	48	8,938,175	186,212	Saturated	50
Southwest	New Mexico	3	7	0	10	2,085,572	208,557	Saturated	12
Northeast	New York	17	16	43	76	19,746,227	259,819	90	110
Southeast	North Carolina	7	23	9	39	9,943,964	254,973	45	55
North Central	North Dakota	1	3	0	4	739,482	184,871	Saturated	4
North Central	Ohio	9	29	6	44	11,594,163	263,504	53	64
South Central	Oklahoma	0	11	0	11	3,878,051	352,550	18	22
Northwest	Oregon	13	0	0	13	3,970,239	305,403	18	22
Northeast	Pennsylvania	10	24	16	50	12,787,209	255,744	58	71
Northeast	Rhode Island	0	1	3	4	1,055,173	263,793	5	6
Southeast	South Carolina	4	12	0	16	4,832,482	302,030	22	27
North Central	South Dakota	1	2	0	3	853,175	284,392	4	5
South Central	Tennessee	5	16	0	21	6,549,352	311,874	30	36
South Central	Texas	25	81	0	106	26,956,958	254,311	123	150
Southwest	Utah	11	8	0	19	2,942,902	154,890	Saturated	Saturated
Northeast	Vermont	1	0	0	1	626,562	626,562	3	3
Southeast	Virginia (includes DC)	17	16	12	45	8,985,182	199,671	Saturated	50
Northwest	Washington	29	3	0	32	7,061,530	220,673	32	39
Southeast	West Virginia	0	5	0	5	1,850,326	370,065	8	10
North Central	Wisconsin	5	12	0	17	5,757,564	338,680	26	32
Northwest	Wyoming	0	2	0	2	584,153	292,077	3	3
United States, 12-31-2014		470	636	207	1,313	318,857,056	242,846	1,449	1,771
Number of States		43	48	15	50				
United States, 12-31-2013		457	619	201	1,277	316,128,839	247,556	1,437	1,756
United States, 12-31-2012		444	609	198	1,251	314,210,078	251,167	1,428	1,746
United States, 12-31-2011		429	600	192	1,221	311,587,385	255,190	1,416	1,731
United States, 12-31-2010		421	598	194	1,213	308,748,481	254,533	1,403	1,715

WCF Research.

Costco Annual Report – Lastly, the 180,000 to 220,000 person range is supported by actual membership data from Costco. As reported in its 2014 annual report, Costco had 31.6 million paid retail members and 6.9 million paid business members for a total of 38.5 million paid members. Costco ended its 2014 fiscal year on August 31, 2014 with 663 worldwide locations. These locations averaged 58,069 paying members each. It is conservatively estimated that Costco is able to acquire one out of every three to four potential members in a market. Using that ratio, Costco would need a market population of between 174,207 and 232,276 to acquire 55,993 paying members.

State Analysis

The chart on the previous page shows the number of clubs by state for BJ's, Costco and Sam's Club. Next to the 2014 estimated state population is the average number of people per existing club location and the potential number of club locations based on 220,000 people and 180,000 people. For example, there are 105 club locations in Texas. Based on the state's 2014 population of 27.0 million, there are 256,733 people per club in Texas. Texas could support between 123 (based on 220,000 people) and 150 (based on 180,000 people) locations or an additional 18 to 45 clubs.

A state is considered saturated when its actual number of clubs equals or exceeds the number of potential locations based on the 180,000 to 220,000 range. In 2014, based on 220,000 people per club, 18 states are saturated and based on 180,000 people per club, eight states are saturated. The chart on the right shows the number of saturated states from 2004 to 2014.

Saturated States	220,000 Per Club	180,000 Per Club
2004	8	2
2005	10	3
2006	15	5
2007	16	5
2008	18	6
2009	17	7
2010	17	6
2011	17	7
2012	18	8
2013	18	7
2014	18	8

WCF Research.

There are fifteen states, highlighted in the chart, that have the greatest opportunity for expansion. The states, which appear in descending order of potential locations, include: California (23 to 63 potential clubs), Texas (18 to 45), New York (13 to 33), Pennsylvania (8 to 21), Ohio (9 to 20), Illinois (7 to 20), Georgia (7 to 17), Indiana (9 to 16), Michigan (6 to 16), North Carolina (6 to 16), Wisconsin (9 to 15), Tennessee (9 to 15), Kentucky (9 to 14), Florida (saturated to 13) and Missouri (5 to 11). Combined, these states account for potentially 138 to 348 additional clubs in the United States.

The total row (highlighted in black) for the 220,000 and 180,000 population ranges show the clubs could operate between 1,449 and 1,771 club locations nationally. Based on the number of clubs currently operating at the end of 2014, BJ's, Costco and Sam's Club could potentially open between 138 and 460 new clubs in the United States. This is a conservative estimate because this range totals all states including saturated ones. Some of those saturated states have a negative number as the actual number of clubs exceed a state's potential estimate. A more aggressive estimate would be to exclude those saturated states and assume the clubs will continue to expand to the full potential in states that are not saturated. Eliminating those saturated states provides a range of 198 to 473 potential new clubs in the United States.

Club Openings by State

Club Openings by State (2010 to 2014)		
Costco	Sam's Club	BJ's
Texas	8	9
Illinois	6	5
California	4	3
Georgia	4	3
Minnesota	3	3
New Jersey	3	2
New York	3	2
Pennsylvania	3	2
Wisconsin	3	2
Top States	37	31
Total	61	40

Openings exclude closings for BJ's (5 in 2011) and Sam's (10 in 2014, 1 in 2015)

The chart on the left shows the highest number of club openings by state for BJ's, Costco and Sam's Club for the last five calendar years, 2010 to 2014. For this chart only, the total number of openings in these states for those five years was not reduced by the five locations BJ's closed and the 11 locations Sam's closed in that time period.

From 2010 to 2014, Costco opened 61 clubs of which 37 were in the nine states listed in the chart with the most opened in Texas (eight locations) and Illinois (six locations). From 2010 to 2014, Sam's Club opened 40 locations of which 31 were in the nine states listed in the chart with the most opened in Texas (nine clubs) and Illinois (five clubs). From 2010 to 2014, BJ's opened 26 locations of which 22 were in the six states listed in the chart with the most opened in New York (eight clubs) and Massachusetts (five clubs).

Regional Analysis

U.S. Regions		31-Dec-14				Dec 2013	Dec 2012	2014 Est. Population	Population Per Club	220,000 Per Club	180,000 Per Club
		Costco	Sam's	BJ's	Total						
Southeast	8	72	138	71	281	276	269	62,514,615	222,472	284	347
Southwest	6	172	86	0	258	255	255	58,757,423	227,742	267	326
North Central	12	71	175	6	252	241	236	67,745,108	268,830	308	376
Northeast	9	56	64	130	250	243	238	56,152,333	224,609	255	312
South Central	8	37	160	0	197	187	178	57,257,319	290,646	260	318
Northwest	5	52	8	0	60	60	60	14,273,965	237,899	65	79
Off Shore	2	10	5	0	15	15	15	2,156,293	143,753	Saturated	Saturated
United States		470	636	207	1,313	1,277	1,251	318,857,056	242,846	1,449	1,771

WCF Research.

The regional analysis chart on the left shows the seven geographic regions of the U.S. The chart shows the region, the states that comprise that region, the number of clubs in that region, the number of clubs in that region at the end of 2012, 2013 and 2014, the 2014 estimated population in that region, the average population per existing club and the potential locations in that region.

The southeast is the largest region (280 clubs) followed by the southwest (258 clubs), the north central (252 clubs), the northeast (250 clubs), the south central (196 clubs), the northwest (60 clubs) and off shore (15 clubs). Sam's dominates the southeast region with 137 locations, the north central region with 175 locations and the south central region with 159 locations. Costco dominates the southwest region with 172 locations and the northwest region with 52 locations. BJ's has the most locations in the northeast with 130 clubs. The north central and south central regions offer the greatest number of potential clubs. With a population of 67.7 million, the north central market could support an additional 56 to 124 clubs and with a population of 57.3 million, the south central market could support an additional 64 to 122 clubs.

Metropolitan Markets

The chart on the right shows the number of clubs that BJ's, Costco and Sam's operate in some of the largest metropolitan markets (based on population) in the United States. The clubs that were counted are within, approximately, a 15 mile radius of the cities listed in the chart. The totals are through December 31, 2014.

Costco has the largest number of clubs in these key metropolitan markets with 108, Sam's is next with 81 and BJ's is last with 45. Costco (23%) and BJ's (22%) have a larger percentage of clubs in these markets compared to Sam's Club (13%).

By locating a higher percentage of clubs in key metropolitan markets, Costco and BJ's creates a slight competitive advantage versus Sam's Club. In general, members in these markets have more disposable income than the average U.S. consumer. By having a greater number of clubs in these markets, Costco and BJ's are better insulated from economic downturns and can generate higher sales per location from these higher-income, denser areas.

Largest Metropolitan Markets								
15 Mile Radius		BJ's Costco Sam's			Total			
2014 Club Counts								
1	New York NY	15	11	2	28			
2	Los Angeles CA	0	18	8	26			
3	Chicago IL	0	9	10	19			
4	Dallas TX	0	4	10	14			
5	Houston TX	0	3	14	17			
6	Philadelphia PA	7	2	4	13			
7	Washington DC MD	4	7	1	12			
8	Miami FL	8	5	2	15			
9	Atlanta GA	1	5	5	11			
10	Boston MA	10	5	0	15			
11	San Francisco CA	0	8	0	8			
12	Phoenix AZ	0	14	9	23			
13	Detroit MI	0	4	6	10			
14	Seattle WA	0	8	2	10			
15	Minneapolis MN	0	5	8	13			
Total		45	108	81	234			
US Total		207	470	636	1,313			
Top 15		22%	23%	13%	18%			

WCF Research.

Worldwide Locations

The chart below lists the countries in which BJ's, Costco and Sam's operate. That chart shows locations by country, the 2014 population by country, the population per club for each country and the projected number of club locations based on a market population of 180,000 to 220,000.

At the end of the 2014 calendar year, Sam's Club operated 205 international clubs and Costco operated 201 international locations. BJ's does operate internationally. The graph on the next page shows the percentage of new national and international clubs opened annually since 2005. As can be seen from graph, international expansion has grown significantly stronger the last five calendar years. From 2005 to 2009, the average percentage of new international club locations was 34%. That figure grew to an average of 54% the last five years.

Country	Costco	Sam's	BJ's	Total	2014 Estimated Population	Population Per Club	220,000 Per Club	180,000 Per Club
United States	470	636	207	1,313	318,857,056	242,846	1,449	1,771
Mexico	34	157	0	191	124,651,917	652,628	567	693
Canada	88	0	0	88	35,675,834	405,407	162	198
Brazil	0	27	0	27	203,002,746	7,518,620	923	1,128
United Kingdom	26	0	0	26	64,105,654	2,465,602	291	356
Japan	20	0	0	20	127,020,000	6,351,000	577	706
Puerto Rico	4	11	0	15	3,548,397	236,560	16	20
South Korea	11	0	0	11	50,423,955	4,583,996	229	280
Taiwan	10	0	0	10	23,433,753	2,343,375	107	130
China	0	10	0	10	1,367,870,000	136,787,000	6,218	7,599
Australia	7	0	0	7	23,724,400	3,389,200	108	132
Spain	1	0	0	1	46,507,760	46,507,760	211	258
International	201	205	0	406	2,069,964,416	5,098,435	9,409	11,500
WW, 12-31-2014	671	841	207	1,719	2,388,821,472	1,389,658	10,858	13,271
Worldwide, 12-31-2013	648	817	201	1,666	2,324,534,009	1,395,279	10,566	12,914
Worldwide, 12-31-2012	622	786	198	1,606	2,294,264,088	1,428,558	10,428	12,746
Worldwide, 12-31-2011	598	765	192	1,555	2,293,059,183	1,474,636	10,423	12,739
Worldwide, 12-31-2010	582	747	194	1,523	2,275,053,997	1,493,798	10,341	12,639

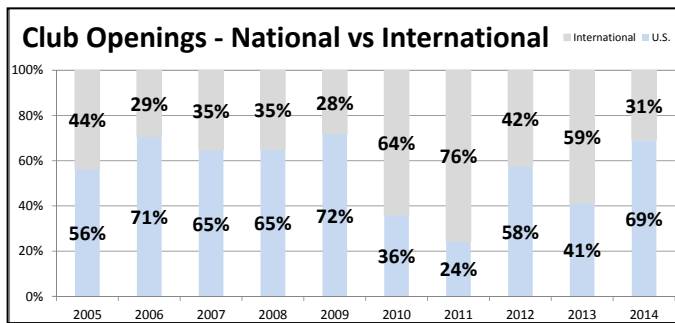
WCF Research.

Cost-U-Less and PriceSmart

The chart on the next page lists the countries in which Cost-U-Less and PriceSmart operate. PriceSmart operates 36 locations in the Caribbean and Latin America including six in Costa Rica and Colombia, four each in Panama and Trinidad and Tobago, three each in Guatemala, Honduras and the Dominican Republic, two in El Salvador and one each in Aruba, Barbados, Jamaica, Nicaragua and the U.S. Virgin Islands. Cost-U-Less operates 13 locations in the Caribbean and Pacific regions including two each in the U.S. Virgin Islands, the Netherlands Antilles, Guam and Hawaii and one each in California, Grand Cayman, Barbados, American Samoa and the Republic of Fiji.

Unique Formats

Over the years, the club industry has tested a number of formats. Costco operated a stand-alone furniture store called Costco Home from 2002 to 2009. BJ's operated a foodservice/institutional business called ProFoods Restaurant Supply from 2004 to 2007. Sam's Club operated a Business Center whose merchandise targeted its wholesale members from 2008 to 2010 and it operated a stand-alone Hispanic-focused club called Más Club from 2009 to 2014.



Today, the only two unique formats in the club channel are BJ's mini locations and Costco's Business Center operation.

BJ's Mini Locations – BJ's currently operates 28 mini locations in two formats: twenty 72,000 square foot clubs and eight 85,000 square foot locations. The first 85,000 square foot location was opened in 2009 and is the format currently used when BJ's opens a mini location. BJ's opens its 85,000 square foot mini locations in smaller markets in which a traditional 109,000 square foot club would be too large.

In terms of interior layout, the 85,000 square foot format is very similar to a traditional BJ's location. In terms of product assortment, BJ's stocks every category that would normally appear in a 109,000 square foot club. However, it stocks approximately 4,800 items in these 85,000 square foot locations which is 71% of its assortment in a 109,000 square foot location.

Costco Business Center – Costco began its business center operation in 1991 with thirteen 25,000-square-foot locations on the East and West coasts that offered only delivery service. The locations stocked approximately 1,200 items.

In 1996, Costco opened a hybrid Business Center operation in Lynnwood, Washington. The 120,000-square-foot location offered a delivery service as well as a walk-in business. The location stocked approximately 3,300 items. First-year sales at the Lynnwood Business Center were almost four times more than the average annual sales at the delivery-only locations.

Costco currently operates nine business center locations. The locations are in Lynnwood, Washington (opened 1996), Hayward, California (opened 1997), Phoenix, Arizona (opened 2001), Fife, Washington (opened 2003), Las Vegas, Nevada (opened 2009), Commerce, California (opened 2009), Hawthorne, California (opened 2009), San Diego, California (opened 2010) and Morrow, George (opened 2012). Costco converted an existing club location in Morrow to the business center concept.

Country	PSMT	CULS	Total
Colombia	6	0	6
Costa Rica	6	0	6
Panama	4	0	4
Trinidad and Tobago	4	0	4
Dominican Republic	3	0	3
Guatemala	3	0	3
Honduras	3	0	3
United States	0	3	3
US Virgin Islands	1	2	3
Barbados	1	1	2
El Salvador	2	0	2
Guam	0	2	2
Netherlands Antilles	0	2	2
American Samoa	0	1	1
Aruba	1	0	1
Fiji	0	1	1
Grand Cayman	0	1	1
Jamaica	1	0	1
Nicaragua	1	0	1
International	36	10	46
Worldwide	36	13	49

WCF Research.

Business centers stock merchandise primarily for convenience and grocery store owners, vending operators, janitorial services, restaurants, professional offices, daycare centers and assisted living facilities. Each location operates a print and copy center. Business centers generally do not stock apparel, jewelry, sporting goods, books, music, spring and summer seasonal items or toys. The majority of the merchandise assortment does not change. Costco business centers have a delivery radius of approximately 60 miles and each order averages \$400.

Expansion Plans

The chart on the right shows actual club expansion results from 2010 through 2014 and the projected number of club openings annually from 2015 through 2019. From 2015 through 2019, BJ's, Cost-U-Less, Costco, PriceSmart and Sam's are projected to open an average of 60 clubs worldwide annually including an average of 32 locations nationally by BJ's, Costco and Sam's Club and an average of 28 locations internationally by Costco, Cost-U-Less, PriceSmart and Sam's.

Year	BJ's		Costco			PSMT	Sam's			Industry		
	U.S.	Int'l	U.S.	Int'l	Total		U.S.	Int'l	Total	U.S.	Int'l	Total
2010	8	0	12	4	16	2	-7	17	10	13	23	36
2011	-2	0	8	8	16	1	2	16	18	8	25	33
2012	6	0	15	9	24	1	9	12	21	30	22	52
2013	3	1	13	13	26	2	10	21	31	26	37	63
2014	6	0	17	6	23	4	15	7	22	38	17	55
2015	5	1	17	11	28	2	10	10	20	32	24	56
2016	5	0	15	12	27	3	11	8	19	31	23	54
2017	6	1	15	14	29	4	12	9	21	33	28	61
2018	5	1	16	15	31	3	13	12	25	34	31	65
2019	7	0	13	16	29	2	11	13	24	31	31	62

2010-2014 are actual openings, 2015-2019 are estimates.

Club Member Profile and Analysis

When customers join a club, they give up the freedom to choose from a wide variety of products. Club members, therefore, expect buyers to better understand their tastes and needs. They also expect the clubs to stock products that fit their demands for quality and to price the merchandise at a value.

Manufacturers do not have the ability to meet directly with club members to understand their needs. Therefore, vendors rely on club buyer guidance and club member demographic data. This chapter provides vendors with an overall perspective on the demographic composition of club members. The chapter is divided into three sections: membership numbers and analysis, multiple club membership analysis and club member demographic profile.

Membership Numbers and Analysis

The paid membership program in the club industry is a critical aspect of the warehouse club business model. It is designed to reinforce member loyalty, help create the perception that a “deal” is being offered through lower prices and discourage the casual shopper, who tends to purchase fewer products. The success of the paid membership philosophy is exemplified by strong renewal rates, strong member traffic, the overall number of club members and its relationship to industry profits.

Renewal Rates – The renewal rate information in the chart below does not include data from Sam’s, as it does not share this information, and from BJ’s. As a private company BJ’s does not share this information.

PriceSmart’s renewal rates, while still strong, decreased from 88.0% in 2011 and 2012 to 85.0% in 2013 and 84% in 2014. Costco’s U.S. and Canadian renewal rates have increased the past three years from 89.0% in 2011, to 89.7% in 2012 to 89.9% in 2013 and 90.6% in 2014. Costco’s worldwide renewal rates have shown even stronger growth from 85.0% in 2011 to 86.4% in 2012 and 2013 and 87.3% in 2014.

Fiscal Renewals		2011	2012	2013	2014
PriceSmart		88.0%	88.0%	85.0%	84.0%
Costco	U.S., Canada	89.0%	89.7%	89.9%	90.6%
	Worldwide	85.0%	86.4%	86.4%	87.3%

Costco, PriceSmart Annual Reports

Member Traffic – A key indicator of the strength of the club industry’s paid membership program is average member traffic (see below). Member shopping frequency or average member traffic is reported by Costco monthly, by Sam’s quarterly and was reported by BJ’s monthly prior to being purchased in 2011. BJ’s average traffic rates are now estimated.

These figures represent the percentage increase in monthly customer counts compared to the same month one year earlier. A stable or growing average member traffic rate clearly indicates the strength of the club operating model and therefore, the strength of the club paid membership philosophy.

Also, these results can only suggest continued long term strength for the industry as a whole. Simply put, these figures show that not only are existing members shopping more often at their club location but each club location is most likely growing as new members continue to sign up.

Costco’s member traffic results are the strongest in the industry with a 4.3% increase in 2012, a 4.5% increase in 2013 and a 4.3% increase in 2014. BJ’s member traffic increased 2.9% in 2012, 3.0% in 2013 and 1.1% in 2014 and Sam’s member traffic increased 2.0% in 2012, 2.0% in 2013 and 0.3% in 2014.

Monthly Traffic	Costco			Sam's Club			BJ's Wholesale		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
January	5.5%	3.0%	4.5%	3.0%	1.6%	1.2%	2.7%	2.6%	3.1%
February	5.1%	4.5%	3.0%	2.8%	1.3%	-0.2%	3.0%	2.8%	1.7%
March	3.5%	5.0%	5.0%	2.8%	1.3%	-0.2%	2.7%	2.1%	1.3%
April	3.5%	4.5%	3.5%	2.8%	1.3%	-0.2%	2.9%	1.9%	0.6%
May	4.0%	4.5%	4.5%	1.8%	2.7%	0.3%	3.1%	2.1%	0.4%
June	3.0%	5.0%	3.5%	1.8%	2.7%	0.3%	2.6%	2.6%	0.6%
July	6.0%	4.0%	4.0%	1.8%	2.7%	0.3%	3.2%	2.8%	0.5%
August	4.5%	5.3%	4.5%	1.5%	2.4%	0.2%	3.1%	3.3%	0.5%
September	4.0%	4.3%	4.0%	1.5%	2.4%	0.2%	2.9%	3.4%	0.8%
October	4.0%	6.0%	4.5%	1.5%	2.4%	0.2%	2.9%	3.9%	1.1%
November	3.5%	4.2%	5.0%	1.6%	1.9%	0.4%	3.0%	4.9%	0.8%
December	5.0%	4.0%	5.8%	1.6%	1.4%	0.6%	2.5%	3.4%	2.1%
Total	4.3%	4.5%	4.3%	2.0%	2.0%	0.3%	2.9%	3.0%	1.1%

Costco - Monthly Sales Reports, Sam's - Quarterly Sales Reports, BJ's - estimates.

Cardholders – Another statistic that helps explain the depth of club acceptance worldwide is the number of cardholders at each club. The cardholder figures for BJ’s, Costco and Sam’s Club includes paid members and free supplemental, or add-on, members. PriceSmart’s membership data only includes paid members. Looking at the number of cardholders at BJ’s, Costco and Sam’s Club provides an apples-to-apples comparison of the three clubs. The data, which appears in the charts on the next page, includes a combination of estimates and reported data. Costco reports detailed membership data, PriceSmart and Sam’s Club report some membership data and BJ’s did report membership data when it was a public company but its figure are now estimated.

At the end of its 2014 fiscal year, Costco had 76.4 million cardholders worldwide, 9.0% are paid business members, 4.6% are paid supplemental business members, 41.4% are paid consumer members and 45.0% are free consumer cardholders. The average Costco cardholder spent \$1,443 annually. At the end of calendar 2014, it is estimated that BJ’s had 10.6 million cardholders, 14.1% are business and 85.9% are consumer. The average BJ’s cardholder spent \$1,298 annually.

At the end of its 2013 fiscal year, Sam's had 63.9 million cardholders worldwide, 12.5% are paid businesses, 8.0% are paid supplemental businesses, 47.7% are paid consumers and 31.8% are free consumers. The average Sam's cardholder spent \$1,035 annually. At the end of its 2014 fiscal year, PriceSmart had 1.18 million worldwide members with each spending an average of 2,067 annually.

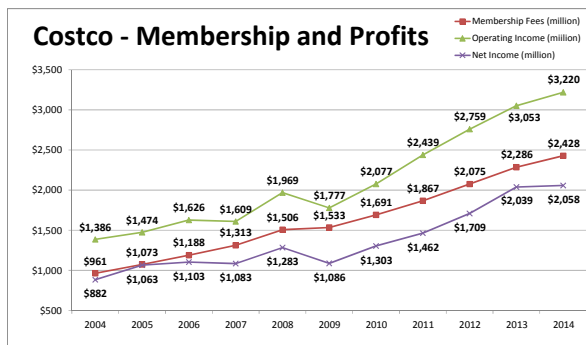
Due to the strength of its \$110 executive membership program, Costco's average membership fee per cardholder at \$32. Costco's executive members represented 39% of paid members and 67% of overall sales. The average fee for a PriceSmart member was \$32, for a Sam's Club member was \$26 and for a BJ's member was \$22.

Membership Fee Income – Membership revenue is critical to the success of the clubs as it exceeds each club's net income most years. In other words, generally, merchandise gross margin dollars pay for each club's operating expenses and those membership revenues "drop" to the bottom line.

Costco Fiscal Year	2013	2014	BJ's Calendar	2013	2014
Worldwide Locations	634	663	U.S. Locations	201	207
Average Cardholder/Club *	114,654	117,810	Average Cardholder/Club	50,871	51,377
Worldwide Cardholders	71,200,000	76,400,000	Worldwide Cardholders	10,225,000	10,635,000
Paid Business	9.3%	9.0%	Paid, Supplemental Business	14.3%	14.1%
Paid Business Supplemental	4.9%	4.6%	Paid, Supplemental Consumer	85.7%	85.9%
Paid Consumer	40.6%	41.4%	Reward Members % Paid	10.8%	11.1%
Free Consumer	45.2%	45.0%	Reward Members % Sales	25%	26%
Executive Members	13,500,000	14,800,000	Annual Sales/Cardholder	\$1,313	\$1,298
Executive Members % Sales	66%	67%	Member Fees/Cardholder	\$22	\$22
Annual Sales/Cardholder	\$1,445	\$1,443			
Member Fees/Cardholder	\$32	\$32			
Costco's Annual Report, WCF Research. * Per avg. clubs over 2 years.			WCF Research.		

Sam's Club Fiscal Year	2013	2014	PriceSmart Fiscal Year	2013	2014
Worldwide Locations	786	819	Worldwide Locations	31	33
Average Cardholder/Club	78,430	78,040	Average Members/Club	36,517	36,949
Worldwide Cardholders	61,645,980	63,914,760	Worldwide Members	1,095,513	1,182,355
Paid Business	12.5%	12.5%	Paid Business		
Paid Business Supplemental	8.0%	8.0%	Paid Business Supplemental		
Paid Consumer	47.7%	47.7%	Paid Consumer	n/a	n/a
Free Consumer	31.8%	31.8%	Free Consumer		
Annual Sales/Cardholder	\$1,031	\$1,035	Executive Members	n/a	n/a
Member Fees/Cardholder	\$23	\$26	Executive Members % Sales	n/a	n/a
			Annual Sales/Member	\$2,044	\$2,067
			Member Fees/Member	\$31	\$32
Wal-Mart Annual Report, WCF Research.			PriceSmart's Annual Report, WCF Research.		

The graph below shows fiscal year membership revenue (red line in middle), operating income (green line on top) and net income data (purple line on bottom) for Costco from its 2004 to 2014 fiscal years. As can be seen, Costco's membership revenues fall in between the operating income line on the top and the net income line on the bottom in every year.



Multiple Club Memberships

The following analysis estimates the number of warehouse club members in the United States who have a membership at more than one warehouse club. This analysis includes the following five parts: background, club competitive area, multiple membership percentages, multiple member data and final results.

Background – The following information provides the background or framework that helps determine the number of paid warehouse club members in the United States who have more than one membership.

Paid Members – The membership data used for this analysis includes paid club members only for BJ's (estimated), Costco (fiscal 2014) and Sam's Club (fiscal 2014). The clubs have three paid member classifications: primary business members, business add-on members and consumer members. Since business add-on members typically do not purchase merchandise at the clubs for the business they work for, they were included as part of the paid consumer member total for this analysis. Free spouse cardholders are not included in this analysis.

United States – This analysis covers all club locations in the United States as of December 31, 2014 (207 for BJ's, 470 for Costco and 634 for Sam's Club). Every single club location (1,311 in total) was loaded into Google Earth and its placement was verified.

Ten Mile Radius – To accurately estimate whether paid members at any one club in the United States would potentially purchase a second or third club membership, the competitive area surrounding each club is determined. This study assumes that warehouse clubs within a ten mile radius of a competing club are in a competitive situation for potential members. A warehouse club that does not have a competing club within a ten mile radius is assumed to be in a non-competitive situation.

A club's competitive situation is only counted once. For example, if there are two BJ's and one Costco within a ten mile radius of each other, only one of those BJ's locations is counted as a competitor to Costco. The other BJ's location is considered to have no competitors.

The ten mile radius mark is used because if competing clubs are located on the fringes of that radius, the real world drive from one location to the other could actually be 20 to 30 minutes depending on traffic and the time of day. From our perspective, that is a reasonable distance for members to travel if they are willing to pay for a membership to two or three different warehouse clubs.

Club Competitive Area – Every club location in the United States was analyzed for its competitive situation on Google Earth. The mapping software includes a tool that measures the distance between two points. That tool was used for every club location to determine the number of club competitors within ten miles.

Within Ten Miles	BJ's 207 clubs	Costco 470 clubs	Sam's 634 clubs
None	80 39%	195 41%	354 56%
BJ's only	n/a	45 10%	50 8%
Costco only	45 22%	n/a	198 31%
Sam's only	50 24%	198 42%	n/a
Both	32 15%	32 7%	32 5%

WCF Research - 2015

After analyzing all 1,311 locations, it was determined that 629 or 48% do not have another club competitor within ten miles, 586 or 45% have one club competitor within ten miles and 96 or 7% have two club competitors within ten miles. The chart on the left shows the detail for each club operator. For example, of Costco's 470 locations in the United States, 196 or 41% do not have a competitor within ten miles, 198 or 42% have a Sam's Club location within ten miles, 45 or 10% have a BJ's within ten miles and 32 or 7% have both a BJ's and Sam's Club within ten miles.

This club competitive area information begins to provide an understanding as to how many club consumers own multiple club memberships. The paid club members at the locations that do not have a club competitor within ten miles, at least for this study, are assumed to own just one club membership and would have no interest in purchasing a second or third club membership. The rest of the analysis is done to evaluate what is happening with the paid members at the locations who have one or two club competitors within their markets.

Multiple Member Percentages – The chart on the right is a combination of objective and subjective data. The assumptions in this chart are key to determining the final results. Those assumptions, which will be explained, are based on our experience covering the warehouse club industry and are not based on any objective information.

The average number of paid members per club location in the United States is provided in the first three rows. An average BJ's location has 22,187 paid members of which 86% or 19,036 are consumers and 14% or 3,152 are businesses. An average Costco location has 64,714 paid members of which 84% or 54,083 are consumers and 16% or 10,631 are businesses. An average Sam's Club location has 53,196 paid members of which 82% or 43,463 are consumers and 18% or 9,733 are businesses.

The rest of the chart provides an estimated range of the percentage of paid members who will purchase one or two additional club memberships. For example, let's take a look at the BJ's column and scan down to the "Costco Card Too" row. This column represents when a BJ's location has just one competitive club, a Costco, within ten miles. It is estimated that in these cases, 7% to 9% of BJ's paid consumer members will also purchase a Costco membership and 18% to 20% of BJ's paid business members will also purchase a Costco membership. The same estimates, for BJ's, were provided when a BJ's location has just a Sam's Club within ten miles and when a BJ's location has both a Costco and a Sam's Club within ten miles.

Member Data, Percents		BJ's Member 207 clubs	Costco Member 470 clubs	Sam's Member 634 clubs
Per Club	Paid Consumers	19,036 86%	54,083 84%	43,463 82%
	Paid Businesses	3,152 14%	10,631 16%	9,733 18%
	Total Paid Members	22,187	64,714	53,196
BJ's Card Too	Paid Consumer	n/a	4% 6%	7% 9%
	Paid Business		13% 15%	13% 15%
Costco Card Too	Paid Consumer	7% 9%	n/a	9% 11%
	Paid Business	18% 20%		16% 18%
Sam's Card Too	Paid Consumer	5% 7%	6% 8%	n/a
	Paid Business	28% 30%	22% 24%	
All Three Cards	Paid Consumer	0.6% 0.8%	0.5% 0.7%	0.5% 0.7%
	Paid Business	2% 4%	1% 3%	1% 3%

Membership data from recent 10K and annual reports and WCF Research - 2015

The following explains the reasoning behind most of the assumption ranges in the chart above:

Sam's Business Members – Sam's focus on the business member primarily through a wider variety of wholesale merchandise in key product categories is a point of differentiation compared to BJ's and Costco. That attention to the business member is reflected in the assumption ranges. It is more likely that a BJ's or Costco business member will also have a Sam's Club membership than a Sam's Club business member needing or wanting a BJ's or Costco membership.

For example, it is estimated that 28% to 30% of BJ's business members, in markets where a BJ's competes solely with a Sam's Club, will also have a Sam's Club membership. However, in those same markets, it is estimated that 13% to 15% of Sam's Club business members will also have a BJ's membership. Additionally, it is estimated that 22% to 24% of Costco's business members, in markets where a Costco competes solely with a Sam's Club, will also have a Sam's Club membership. However, in those same markets, it is estimated that 16% to 18% of Sam's Club business members will also have a Costco membership.

Three Memberships – It is our belief that paid consumer members at a location that has two club competitors within ten miles have very little reason to purchase a membership at both of those club competitors. Therefore, the estimated percentage of BJ's, Costco and Sam's Club paid consumer members who have a total of three different club memberships each is very low.

However, business members in those markets do have more of a reason to own three memberships. However, the percentage of paid business members who own a total of three club memberships each is significantly lower than a paid business member who owns a total of two club memberships each.

Costco Brand – While BJ's and Sam's Club manage and operate extremely well run organizations and businesses, Costco does receive more recognition and media attention. As a result, the assumptions include slightly higher percentages of BJ's paid consumers, Sam's Club paid consumers and BJ's paid business members who have an additional Costco membership than Costco paid consumer members who have a paid BJ's or Sam's Club membership and Costco paid business members who have a paid BJ's membership.

Multiple Member Data – The chart below is formula-driven based on the previous charts. The following example explains some of the data in the "Sam's Paid Members" column/section. The same analysis and formulas are used for the rest of the "Sam's Paid Members", the "BJ's Paid Members" and the "Costco Paid Members" columns.

Paid Club Members – The total number of paid consumer and business members in the United States appears in the top three rows. Sam's current location count of 634 clubs was multiplied by the average number of paid consumers per club and paid business members per club.

In the United States, Sam's Club currently has 27.56 million paid consumer members, 6.17 million paid business members and a total of 33.73 million paid members.

Multiple Memberships		BJ's Paid Members		Costco Paid Members		Sam's Paid Members							
Consumers per Club		3,940,385		25,419,010		27,555,542							
Businesses per Club		652,424		4,996,570		6,170,722							
Total Members		4,592,810		30,415,580		33,726,264							
Member Data		Low	High	Low	High	Low	High						
BJ's	Consumer Card	n/a		166,576	249,863	249,478	320,757						
	Business Card	n/a		106,416	122,788	103,754	119,716						
Costco	Consumer Card	102,602	131,917	n/a		899,684	1,099,614						
	Business Card	43,684	48,538	n/a		358,174	402,946						
Sam's	Consumer Card	78,046	109,265	746,345	995,127	n/a							
	Business Card	72,366	77,535	537,929	586,831	n/a							
All Three	Consumer Card	3,655	4,873	8,653	12,115	6,954	9,736						
	Business Card	2,017	4,034	3,402	10,206	3,115	9,344						
Multiple	Consumer Card	184,303	4.7%	246,055	6.2%	921,574	3.6%	1,257,105	4.9%	1,156,116	4.2%	1,430,107	5.2%
	Business Card	118,067	18.1%	130,107	19.9%	647,747	13.0%	719,825	14.4%	465,043	7.5%	532,006	8.6%
Total Members		302,370	6.6%	376,162	8.2%	1,569,321	5.2%	1,976,930	6.5%	1,621,159	4.8%	1,962,112	5.8%

Sam's Club – BJ's Consumer Card Row – The data in this row comes from two areas. First, of Sam's 634 locations, there are 50 BJ's locations within ten miles. By multiplying the average number of Sam's Club paid consumer members per location (43,463) times 50, the resulting figure of 2.17 million represents the potential number of paid Sam's Club consumer members, from those 50 locations, who could also purchase a BJ's membership. The estimated range of Sam's Club paid consumer members who would purchase a BJ's membership is 7% to 9%. After multiplying that range and the 2.01 million potential Sam's Club paid consumer members, there are between 152,120 and 195,583 Sam's Club members, from those 50 locations, who also purchase a BJ's membership.

Second, of Sam's 634 locations, there are 32 that compete with both a BJ's and Costco location within ten miles. By multiplying the average number of Sam's Club paid consumer members per location (43,463) times 32, the resulting figure of 1.39 million represents the potential number of paid Sam's Club consumer members, from those 32 locations, who could also purchase a BJ's membership.

The estimated range of Sam's Club paid consumer members who would purchase just a BJ's membership is 7% to 9% (the percentage of Sam's Club members who would purchase both a BJ's and Costco membership is included in the "All Three" row and are different from the members who would just purchase a BJ's membership). After multiplying that range and the 1.39 million potential Sam's Club paid consumer members, there are between 97,357 and 125,173 Sam's Club members, from those 32 locations, who also purchase a BJ's membership. When those two figures are added together, a range of 249,478 to 320,757 paid Sam's Club consumer members nationwide who also purchase just a BJ's membership.

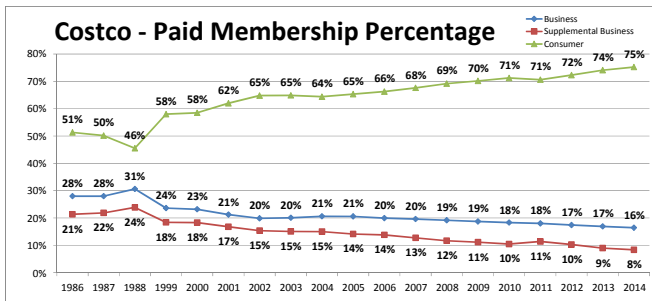
Multiple Membership Totals – The calculation in the previous section was performed for every data point. All the individual totals were added up and appear in the last section of the chart. Continuing our example with Sam's Club, there are between 1.16 million and 1.43 million paid Sam's Club consumer members (4.2% to 5.2% of all Sam's Club paid consumer members) who purchase an additional BJ's and/or Costco membership, between 465,043 and 532,006 paid Sam's Club business members (7.5% to 8.6% of all Sam's Club paid business members) who purchase an additional BJ's and/or Costco membership and between 1.62 million and 1.96 million paid Sam's Club consumer and business members (4.8% to 5.8% of all Sam's Club paid consumer and business members) who purchase an additional BJ's and/or Costco membership.

Final Results – While we understand this analysis is very data intensive, the results, in our opinion, are reliable to use as part of any internal analysis despite the subjective nature of some of the input figures. The analysis of club members in the United States with multiple memberships reveals the following: approximately 6.6% to 8.2% of BJ's paid members have at least one additional club membership, approximately 5.2% to 6.5% of Costco's paid members have at least one additional club membership and approximately 4.8% to 5.8% of Sam's Club paid members have at least one additional club membership.

Sam's percentage of paid members also having a membership at BJ's and/or Costco is the lowest among the three clubs. That is primarily due to the fact that 56% of Sam's Club locations do not have a competitor within ten miles. This is compared to 41% of Costco locations not having one competitor within ten miles and 39% of BJ's locations not having a competitor within ten miles. This particular result which circles back to the starting point for this analysis does help to support the approach and the subjective data used for this analysis.

Club Member Profile

When the warehouse club industry began in 1976, the membership strategy was focused on acquiring and meeting the needs of business members. For example, in 1986, when Costco was four years old, 49% of its paid members (28% primary and 21% supplemental) were businesses. Two years later, in 1988, Costco's paid business members represented 55% of its membership base. The graph below shows the percentage of Costco's paid business and consumer members for the last 16 fiscal years as well as 1986, 1987 and 1988.



As can be clearly seen from the chart, the percentage of paid business members has gradually decreased with the number of paid consumer members growing.

As the importance of the club consumer member has grown so has the necessity of trying to better define that person. Short of talking to members at the warehouse club locations while they shop or during product demonstrations or just working more closely with club buyers to gain more insight, the best way to understand club members is through a demographic profile.

The chart on the following page provides demographic profiles for grocery store customers and BJ's, Costco and Sam's Club members. The data was provided by Scarborough Research (www.scarborough.com) as of September, 2013 and includes retail and club customers in 77 major metropolitan markets. BJ's data came from 25 of those markets, Costco's data came from 62 of those markets, Sam's data came from all 77 markets and grocery store data came from all 77 markets. There are seven data points in the chart. All percentages are rounded in the chart but calculations were based on non-rounded data.

Total Market – This figure represents the total number of people in the markets analyzed for each retailer. For example, there were 191.1 million people in the grocery stores' 77 markets, 74.1 million people in BJ's 25 markets, 174.2 million people in Costco's 62 markets and 186.2 million people in Sam's 77 markets.

Statistical Sample – From the respective markets, Scarborough gathered responses from 14,377 BJ's members, 45,592 Costco members, 39,118 Sam's Club members and 198,714 grocery shoppers. These figures represent a strong statistical sample from which to extrapolate demographic information.

Projected Shoppers or Members – This figure represents the projected number of people in each retailer's respective market that could shop at a grocery store or are club members. Scarborough projects that there are an estimated 187.6 million grocery shoppers in its 77 markets, 14.2 million BJ's consumers in its 25 markets, 45.9 million Costco consumers in its 62 markets and 36.6 million Sam's Club consumers in its 77 markets.

Total Market Column – This figure represents the percentage of the total population in each retailer's market base for each demographic quality. For example, in BJ's 25 markets, there are 74.1 million people, of whom 33% graduated from high school, 29% graduated from college, 14% have a post graduate degree and 42% did not attend college. Percentages in this column are rounded.

Projected Member/Shopper Column – This figure represents the percentage of the projected grocery shoppers or club members in each retailer's market base for each demographic quality. For example, in BJ's 25 markets, there are an estimated 14.1 million BJ's consumers. Of those consumers, 32% graduated from high school, 31% graduated from college, 14% have a post-graduate degree and 40% did not attend college. Percentages in this column are rounded.

BJ's, Costco and Sam's Index Column – This index column compares the demographic quality percentages of each retailer's total market base to its projected shopper or club member figure. For example, in BJ's 25 markets, 29% of the total population graduated from college. Of BJ's projected club members, 31% graduated from college, which is more than the overall population percentage. If you divide BJ's member result of 31% by the total market result of 29%, a figure of 107% or just 107 results. That calculation was done for each demographic quality for each club.

Grocery Index Column – The grocery index column compares the demographic quality percentages of the club member to a grocery shopper. For example, 31% of BJ's members graduated from college while 27% of grocery shoppers graduated from college. If you divide BJ's member results of 31% by the grocery shopper result of 27%, a figure of 115% or just 115 results. This means that a BJ's member is 15% more likely to be a college graduate than the general population. That calculation was done for each demographic quality for each club.

Demographic Category	Grocery			BJ's Wholesale				Costco Wholesale				Sam's Club				
	Total Market 191,077,096	Projected Shoppers 187,592,848	Grocery Index	Total Market 74,134,363	Projected Members 14,178,511	BJ's Index	Grocery Index	Total Market 174,168,888	Projected Members 45,891,506	Costco Index	Grocery Index	Total Market 186,166,391	Projected Members 36,607,967	Sam's Index	Grocery Index	
Gender	Men	48%	48%	100	48%	45%	95	94	49%	49%	102	102	48%	47%	96	96
	Women	52%	52%	100	52%	55%	105	106	52%	51%	98	98	52%	54%	104	104
HH Status	Homemaker	8%	8%	100	7%	7%	106	94	8%	8%	101	101	8%	9%	110	110
	Professional	26%	26%	100	28%	29%	106	111	27%	33%	125	126	26%	27%	103	103
Education	High School Graduate	33%	33%	100	33%	32%	97	99	32%	26%	79	78	33%	33%	100	100
	Graduated College	27%	27%	100	29%	31%	107	115	28%	37%	133	135	27%	26%	95	95
	Post Graduate College	12%	12%	101	14%	14%	107	119	12%	18%	144	146	12%	11%	92	92
	No College	42%	42%	100	42%	40%	93	94	42%	32%	76	75	42%	41%	97	97
Age	18 to 34	30%	30%	99	29%	26%	90	87	30%	28%	91	93	30%	28%	93	94
	35 to 54	37%	37%	101	38%	42%	110	111	37%	40%	106	106	37%	39%	104	104
	55 plus	34%	34%	100	35%	34%	97	101	34%	34%	101	100	34%	34%	99	99
Employment	Full Time	43%	43%	100	44%	47%	109	109	43%	48%	111	111	43%	46%	105	105
	Part Time	17%	17%	100	17%	17%	99	101	17%	17%	97	98	17%	16%	94	95
	Unemployed	40%	40%	100	39%	36%	90	89	39%	35%	90	89	40%	38%	96	96
Individual Income	More Than \$50,000	11%	12%	101	16%	19%	121	163	12%	18%	145	157	12%	9%	79	80
	Less Than \$50,000	16%	16%	100	21%	23%	114	145	17%	17%	100	108	16%	13%	81	82
Household Income	\$10,000 to \$49,999	43%	43%	100	40%	34%	84	78	42%	31%	73	72	43%	40%	94	94
	\$50,000 to \$99,999	30%	31%	100	30%	34%	111	110	31%	34%	110	110	30%	34%	113	112
	\$100,000 plus	22%	23%	100	26%	30%	118	134	23%	34%	146	150	23%	22%	100	100
	Married	53%	53%	101	52%	61%	118	115	53%	63%	119	118	53%	62%	117	116
Marital Status	Single, Never Married	29%	29%	99	30%	24%	80	82	30%	24%	81	82	29%	23%	80	80
	Widowed, Divorced	18%	18%	100	19%	15%	82	84	18%	13%	75	74	18%	15%	83	83
	1	13%	13%	100	14%	9%	64	66	13%	9%	69	69	13%	9%	67	67
Household Size	2	31%	31%	100	31%	29%	94	94	30%	31%	102	100	31%	31%	101	100
	3 to 4	38%	38%	100	39%	42%	109	111	38%	40%	105	105	38%	40%	104	104
	5 plus	18%	18%	100	17%	20%	121	112	19%	20%	109	111	18%	21%	114	114
Children (under 17)	None	62%	62%	100	63%	56%	90	91	61%	59%	96	96	62%	57%	93	93
	1	16%	16%	100	16%	18%	109	111	16%	16%	103	104	16%	17%	108	108
	2	14%	14%	100	13%	17%	123	120	14%	15%	111	112	14%	15%	111	111
	3 plus	9%	9%	100	8%	10%	125	111	9%	9%	102	104	9%	11%	120	121
Life Cycle	18 to 34, Married, No Children in House	3%	3%	100	3%	2%	80	74	3%	3%	115	111	3%	3%	96	93
	18 to 34, Married, Children Under 6	6%	6%	100	5%	7%	130	112	6%	6%	109	109	6%	7%	119	119
	18 to 34, Married, Children 6 to 17	4%	4%	100	3%	4%	121	103	4%	4%	105	105	4%	5%	115	115
	35 to 49, Married, No Children in House	4%	4%	100	4%	4%	108	105	4%	4%	116	116	4%	5%	121	121
	35 to 49, Married, Children under 6	5%	5%	102	5%	6%	130	128	5%	6%	132	132	5%	5%	113	111
	35 to 49, Married, Children 6 to 17	15%	15%	100	14%	17%	126	119	15%	18%	122	124	15%	18%	124	124
	50 plus, Married, No Children in House	22%	22%	101	22%	25%	114	116	22%	26%	120	117	22%	26%	118	116
50 plus, Married, Children in House	4%	4%	100	4%	6%	134	134	5%	6%	124	127	4%	5%	118	118	
Years in Household	Under 1	9%	9%	100	8%	7%	84	74	9%	8%	85	86	9%	8%	90	90
	1 to 5	26%	26%	100	25%	23%	91	88	26%	25%	95	96	26%	25%	96	97
	5 plus	65%	65%	100	67%	71%	105	108	65%	68%	104	104	65%	67%	103	103
Homeowner	Own	65%	65%	100	64%	69%	108	106	64%	71%	110	109	65%	72%	111	111
Home Value	More Than \$100,000	53%	53%	100	54%	62%	115	117	53%	65%	123	123	53%	58%	110	109
	Less Than \$100,000	12%	12%	100	10%	7%	69	56	11%	6%	53	49	12%	15%	120	120
Ethnicity	White	66%	66%	100	66%	63%	96	96	64%	64%	99	97	65%	62%	96	95
	African American	11%	11%	99	15%	14%	96	129	12%	7%	57	59	12%	14%	119	122
	Asian	3%	3%	100	3%	3%	100	81	3%	6%	179	191	3%	3%	81	81
	Hispanic	17%	17%	100	14%	17%	121	100	18%	19%	110	115	17%	18%	109	110

Scarborough Research - Multi-Market, September, 2013 - www.scarborough.com

The grocery index (column) provides an apple-to-apple comparison for analyzing the clubs, because there is one constant in the grocery index for BJ's, Costco and Sam's: the grocery shopper. Since grocery shoppers represent 98% of the total population in its 77 markets, comparing club members to these consumers is similar to comparing club members to the overall U.S. population. The following is a brief analysis of the demographic qualities in the study. All index references refer to the grocery index column.

Gender – Costco is more likely to attract male shoppers as its index is 102 compared to BJ's at 94 and Sam's Club at 96. Sam's and BJ's do a better job at attracting female shoppers. The index for woman club members is 106 at BJ's and 104 at Sam's Club.

Household Status – Costco and BJ's members are more likely to have a professional occupation such as finance, management or business operations. Costco's index is 126 and BJ's is 111. Costco and Sam's Club are more likely to have a homemaker as a member. Costco's index is 101 and Sam's index is 110.

Education – Compared to Sam's, BJ's and Costco attract a greater percentage of educated members. For members who are college graduates, BJ's index is 115, Costco's index is 135 while Sam's index is 95. For members who have earned a post-graduate degree, Costco's index is 146, BJ's index is 119 while Sam's index is 92. Costco members are much less likely to have no college education as its index is 75 compared to 94 at BJ's and 97 at Sam's Club.

Age – The clubs do a better job of attracting members between the age of 35 and 54. This age group has the highest average annual expenditures of any other age group nationally. BJ's index is 111, Sam's index is 104 and Costco's index is 106.

Employment – The clubs attract a higher percentage of full-time workers and a lower percentage of unemployed people. BJ's indexes are 109 for full-time and 89 for unemployed. Costco's indexes are 111 for full-time and 89 for unemployed, and Sam's indexes are 105 for full-time and 96 for unemployed.

Individual Income – Costco and BJ's attract a much greater percentage of members who have annual individual incomes above \$50,000. BJ's is 63% more likely to attract such a member and Costco is 57% more likely to attract such a member.

Household Income – All three clubs are more likely to attract members who have household incomes above \$50,000. BJ's and Costco are significantly more likely to attract households with incomes above \$100,000. Costco's index for \$100,000-plus household incomes is 150 and BJ's is 134. All three clubs are less likely to attract members with household incomes between \$10,000 and \$49,999.

Marital Status – The clubs are more likely to attract married members, as 63% of Costco's projected members, 61% of BJ's projected members and 62% of Sam's projected members are married.

Household Size – All three clubs are more likely to attract members who have households with three or more people. For three to four person households, Costco's index is 105, BJ's index is 111 and Sam's index is 104. For five or more person households, Costco's index is 111, BJ's index is 112 and Sam's index is 114.

Children in Household – All three clubs are more likely to attract members who have children, but are less likely to attract members who do not have children.

Life Cycle – The clubs are more likely to attract members who fall into almost all eight life cycle categories listed in the chart. For example, for married members between 35 and 49 years of age with a child under six years old, BJ's index is 128, Sam's index is 111 and Costco's index is 132. For married members over the age of 50 with children in the house, BJ's index is 134, Costco's index is 127 and Sam's index is 118.

Years in House – Club members are more likely to have owned their homes for more than five years. BJ's index is at 108, Sam's index is at 103 and Costco's index is at 104.

Home Ownership – A majority of club members own their own homes. Homeowners represent 69% of BJ's members, 72% of Sam's members and 71% of Costco members.

Home Value – Overall, club industry members tend to own homes that are valued at more than \$100,000 as 65% of Costco members, 62% of BJ's members and 58% of Sam's Club members own high value residences.

Ethnicity – Club members tend to be Caucasian. However, in the markets studied by Scarborough, Costco attracts a larger percentage of Asian consumers (index of 191) and Hispanic consumers (index of 115). Sam's (index of 122) and BJ's (index of 129) attracts a larger percentage of African American consumers.

Overall, this demographic analysis shows that the average club member is a highly educated, professional individual between the ages of 35 and 54, who is married, with at least one child and owns his or own home.

Notes

In-Club Ancillary Businesses

The concept of paid membership is critical to the success of the clubs. The paid membership program provides each club with a revenue stream that in most years is equal to or greater than its net income. As seen in the chart on the right (BJ's and Sam's Club do not report detailed financial information), in each of the past three fiscal years, membership revenues for Costco exceeded net income (PriceSmart's export revenues and other income are not included).

Fiscal Year	Costco			PriceSmart		
	2012	2013	2014	2012	2013	2014
Merchandise Sales	\$97,062	\$102,870	\$110,212	\$1,999	\$2,239	\$2,444
Membership Fees	\$2,075	\$2,286	\$2,428	\$27	\$34	\$38
Total Revenues	\$99,137	\$105,156	\$112,640	\$2,026	\$2,273	\$2,482
Operating Income	\$2,759	\$3,053	\$3,220	\$108	\$127	\$137
Net Income	\$1,709	\$2,039	\$2,058	\$68	\$84	\$93
Membership:Operating Income	75%	75%	75%	25%	27%	28%
Membership:Net Income	121%	112%	118%	40%	40%	41%

Costco Annual Reports. Figures in millions.

Paid membership is designed to reinforce member loyalty and the perception that a bargain is being offered with lower prices. Paid membership also discourages the casual shopper, who generally purchases fewer products, thereby reducing the average transaction and making the clubs less efficient. Front-end cashiers can just as easily process a \$150 transaction as they can a \$60 transaction, and the clubs want to increase the number of larger transactions.

Club membership revenue strength and strong renewal rates are not solely due to the money members save by buying merchandise at BJ's, Costco, PriceSmart and Sam's Club. The clubs continually try to enhance non-merchandise businesses and services that provide additional reasons for members to renew their club membership.

In-club ancillary businesses, which save members time and money, offer another reason to pay for a club membership. These businesses operate at club locations and create a one-stop shopping experience that helps to increase member shopping frequency and loyalty. This chapter is divided into two sections: ancillary business sales and an overview about the different in-club ancillary businesses.

Ancillary Business Sales

The chart on the right provides a list of the ancillary businesses operated by BJ's, Costco and Sam's as well as 2014 calendar year sales estimates. BJ's offers 8 ancillary businesses that generate annual sales of \$1.75 billion representing 12.7% of total merchandise sales. Costco offers 13 ancillary businesses that generate annual sales of \$18.74 billion representing 16.6% of total merchandise sales and Sam's offers 9 ancillary businesses that generate annual sales of \$13.03 billion representing 16.7% of total merchandise sales.

The chart on the top of the next page shows estimated fiscal year sales (2010 through 2014) and number of units for Costco's ancillary businesses. In fiscal 2014, gasoline sales were \$11.45 billion, pharmacy sales were \$4.65 billion, food court sales were \$1.04 billion, optical sales were \$985 million, one-hour photo sales were \$365 million, hearing aid sales were \$245 million and print and copy center sales were \$8 million.

Ancillary Business	BJ's	Costco	Sam's
Car Wash		x	x
Communication Kiosks	x	x	x
Food Court	x	x	x
Food Manufacturing		x	
Gasoline Stations	x	x	x
Greeting Cards	x		
Hearing Aid		x	x
Muffler and Brake Service	x		
One-Hour Photo		x	x
Optical	x	x	x
Paint		x	
Pharmacy		x	x
Print and Copy Centers		x	
Propane	x	x	
Tire Center	x	x	x
Total Ancillary	8	13	9
Calendar 2014 Sales	\$13,801	\$112,750	\$78,118
Calendar 2014 Ancillary	\$1,753	\$18,736	\$13,030
Penetration	12.7%	16.6%	16.7%

WCF Research, Club Web Sites, Club Annual Reports, Sales in Millions.

Ancillary Business Overview

The following is assorted information and observations about the ancillary businesses in the club channel.

Car Wash – Both Costco and Sam's operate car wash businesses in a few clubs. Sam's opened its first car wash in December, 2003 in Chandler, Arizona.

Communication Kiosks – All three clubs offer a different version of this service. Verizon Wireless operates BJ's communication kiosks. Verizon Wireless is responsible for the operation and maintenance of the branded kiosks and offers wireless services and phones, broadband access and wireless broadband access.

Costco's communication service provider is Seattle, Washington based Wireless Advocates (www.wirelessadvocates.com) which sells Sprint, T-Mobile, AT&T and Verizon Wireless phones and service plans. Wireless Advocates operate out of 160 square foot kiosks. Sam's communication kiosk, which includes Sprint, Verizon and T-Mobile, was operated by RadioShack from October, 2004 to June, 2011. Sam's, which did not renew the agreement in 2011, has been operating its communication kiosks since it expired.

Food Courts – Price Club, which created the club industry with its first location in San Diego, California in 1976, originated the industry’s food court concept. The following story explains how the first hot dog stand was created. While working at Price Club, Richard Libenson, who was primarily responsible for creating the club merchandising concept, and another Price Club executive visited the first location before it was opened. Over a period of time, they mapped out the merchandising strategy that they would use when the club opened. During that time, they recounted where they grew up.

Libenson grew up near New York City and remembered a hot dog vendor in the area who sold the best tasting hot dogs he ever had. The other executive grew up in New England and caddied at a local golf course called the Blue Hill Country Club. He remembered how much he liked the kosher hot dogs that were sold at the golf club. The idea was born to have a hot dog cart with an umbrella stationed outside the club. Approximately two years later, Price Club struck a deal with Hebrew National to sell hot dogs at Price Club locations. Today, each club operates its own food court operation.

First Food Court Employee – The first Costco food court employee, Jay de Geus, said, “I had previously worked in catering in the airline industry, but left that to learn about being a merchant. After three months with the company, I got the call telling me that, since I was the only employee with foodservice experience, they wanted me to run a hot dog cart. That first cart did not even have a cash register.”

Costco - Ancillary <i>Fiscal Sales</i>	2010	2011	2012	2013	2014
Pharmacy	480	529	544	565	589
	\$3,705	\$4,110	\$4,350	\$4,391	\$4,650
Optical	523	574	589	614	641
	\$780	\$850	\$890	\$910	\$985
One-Hour Photo	530	581	591	622	649
	\$270	\$295	\$315	\$325	\$365
Food Court	534	586	602	628	657
	\$835	\$915	\$945	\$955	\$1,035
Hearing Aid	357	427	469	502	549
	\$136	\$165	\$202	\$210	\$245
Print and Copy Centers	10	10	10	10	10
	\$8	\$8	\$8	\$8	\$8
Gas Stations	343	368	394	414	445
	\$6,467	\$9,326	\$10,761	\$11,100	\$11,448
Car Washes	7	7	7	7	7
	\$0	\$0	\$0	\$0	\$0
Total Sales (thousand)	\$12,201	\$15,669	\$17,471	\$17,899	\$18,736

WCF Research, Club Web Sites, Club Annual Reports, Sales in Millions.

Third Party Brands – BJ’s food court business is based on third-party branded operators such as Subway. Costco and Sam’s food court businesses do not rely on branded foodservice operators. Alan Bubitz, vice president and general merchandise manager of Costco’s bakery, service deli and food court operation, said, “If we brought in one of those fast-feeders into our building, we’d be selling the stuff at the same price as every other franchisee up and down the street which would offer customers no advantage to eating there.”

Food Manufacturing – Costco is the only club that offers food manufacturing other than the bakery, meat and prepared food departments. For example, in some locations, Costco melts and hand-forms Belgian chocolate candy and manufactures gelato on a daily basis and sells it in cones or in quart containers.

Gasoline Stations – The gasoline business provides the club industry with three primary benefits. First, gasoline stations offer a reason for members to renew. According to the American Petroleum Institute, a number of years ago, Costco surveyed members in four clubs concerning its gasoline stations and found that more than half would renew their memberships just because the company sold gasoline. According to an April 14, 2008 article in *Supermarket News*, a Retail Forward analyst, said, “In a survey, a third of Sam’s members said they would renew their membership just to get the discount on gasoline.”

Secondly, gasoline stations produce incremental sales. Members who purchase gasoline also purchase products inside the clubs increasing shopping frequency and average transactions. According to the October, 2011 issue of *The Costco Connection*, 30% of Costco members who visit a Costco gas station go inside a club afterwards. Third, the gasoline business reinforces the club value proposition. Whether gasoline prices are rising or falling, the clubs will almost always offer a value compared to local gasoline station competitors.

Gasoline Price Fluctuations – Since the clubs sell so much gasoline, they buy product at current market prices. In the case of falling gasoline prices, the clubs experience higher gross margins. Local competitors may be selling gasoline at prices based on older, higher priced product. The clubs will be selling gasoline based on new, lower priced product. In a falling price situation, the clubs can make their full margin and still be the market leader.

In the case of rising gasoline prices, the clubs experience lower gross margins. Local competitors may be selling gasoline at prices based on older, lower priced product, while the clubs are selling gasoline based on newer, higher priced product. To stay competitive, the clubs match or beat the prices of the local competitors even in times of rising prices. Costco’s senior vice president of Costco industries and business development said, “Our sales volume is three to six times that of our nearest competitor ... when we run out quicker, we have to buy more gas at a higher price. Then our margins tend to get eroded.”

Gasoline Margins – Bob Nelson, Costco’s vice president of financial planning and investor relations, commented on Costco’s strategy of never selling an item below cost. He said, “Our strategy is not any different than with anything we sell. We’re willing to make less money than everybody else. But gas is not a loss leader, and we will never make it one.”

Greeting Cards – BJ’s is the only warehouse club that stocks a selection of greeting cards, wrapping paper and candles.

One-Hour Photo – Costco and Sam’s Club offer this service to members. Sam’s and Costco members can upload digital pictures to each company’s web site and pick the prints up at their local club within an hour.

Print and Copy Centers – Costco currently operates print and copy centers in its business center locations plus one additional club. The print and copy centers offer members the following services: desktop publishing, printing, digital color copies, high speed copying, promotional products and finishing services. The finishing services include folding, collating, perforating, cutting, padding, binding, booklet making, drilling and laminating. The promotional products include: mouse pads, tote bags, t-shirts, calendars and pens. The centers also offer members the ability to order business cards, pre-printed envelopes and letterheads.

Hearing Aid – Costco operates 549 hearing aid centers. Richard Chavez, Costco's senior vice president of ancillary businesses, said, "We're now one of the largest – if not the largest – hearing aid distributor in the market." Costco's in-club hearing aid centers offer free product demonstrations, free hearing tests, free follow up appointments, free hearing aid cleanings, free loss and damage coverage, a free warranty period, a 90 day trial period and ten free hearing aid batteries with every purchase.

Given its member foot traffic and its ability to offer a value, Costco recognized the potential of its hearing aid business. Chavez said, "I remember thinking, we have a lot of traffic and we don't have to advertise. It was one of those classic little business moments where you see an opportunity right in front of you." To continue to grow its business, Costco has made a concerted effort to train hearing aid specialists. The process to license a hearing aid specialist can take up to two years.

After the member receives their hearing aids from Costco, the company not only allows for an unlimited number of follow-up appointments but performs a real ear measurement test (REM) to make sure the hearing aids work correctly. REM tests do take time and approximately just one-quarter of providers perform the test. Costco's provides its REM test at no charge.

In the January, 2014 issue of *The Costco Connection*, Costco's director of hearing aid center operations, said, "REM allows us to objectively and reliably measure the accuracy of your hearing versus fitting, and lets us make any needed corrections before you leave with your new hearing aids. Costco firmly believes that real ear measurement can provide a significant improvement for its members to fully benefit from the hearing aids so we provide this service at no charge."

Optical – With two eyeglass production facilities in San Diego, California and Tukwila, Washington, Costco is one of the largest eyeglass manufacturers in the country and the fifth largest eyeglass retailer in the country. The company will process approximately 3.8 million pairs of eyeglasses this year.

One type of lens that Costco produces is called progressive lenses. According to eyeglassguide.com, progressive eyeglass lens allows "multiple vision fields to be incorporated into a single lens without any clear distinction between the fields themselves. The power in the lenses 'progressively' changes from far to intermediate to your full reading power. This is why progressive lenses are often referred to as 'no-line' bifocals or trifocals."

Costco recently became the first eyeglass retailer to offer only digital high definition progressive lenses. Frank Hoffman, Costco's optical buyer, said, "The optical industry hasn't had this type of technology upgrade for progressive lenses in more than 30 years. Costco had to make a significant financial investment to modernize the labs with new equipment."

Art Salas, assistant vice president of Costco's optical department, said, "There hasn't been a price increase to go along with all of this new technology – just a better lens, and a lens that includes antireflective treatment at no additional cost."

Pharmacy – Costco and Sam's operate in-club pharmacies. In January, 2007, BJ's closed its 46 in-club pharmacies due to poor performance. Costco's first pharmacy was opened in 1986. Today, the average size of a Costco pharmacy is 900 square feet. Costco operates two central-filling facilities. The locations fill online and in-club prescriptions and orders. The central-fill facilities have reduced the cost of filling a prescription from \$6 per script to \$3 per script.

Charles Burnett, senior vice president of Costco's pharmacy operation, said, "More than 50% of our business is cash, so we cater to a lot of people who have no insurance. We attract a lot of those people because of price. They tend to be older people who don't have insurance, and they happen to be the ones who use the most prescriptions. We operate on very small margins, and our pricing is generally the lowest anywhere for everything we carry. Our new pharmacies have private consultation and education rooms where we can show films to our customers on subjects, such as how to use new blood glucose monitors. We do a lot more consulting than we did in the past."

Tire Center – All three clubs offer members the ability to not only buy tires but to have them installed on their cars while they shop. Costco retrofitted its United States, Canadian and Mexican tire installation bays with nitrogen inflation systems. Costco is the first major company to install nitrogen units at all of its locations. The benefits of nitrogen are that it maintains better tire pressure, maximizes fuel economy and tire life and reduces rust and corrosion on the rim and valve hardware.

Notes

Member Services

The concept of paid membership is critical to the success of BJ's, Costco, PriceSmart and Sam's Club. The paid membership program provides each club with a revenue stream that in most years is equal to or greater than its net income. As seen in the chart on the right (BJ's and Sam's do not report detailed financial information), in each of the past three fiscal years, membership revenues for Costco exceeded net income (PriceSmart's export revenues and other income are not included).

Fiscal Year	Costco			PriceSmart		
	2012	2013	2014	2012	2013	2014
Merchandise Sales	\$97,062	\$102,870	\$110,212	\$1,999	\$2,239	\$2,444
Membership Fees	\$2,075	\$2,286	\$2,428	\$27	\$34	\$38
Total Revenues	\$99,137	\$105,156	\$112,640	\$2,026	\$2,273	\$2,482
Operating Income	\$2,759	\$3,053	\$3,220	\$108	\$127	\$137
Net Income	\$1,709	\$2,039	\$2,058	\$68	\$84	\$93
Membership:Operating Income	75%	75%	75%	25%	27%	28%
Membership:Net Income	121%	112%	118%	40%	40%	41%

Costco Annual Reports. Figures in millions.

Paid membership is designed to reinforce member loyalty and the perception that a bargain is being offered with lower prices. Paid membership also discourages the casual shopper, who generally purchases fewer products, thereby reducing the average transaction and making the clubs less efficient. Front-end cashiers can just as easily process a \$150 transaction as they can a \$60 transaction, and the clubs want to increase the number of larger transactions.

Club membership revenue strength and strong renewal rates (90.6% for Costco U.S. and Canada, 87.3% for Costco worldwide and 84% for PriceSmart) are not solely due to the money members save by buying merchandise at BJ's, Costco, PriceSmart and Sam's Club. The clubs continually try to enhance non-merchandise businesses and services that provide additional reasons for members to renew their club membership.

Jim Sinegal, Costco's founder and former president and chief executive officer, in a 1997 interview with *Forbes*, commented on Costco's member service program. He said, "I'd be very nervous about getting into the Coldwell Banker-Allstate-Dean Witter trap, where services become more valuable than the vehicle that's bringing them to the customer. What we're trying to do with the business is to make the product more appealing and the product is the warehouse."

These member services are primarily out-of-the-box programs, which means the actual transaction and/or service occurs at the member's business or residence. This chapter updates the member service programs at BJ's, Costco and Sam's Club. The first section provides key club membership data and an overview of all the services offered by each operator. The next three sections provide information about unique member services at each club.

Member Service Overview

The chart on the next page includes current membership rates, the total number of paid and free add-on cardholders (some of the data is estimated), the number of premium members at Costco, the average number of cardholders per club, the average sales and membership fees per cardholder, a current list of each club's member services and the third party service provider.

BJ's Wholesale

Of the 18 member services BJ's offers, two are business related, six are consumer related and ten are for both business and consumer members. The following are explanations of some of those services.

2% Rebate – BJ's \$100 rewards members are eligible for an annual rebate of 2% on most in-club and online purchases. The rebate is capped at \$500 per year.

Gold Exchange – BJ's partners with Refinement Services enabling members to exchange their gold jewelry or items for cash. The program includes free shipping via UPS. When the member's package is received by Refinement Services, a video of the package being opened and inspected is made. That video is posted to the member's gold exchange account. The amount of the payment is posted to the member's gold exchange account within a day and mailed. Customers who receive their exchange amount in the form of a BJ's gift card receive a 2% bonus. Customers who are not satisfied with the payment amount can return their check and receive their merchandise back.

Custom Built Sheds – In a partnership with Quality Outdoor Structures, BJ's offers members custom built sheds whose price includes delivery and installation. The program also offers a 0% financing option for six months.

Export or Global Sales – For business members who purchase in large volumes, BJ's will source products for export or domestic distribution. Members can choose merchandise stocked in BJ's locations or BJ's will make one-time purchases for those members.

Health Insurance – This program offers BJ's members quotes from different insurance carriers with the ability to purchase individual, family, small business, dental and vision insurance. The company is licensed in all 50 states and the District of Columbia and has developed partnerships with more than 180 health insurance providers offering more than 13,000 health insurance products.

Home Improvement – BJ's offers a home improvement service from the Home Service Store ®. The service offers a free in-home consultation and estimate, project guidance and assurances that the work will be completed by a trained, certified professional.

Interior work includes attic energy barriers, blinds and shades, shower liners, cabinet re-facing, kitchen and bathroom, carpeting, flooring and basement finishing. Exterior work includes gutter protection, siding, windows and doors, roofing and sunrooms.

Service Agreements – BJ's offers an extended warranty program on a variety of products called Protection Plus ®. For household or business products under \$150, BJ's offers a two-year replacement program. If the product fails during those two years, BJ's will replace it at no cost.

Membership and Services		Costco	Sam's	BJ's	
Consumer Membership		\$55	\$45	\$50	
Business Membership		\$55	\$45	\$50	
Premium Membership		\$110	\$100	\$100	
U.S. Canada Renewal		91%	n/a	n/a	
Worldwide Renewal		87%	n/a	n/a	
Worldwide Cardholders		76,400,000	63,914,760	10,635,000	
Premium Members		14,800,000	n/a	n/a	
Average Cardholders per Club		117,810	78,040	51,377	
Average Annual Sales per Cardholder		\$1,443	\$1,035	\$1,298	
Average Membership Fee per Cardholder		\$32	\$26	n/a	
Business	Business Consulting	UK	Peninsula		
	Business Phone Service	US	Intermedia		
	Business Prescription Service	US	Costco		
	Business Stationary	US	Harland Clarke	US	
	Credit Card Processing - Merchant	US, CN, UK	Elavon, NetPay	US	
	Credit Card Processing - Smartphone	UK	iZettle		
	Export Sales	US	Costco	US	
	Health and Dental Insurance	US, UK	CBC, WPA	US	
	Logo Design	CN	Safeguard		
	Payroll Processing	US, CN	Intuit, NEBS	US	
	QuickBooks Online	US, UK	Intuit		
	SBA Business Loans			US	
	Total Business Services		11	6	2
	Home	Boat, RV Loans	US	Essex Credit	
Boat, RV Sales		US	Affinity	US	
Consumer Loans		US	Essex Credit		
Custom Built Sheds				US	
Electronics, Phone Warranty		US	Square Trade		
Gold Exchange				US	
Health Insurance		US, CN	CBC, Manulife		
Health Screenings				US	
Home Improvement/Kiosk Program		US	Assorted Vendors	US	
Home Insurance		US, CN, UK	Ameriprise, Inova, Clover	US	
Identity Protection		US, CN	Identity Guard, Inova	US	
Individual and Family Dental		US	Delta Dental		
Mortgage Service		US, CN	First Choice, Envoy		
Online Investing		US	Sharebuilder		
Pet Insurance	UK	Clover			
Phone, Internet	CN	Primus			
Television Service			US		
Total Home Services		13	2	6	
Home, Business	2% Reward	US, CN, UK	Costco	US	
	Automobile Insurance	US, CN	Ameriprise, Inova	US	
	Automobile Sales	US, CN, UK	Affinity, Inova	US	
	Car Rental	US, CN, UK	Assorted Vendors	US	
	Check Printing	US, CN	Costco, Safeguard	US	
	Courier Service	CN	ShipTime		
	Delivery and/or Installation	US	Installs	US	
	Health and Dental Insurance			US	
	Legal Solutions			US	
	Life Insurance	US, CN	Protective, Manulife		
	Mexico Travel Auto Insurance	US	Bonita West Mexico		
	Online Marketing			US	
	Online Product Auctions			US	
	Portable Storage	CN	Cubelt		
Service Agreements/Extended Warranty			US		
Stationary			US		
Technology Support (Free)	US, CN	Costco	US		
Travel	US, CN	Costco	US		
Travel Insurance	UK	American Express			
Van by the Hour	UK	Hertz			
Vision Insurance	US	MES Vision	US		
Water Delivery	US, UK	DS Waters, Culligan			
Total Home, Business Services		16	9	10	
Total Member Services		40	17	18	

As of March, 2015. WCF Research, Company Web Sites. Some Membership Data is Estimated.

For household or business products over \$150, BJ's offers a two-year service program. If the product fails during those two years, BJ's will pay to have it fixed. BJ's also offers a two-year service program for watches and for jewelry.

Merchant Credit Card Processing – In partnership with First Data, BJ's offers business members a credit card processing service. The program offers BJ's business members the ability to process credit, debit, gift card and EBT payments.

Costco

In 1997, Costco introduced its \$100 executive membership and member services programs. The company's automobile buying service, which began prior to the 1993 merger between Costco and Price Club, was one of the original member service programs. Costco's 2% membership reward feature, for executive members, was not added until 2000. All Costco members are eligible for its member services program. This enabled the company to more effectively market the program and negotiate discounts. For some member services, Costco negotiated additional savings and features exclusively for executive members.

Costco's member service department earns revenues mostly through commissions on each service. Member service employees function, essentially, as buyers and negotiate to make sure the program ultimately offered to members is the best possible value. The programs are reviewed twice a year to make sure both Costco and its partner are benefitting.

The criteria for a potential member service include the following five factors: the program needs to offer a great value to the member, an existing large market for the product or service must exist, the product or service needs to have a national infrastructure for support, a pricing model that benefits both the vendor and Costco needs to exist and Costco members need to be treated in the same way as Costco treats them.

The national infrastructure issue is important because the number of Costco members potentially interested in a product or service can overwhelm a company's ability to interact with them. Just like its club merchandise, member service programs can be discontinued. The reasons include: product or service usage do not meet expectations, the actual product or service does not meet member expectations, there are too many member complaints or issues and product or service pricing no longer offers a value.

Of the 40 services that Costco offers in the United States, Canada and the United Kingdom, 11 are for business members, 13 are for consumer members and 16 are for both business and consumer members. The following are brief explanations for some of those services.

2% Rebate – In January, 2012, Costco increased its annual membership fees for North American members. Consumer, business add-on and business members in Canada and the United States now pay an annual fee of \$55, a \$5 increase, and executive members in Canada and the United States now pay an annual fee of \$110, a \$10 increase. Associated with the new executive membership fee, Costco increased its maximum annual 2% reward from \$500 to \$750.

Auto Program – Costco's automotive program refers between 600,000 and 700,000 member requests to its 2,500 participating dealerships. More than 40% of those referrals turn into sales. In January, 2012, Costco began offering a 15% discount on parts, labor and accessories for members when they have vehicles serviced at participating auto dealerships. According to a *CNBC.com* report on February 25, 2014, automobile and vehicle sales through Costco's automobile program have grown an average of 11% annually from 199,975 in fiscal 2008 to a projected 375,000 in fiscal 2014.

Courier and Freight Shipments – Costco members in Canada can ship envelopes or packages to more than 220 countries worldwide using ShipTime's online service. Members save on express courier and freight shipping, can choose from leading LTL carriers and shipping services are available from anywhere in North America.

Business Pharmacy Prescription Service – Costco offers a business member pharmacy prescription service for self funded employers with 50 or more employees. With this program, Costco is entering the pharmacy benefit manager (PBM) industry competing with companies like CVS Caremark. A PBM negotiates prices with drug manufacturers and provides those prescription medicines at a discount.

The program offers prescription medicine through Costco's pharmacies or a network of 64,000 independent pharmacies (who have agreed to Costco's pricing program). Manufacturer rebates are passed onto the customer at the time of their purchase. The program says it can offer savings of at least 10% to 15% compared to other prescription plans. By marketing and ultimately selling this program to companies located near existing club locations, Costco will not only be increasing foot traffic in its locations (you don't have to be a club member to use its pharmacy) but will try and leverage that traffic into growing its membership.

Identity Protection – Costco and Identity Guard offer the total protection program which includes daily credit monitoring, credit reports from Equifax, Experian and TransUnion, identity theft loss coverage, internet surveillance, public records monitoring and computer protection.

Mexican Auto Travel Insurance – For business and consumer members traveling to Mexico, Costco offers discounted automobile insurance rates through Bonita West Mexico Insurance Services. Insurance can be purchased online and the program includes term lengths of one day to a full year, a choice of limits for medical coverage and liability, comprehensive and collision insurance up to \$60,000 and options including collision, total theft, bodily injury, property damage, medical expenses, legal defense and travel assistance.

Payroll Processing – The program in the United States is administered by Intuit Payroll Services. Businesses can process their entire payroll using Intuit online payroll or QuickBooks® payroll assist where the user cuts payroll checks and Intuit specialists handle tax deposits and filings. The third program option is called Intuit full service payroll. Employers enter hours and Intuit manages the entire payroll process.

Travel – Costco's travel service, a profitable operation for the club, is managed on the same principles that are applied to its club locations. Costco offers a limited assortment of vacations and travel options at a maximum gross margin of 14%. The packages typically include all necessary components including air, accommodations and airport transfer. Costco's travel business, which began in 2000 with 42 employees, currently has approximately 250 workers. The majority of Costco's travel employees are non-commissioned reservation agents.

The April, 2013 issue of *Costco Wholesale Today* profiled Costco's travel service. The travel business is owned and operated by Costco. In its 2013 fiscal year, Costco's travel business generated sales of \$650 million and had profits equal to approximately seven club locations. Of that total, the car rental business generated sales of \$169 million, a 22% increase over the previous year.

Costco's travel program philosophy is the same as its overall club philosophy: it offers a limited selection of travel properties making sure the amenities and overall pricing structure are offered at a value. Costco's travel buyers work with a limited number of suppliers and destinations and they visit those destinations checking for cleanliness, safety and whether the amenities meet Costco's criteria. Costco will begin offering travel services to Canadian members in 2014.

Van Rental – Costco and Hertz offer a member service called Hertz on Demand. Members at select locations in the United Kingdom can rent a Hertz van for £13 (approximately \$21) an hour. The price covers insurance, maintenance, road tax and VAT. The short term service is intended for members to use to take bulky purchases home from Costco.

Michael Taride, president of Hertz International, said, "We have been growing our global van rental offering through Hertz 24/7 for five years. Our Hertz 24/7 service enables Costco to provide its members with an attractive and efficient van delivery service."

Sam's Club

Sam's annual membership fee of \$45 for business and consumer or advantage members is the lowest in the warehouse club industry. Sam's offers a premium membership program called plus, which offers added benefits and savings for different member services as well as a 2% rebate feature. Plus membership costs \$100 annually. In 2014, Sam's increased its membership fees for business add-on members from \$35 to \$45.

Of the 17 member services that Sam's offers, six are for business members, two is for consumers and nine are for both business and consumer members. The following are brief explanations for some of its remaining services.

Technology Support (Free) – Sam's Club Tech Experts offer free assistance to members nationwide who have electronic related questions from installation to trouble shooting.

SBA Loans – In 2010, Sam's began offering Small Business Administration (SBA) business loans in partnership with Superior Financial Group. The SBA-backed loan amounts range from \$5,000 to \$25,000 and include a 20% discount on loan fees, low interest rates and no collateral. The program features a one-page online application, electronic funding and payments, no prepayment penalties and no balloon payments.

Travel – Around 2007, Sam's transitioned its travel service from an 800 number phone operation to an online service. Around 2008, Sam's Club partnered with Expedia to offer members an online travel service that included vacation packages, flights, hotels, rental cars and cruises. Around 2010/2011, Sam's ended its relationship with Expedia and offered the travel service itself or through another third party. Around 2012, Sam's online travel service was no longer offered.

In 2013/2014, Sam's Club announced a new online travel service in partnership with Tourico Holidays, a global travel company that works directly with travel providers and operates essentially as a wholesale distributor. The service will offer savings on 4,500 worldwide destinations, 90,000 hotels, 6,000 attractions, 150 airlines, 18 car rental brands and 13 cruise lines. The travel program also features a United States-based 24-hour 7-day a week customer service operation and additional savings for Sam's \$100 plus members.

Health Insurance Exchange – In partnership with Aetna, Sam's Club is offering business members with two or more employees in 18 states the opportunity to provide health insurance to its employees. Employers will be able to choose either a defined contribution plan or a plan employees pay for with a pre-tax contribution. The company's health insurance exchange will be called The Aetna Marketplace for Sam's Club.

Payroll – In partnership with Execupay.com, Sam's Club business members can outsource their payroll needs at up to a 40% discount on services such as online payroll, direct deposit, employee access, employee time and attendance and automated tax filings. The system can be managed from a smartphone, tablet or desktop computer.

Legal – In partnership with LegalZoom.com, Sam's Club members can access LegalZoom.com's suite of legal services. For an annual fee of \$299, LegalZoom.com will provide Sam's Club members with estate planning guidance, a year of independent legal advice and up to a 25% discount on all other products and downloadable forms such as company formation and trademarks. John Suh, chief executive officer of LegalZoom, said, "When it comes to the law many people don't know where to start, but it's vital you ensure your business and family are protected. Teaming up with Sam's Club is a chance for LegalZoom to help more people get peace of mind, protecting what matters most to them at an affordable price."

Warehouse Club Magazines

The warehouse club magazines for BJ's, *BJ's Journal*, Costco, *The Costco Connection*, and Sam's Club, *Healthy Living Made Simple*, are effective tools for manufacturers to advertise and promote their products to club business and consumer members. The advertising opportunities and editorial content in these publications is constantly changing. Club vendors should review the magazines on a consistent basis to stay on top of promotional opportunities. This section provides profiles of each club magazine.

***BJ's Journal* – Spring, 2015**

BJ's Journal is published four times per year in the Spring, Summer, Fall and during the winter holiday season. Including the coupon section, a typical issue has between 50 and 100 pages. The Spring, 2015 issue with 68 pages is profiled.

Editorial Content – The focus of *BJ's Journal* is merchandise coupons and product information with editorial content that is primarily focused on the products sold at its club locations.

Advertisements – Each issue of *BJ's Journal* not only include advertisements from well-known branded products but there are always a number of advertisements promoting BJ's private label brands.

The Spring, 2015 issue included the following: a full page advertisement for Berkley & Jensen laundry detergent pacs, a full page advertisement for a Huggies diapers, a full page advertisement for Michelin tires, a full page advertisement for Wisk laundry detergent and a full page advertisement for Wellesley Farms organic frozen fruit.

Coupons – Each issue of *BJ's Journal* includes food and non-food coupons. This issue contains more than \$940 in coupons. The coupons not only appear in their own pull-out section but as part of vendor advertisements.



BJ's Journal – Spring, 2015

***The Costco Connection* – March, 2015**

The Costco Connection, published monthly with a circulation of 8.4 million and an estimated readership of 18.9 million, is one of the most widely read publications nationally. For a comparison, the circulation base (the Alliance for Audited Media) of other magazines is: 7.6 million for *Better Homes and Gardens*, 4.3 million for *Reader's Digest*, 3.5 million for *People* and 3.2 million for *Ladies Home Journal*. A typical issue has between 70 and 125 pages. The 116 page March, 2015 issue is profiled.

Advertising Rates (2014) – National advertising rates are: full page black and white for \$150,000, full page color for \$165,000, half page black and white for \$90,000, half page color for \$99,000, inside front or back cover black and white \$172,500, inside front or back cover color for \$189,750, back cover black and white for \$180,000, back cover color for \$198,000, spread black and white for \$240,000 and spread color for \$264,000.

Costco offers pro-rated regional full page and half page color advertising rates. A full page regional advertisement costs: \$19,800 for the Southeast, \$11,500 for Texas, \$33,000 for the Midwest, \$24,500 for San Diego, \$32,400 for Los Angeles, \$33,000 for the Northwest, \$32,000 for the Bay Area and \$36,000 for the Northeast. A half page regional advertisement costs: \$11,900 for the Southeast, \$6,500 for Texas, \$19,800 for the Midwest, \$14,000 for San Diego, \$19,500 for Los Angeles, \$19,800 for the Northwest, \$18,000 for the Bay Area and \$21,500 for the Northeast.

Editorial Content - There are a number of sections that appear in each issue including: an article from consumer advocates Amanda and David Horowitz, a technology related article from Marc Saltzman, a section where members debate current issues, a section profiling a Costco supplier, a section featuring health related issues and a section called "inside Costco" that provides information about merchandise, services, special events and its membership programs.



The Costco Connection – March, 2015

There is also a monthly feature within each issue called “Buying Smart.” This section compares Costco’s merchandise in a particular category to non-club retailers. For example, in the March, 2015 issue, Costco’s outdoor furniture and gardening supplies are profiled. Costco provides a lot of information in each issue for its book, compact disc and DVD category (a total of seven pages in the March, 2015 issue).

Feature Articles – The feature articles for *The Costco Connection* are normally focused on consumer members. The feature article in the February, 2014 issue profiled the movie, *Wild*.

Advertisements – There are a number of nationally branded and private label product advertisements in each issue. The March, 2015 issue includes: a full page advertisement for Nature Made vitamins, a full page advertisement for Post honey bunches of oats cereal, a half page advertisement for Eos lip balm and a full page advertisement for Kirkland Signature krill oil.

Digimarc ® – Costco incorporated the Digimarc ® Discover Intuitive Computing Platform into *The Costco Connection*. Beginning with the April, 2013 issue, digital watermarks (essentially physical and electronic links that take the place of QR codes) are now included in articles and advertisements linking print readers (by scanning a link using a Digimarc Discover app) and online readers (by clicking a link) to product information and videos as well as enabling those viewers to make purchases.

David Fuller, assistant vice president, publisher and editor of *The Costco Connection*, said, “With Digimarc’s solution, our readers can seamlessly move between our print magazine and our online content without ever having to open a browsers and search. This instant connection to more information means our members will be able to more deeply engage with our content much more quickly.”

Healthy Living Made Simple – September/October 2014

Sam’s Club introduced *Healthy Living Made Simple* in January, 2012. The magazine is being published by Ivie Communications every other month. The publication was initially sent to approximately eight million Sam’s Club members. In addition, each location will have 1,000 copies to hand out to members. The publication can also be read online by visiting www.samsclub.com/healthyliving.

Sam’s director of business development for health and wellness said, “What we learned is that our members really define health and wellness in a broad way. Every member defines it a little bit differently. So it’s not just OTC, and it’s not just pharmacy; it’s fresh and it’s beauty, and it’s so many other areas of the club. Our members define health and wellness for all those they care about, so that’s everything from babies and children to pets. We thought it would be important to take the magazine, focus on general health themes ... and give members tips and tricks about how to manage all those different topics.” The following are observations from the September/October 2014 issue:

Departments – Each issue includes editorial content on babies, beauty, pharmacy, family wellness, optical, hearing and pet health.

Editorial Content – The feature article of the September/October, 2014 issue is actress and musician Jordin Sparks.



Healthy Living Made Simple – September/October 2014

Advertisements – The advertisements in the publication are products that support the magazine’s healthy living theme. The following companies and products were among the advertisers: a full page advertisement for Tylenol medicine, a full page advertisement for Glucerna protein shakes, a half page advertisement for Colgate whitening toothpaste and a full page advertisement for Simply Right private label multivitamins.

Category SKU

The SKU counts at BJ's, Costco and Sam's Club were recorded in December, 2012, December, 2013 and December, 2014. The percentages next to the category SKU counts in the chart below represent the percent of total SKUs. The percentages next to the dry grocery SKU counts on the next page represent the percent of total dry grocery SKUs.

Overall Category SKUs

SKU Count	BJ's						Costco						Sam's Club					
	Dec-12		Dec-13		Dec-14		Dec-12		Dec-13		Dec-14		Dec-12		Dec-13		Dec-14	
Bread, Bakery	152	2%	180	3%	181	3%	83	2%	78	2%	70	2%	129	2%	135	3%	140	3%
Beer, Wine, Liquor	511	8%	524	8%	165	2%	222	6%	181	5%	182	5%	208	4%	194	4%	184	3%
Candy	181	3%	171	3%	173	3%	90	2%	77	2%	71	2%	197	4%	203	4%	197	4%
Deli, Sliced Meat, Prepared, Cheese	291	4%	272	4%	303	5%	158	4%	177	5%	141	4%	134	3%	137	3%	170	3%
Dry Grocery	649	10%	651	10%	614	9%	324	8%	348	9%	344	9%	425	8%	401	8%	403	8%
Frozen	279	4%	301	4%	290	4%	100	3%	98	3%	97	3%	223	4%	206	4%	223	4%
Fresh Meat, Chicken, Seafood, Prepared	119	2%	144	2%	136	2%	85	2%	98	3%	91	2%	80	2%	73	1%	79	1%
Health, Diet, Bars and Shakes	37	1%	45	1%	48	1%	15	0%	19	0%	18	0%	38	1%	43	1%	65	1%
Produce	133	2%	120	2%	144	2%	82	2%	86	2%	85	2%	91	2%	72	1%	95	2%
Refrigerated, Cooler	153	2%	159	2%	163	2%	63	2%	69	2%	65	2%	95	2%	99	2%	97	2%
Snacks, Cookies	140	2%	162	2%	155	2%	106	3%	108	3%	108	3%	137	3%	131	3%	168	3%
Soda, Water, Tea, Energy Drinks	63	1%	67	1%	73	1%	46	1%	42	1%	42	1%	82	2%	77	2%	78	1%
Food Total	2,708	40%	2,796	42%	2,445	37%	1,374	35%	1,381	36%	1,314	35%	1,839	35%	1,771	36%	1,899	35%
Apparel (tags only)	319	5%	334	5%	268	4%	153	4%	163	4%	184	5%	223	4%	202	4%	189	4%
Appliances	25	0%	29	0%	19	0%	32	1%	29	1%	33	1%	27	1%	38	1%	37	1%
Automotive, Tires, Batteries	148	2%	152	2%	141	2%	112	3%	110	3%	103	3%	135	3%	134	3%	132	2%
Baby Food and Supplies	133	2%	141	2%	154	2%	26	1%	26	1%	27	1%	60	1%	65	1%	74	1%
Bed, Bath, Mattresses	88	1%	112	2%	94	1%	72	2%	69	2%	73	2%	127	2%	127	3%	138	3%
Books, CDs, Movies	745	11%	450	7%	824	12%	341	9%	336	9%	341	9%	419	8%	382	8%	519	10%
Computers, Supplies, Software	74	1%	93	1%	71	1%	63	2%	60	2%	61	2%	111	2%	121	2%	124	2%
Detergents, Cleaning Supplies	102	2%	108	2%	106	2%	63	2%	63	2%	66	2%	113	2%	105	2%	118	2%
Electronics - TV, DVD, Stereo, Music	123	2%	158	2%	116	2%	93	2%	100	3%	91	2%	103	2%	96	2%	90	2%
Film, Batteries, Cameras, Tapes	48	1%	50	1%	60	1%	46	1%	30	1%	34	1%	47	1%	54	1%	54	1%
Furnishings, Lighting, Plants, Frames	25	0%	36	1%	50	1%	37	1%	34	1%	33	1%	15	0%	23	0%	25	0%
Furniture	6	0%	8	0%	20	0%	7	0%	2	0%	9	0%	34	1%	33	1%	31	1%
Hardware, Tools	25	0%	16	0%	20	0%	45	1%	33	1%	27	1%	39	1%	42	1%	43	1%
Gift Cards (high discount), Flowers	n/a	0%	13	0%	19	0%	n/a	0%	18	0%	12	0%	n/a	0%	8	0%	13	0%
Health and Beauty Aids	597	9%	624	9%	615	9%	374	10%	376	10%	364	10%	389	7%	385	8%	417	8%
Housewares, Vacuums, Fresheners	63	1%	55	1%	50	1%	40	1%	36	1%	34	1%	25	0%	22	0%	25	0%
Jewelry, Fragrances, Collectibles	495	7%	436	6%	463	7%	350	9%	313	8%	396	10%	540	10%	472	10%	536	10%
Kitchen Supplies	68	1%	91	1%	82	1%	56	1%	53	1%	59	2%	88	2%	79	2%	104	2%
Office Equipment, Furniture, Phone	62	1%	56	1%	49	1%	33	1%	43	1%	40	1%	78	1%	68	1%	83	2%
Office Supplies, School, Cartridges	120	2%	111	2%	105	2%	77	2%	77	2%	77	2%	204	4%	205	4%	207	4%
Paper Products	109	2%	124	2%	110	2%	45	1%	45	1%	42	1%	71	1%	61	1%	61	1%
Pet	88	1%	115	2%	112	2%	31	1%	36	1%	31	1%	45	1%	48	1%	47	1%
Plastic Products, Trash Bags, Tin Foil	103	2%	108	2%	104	2%	45	1%	42	1%	42	1%	81	2%	81	2%	76	1%
Seasonal	170	3%	149	2%	209	3%	130	3%	118	3%	116	3%	126	2%	142	3%	109	2%
Sports, Camping, Luggage	22	0%	37	1%	43	1%	27	1%	16	0%	18	0%	23	0%	31	1%	31	1%
Tobacco	75	1%	75	1%	75	1%	95	2%	95	2%	95	3%	95	2%	90	2%	90	2%
Toys, Video Games	198	3%	260	4%	247	4%	112	3%	117	3%	72	2%	152	3%	81	2%	85	2%
Non Food Total	4,031	60%	3,941	58%	4,226	63%	2,505	65%	2,440	64%	2,480	65%	3,370	65%	3,195	64%	3,458	65%
Overall Total	6,739		6,737		6,671		3,879		3,821		3,794		5,209		4,966		5,357	

WCF research, estimates. SKU counts in December, 2012, 2013 and 2014.

Dry Grocery SKUs

SKU Count	BJ's						Costco						Sam's Club					
	Dec-12		Dec-13		Dec-14		Dec-12		Dec-13		Dec-14		Dec-12		Dec-13		Dec-14	
Baking	48	7%	48	7%	40	7%	28	9%	31	9%	32	9%	29	7%	35	9%	37	9%
Breakfast Items, Peanut Butter	31	5%	22	3%	27	4%	12	4%	14	4%	14	4%	28	7%	18	4%	18	4%
Canned Meat, Chicken, Seafood	26	4%	32	5%	25	4%	13	4%	10	3%	14	4%	12	3%	11	3%	14	3%
Cereal	31	5%	33	5%	32	5%	18	6%	21	6%	20	6%	21	5%	20	5%	19	5%
Coffee, Tea, Hot Chocolate	62	10%	54	8%	55	9%	33	10%	37	11%	37	11%	48	11%	39	10%	41	10%
Condiments, Sauces, Dressings	104	16%	116	18%	103	17%	53	16%	46	13%	40	12%	60	14%	53	13%	61	15%
Dried Fruit	18	3%	17	3%	18	3%	9	3%	11	3%	11	3%	3	1%	5	1%	4	1%
Drink Mixes	15	2%	16	2%	11	2%	5	2%	4	1%	5	1%	8	2%	12	3%	6	1%
Fruit, Vegetable, Pudding	37	6%	38	6%	39	6%	16	5%	16	5%	14	4%	24	6%	24	6%	25	6%
Juice, Gatorade, Shelf Stable Milk	72	11%	64	10%	58	9%	32	10%	48	14%	46	13%	41	10%	39	10%	35	9%
Ethnic	15	2%	18	3%	12	2%	5	2%	4	1%	3	1%	5	1%	2	0%	3	1%
Oils	20	3%	22	3%	24	4%	14	4%	14	4%	16	5%	16	4%	17	4%	20	5%
Olives, Tomato Products	17	3%	12	2%	13	2%	11	3%	12	3%	14	4%	10	2%	10	2%	8	2%
Pasta, Rice, Beans	42	6%	45	7%	44	7%	24	7%	27	8%	26	8%	26	6%	25	6%	24	6%
Soup	28	4%	31	5%	34	6%	12	4%	15	4%	17	5%	18	4%	18	4%	19	5%
Spices	83	13%	83	13%	79	13%	39	12%	38	11%	35	10%	76	18%	73	18%	69	17%
Dry Grocery Total	649		651		614		324		348		344		425		401		403	

WCF research, estimates. SKU counts in December, 2012, 2013 and 2014.

Category SKU Growth, Contraction

This section provides a perspective on the growth or contraction of a category's SKU assortment since 2004.

Data and Chart Background – The following is an overview of the chart and the data in the chart.

Time Frame – The chart includes SKU data by category from 2004, 2008, 2012 and 2014 for BJ's, Costco and Sam's Club. The data was typically gathered in December of each year.

Charts – The larger chart on top includes all club categories. The smaller chart on the bottom provides dry grocery detail.

Change Column – The column labeled "Change" provides the percentage increase or decrease in a category's assortment from 2004 to 2014. For example, BJ's stocked 212 candy items in 2004 and 173 candy items in 2014. The figure in 2014 represented an 18% decrease in SKUs compared to 2004.

Food B and Non-Food B – The following six categories (one food and five non-food) were separated into the "Food B" and "Non-Food B" groupings. This was done because either their SKU counts are more likely to be influenced by factors beyond strategic shifts in club buying strategy or their SKU counts were very high and would unduly influence the overall results. The data for these categories is included in the overall totals for each club but not in the "Food A", "Non-Food A" and "Overall A" totals.

- *Beer, Wine and Liquor* – SKU counts in this category are dependent on local and state liquor laws and since the location of the clubs where beer, wine and liquor SKU data was gathered was not consistent over the years, the overall assortment results would have been unduly affected.
- *Books, CDs and Movies* – This is the most difficult category to gain an accurate SKU count for and while we are comfortable with our estimates, we decided, given the high number of items in books, movies and CDs, this category would be separated for the purposes of this analysis.
- *Gift Cards (high discount), Flowers* - This category was separated because we did not begin tracking it until 2013.
- *Jewelry, Fragrances, Collectibles* – Given the high number of items in jewelry, fragrances and collectibles, we decided this category would be separated for the purposes of this analysis.
- *Seasonal and Toys, Videos and Games* – The SKU counts for these two categories are greatly influenced by the time of the year (early December assortments may differ greatly from late December assortments). As a result, seasonal and toys, videos and games were separated for the purposes of this analysis.

Food A and Non-Food A – The majority of all club categories appear in the “Food A” and “Non-Food A” sections. The SKU counts for these categories are not influenced by outside factors as much as the categories in “Food B” and “Non-Food B” and provide an excellent window on changes in club buying strategy.

Analysis – The following brief analysis uses data from the “Food A”, “Non-Food A” and “Overall A” sections.

Costco – Costco’s SKU discipline is very apparent. Costco’s SKU assortment is the smallest among the three clubs and since 2004, both its food and non-food assortment decreased. Costco’s food assortment decreased 3% from 1,169 items in 2004 to 1,132 SKUs in 2014 and its non-food assortment decreased 13% from 1,768 items in 2004 to 1,543 SKUs in 2014.

Sam’s Club – Sam’s buying strategy has focused on increasing its product assortment providing its members with an expanding variety of merchandise. Its food selection increased 14% from 1,500 SKUs in 2004 to 1,715 items in 2014 and its non-food assortment increased 13% from 1,941 products in 2004 to 2,196 SKUs in 2014.

BJ’s – BJ’s buying strategy has focused on providing the widest assortment of items among the three clubs but it has contracted the number of food and non-food items. BJ’s food assortment decreased 6% from 2,421 items in 2004 to 2,280 products in 2014 and its non-food assortment decreased 6% from 2,621 SKUs in 2004 to 2,464 items in 2014.

Category Sales

The charts in this chapter provide worldwide estimated category sales for the 2014 calendar year for BJ's, Costco and Sam's Club. Category sales data is not provided for Cost-U-Less and PriceSmart because there is no objective method for estimating category sales penetration for each retailer.

The number of year end worldwide club locations is listed on the top of the chart. The first column represents estimated annual category sales in millions. The second column represents the estimated category penetration or percentage of overall sales. The third column represents the number of SKUs in a category as of December, 2014. The fourth column represents the average weekly sales per item per location in a particular category. The SKU counts greatly affect the weekly sales per item per location data. In categories that experience large shifts in assortment, like seasonal and furniture, the sales per item per club estimates will be skewed.

Overall Category Sales

2014	BJ's				Costco				Sam's Club				Industry	
Worldwide Locations	207				671				839				1,717	
Category Data	Annual Sales		SKU		Annual Sales		SKU		Annual Sales		SKU		Annual Sales	
	million \$	percent	total	\$/week/club	million \$	percent	total	\$/week/club	million \$	percent	total	\$/week/club	million \$	percent
Bread, Bakery	\$246	1.8%	181	\$126	\$2,909	2.6%	70	\$1,191	\$1,594	2.0%	140	\$261	\$4,748	2.3%
Beer, Wine, Liquor	\$218	1.6%	165	\$123	\$3,315	2.9%	182	\$522	\$1,828	2.3%	184	\$228	\$5,361	2.6%
Candy	\$592	4.3%	173	\$318	\$4,330	3.8%	71	\$1,748	\$4,117	5.3%	197	\$479	\$9,038	4.4%
Deli, Sliced Meat, Prepared, Cheese	\$344	2.5%	303	\$105	\$2,751	2.4%	141	\$559	\$1,515	1.9%	170	\$204	\$4,610	2.3%
Dry Grocery	\$1,753	12.7%	614	\$265	\$13,389	11.9%	344	\$1,115	\$8,829	11.3%	403	\$502	\$23,971	11.7%
Frozen	\$952	6.9%	290	\$305	\$7,272	6.5%	97	\$2,149	\$4,984	6.4%	223	\$512	\$13,209	6.5%
Fresh Meat, Chicken, Seafood, Prepared	\$435	3.2%	136	\$297	\$4,036	3.6%	91	\$1,271	\$2,140	2.7%	79	\$621	\$6,612	3.2%
Health, Diet, Bars and Shakes	\$17	0.1%	48	\$32	\$96	0.1%	18	\$153	\$187	0.2%	65	\$66	\$300	0.1%
Produce	\$538	3.9%	144	\$347	\$5,401	4.8%	85	\$1,821	\$2,101	2.7%	95	\$507	\$8,040	3.9%
Refrigerated, Cooler	\$620	4.5%	163	\$353	\$3,721	3.3%	65	\$1,641	\$2,586	3.3%	97	\$611	\$6,926	3.4%
Snacks, Cookies	\$213	1.5%	155	\$127	\$1,398	1.2%	108	\$371	\$1,414	1.8%	168	\$193	\$3,025	1.5%
Soda, Water, Tea, Energy Drinks	\$328	2.4%	73	\$418	\$2,413	2.1%	42	\$1,646	\$2,383	3.1%	78	\$700	\$5,124	2.5%
Total Food	\$6,255	45.3%	2,445	\$238	\$51,031	45.3%	1,314	\$1,113	\$33,678	43.1%	1,899	\$406	\$90,964	44.4%
Apparel (tags only)	\$230	1.7%	268	\$80	\$1,703	1.5%	184	\$265	\$797	1.0%	189	\$97	\$2,730	1.3%
Appliances	\$76	0.6%	19	\$371	\$868	0.8%	33	\$754	\$461	0.6%	37	\$286	\$1,405	0.7%
Automotive, Tires, Batteries	\$222	1.6%	141	\$146	\$1,562	1.4%	103	\$435	\$1,359	1.7%	132	\$236	\$3,143	1.5%
Baby Food and Supplies	\$298	2.2%	154	\$180	\$474	0.4%	27	\$503	\$344	0.4%	74	\$106	\$1,115	0.5%
Bed, Bath, Mattresses	\$197	1.4%	94	\$195	\$1,488	1.3%	73	\$584	\$713	0.9%	138	\$118	\$2,399	1.2%
Books, CDs, Movies	\$266	1.9%	824	\$30	\$2,018	1.8%	341	\$170	\$734	0.9%	519	\$32	\$3,019	1.5%
Computers, Supplies, Software	\$253	1.8%	71	\$330	\$1,748	1.6%	61	\$821	\$1,008	1.3%	124	\$186	\$3,008	1.5%
Detergents, Cleaning Supplies	\$453	3.3%	106	\$397	\$2,943	2.6%	66	\$1,278	\$2,351	3.0%	118	\$457	\$5,747	2.8%
Electronics - TV, DVD, Stereo, Music	\$549	4.0%	116	\$440	\$3,924	3.5%	91	\$1,236	\$2,140	2.7%	90	\$545	\$6,613	3.2%
Film, Batteries, Cameras, Tapes	\$124	0.9%	60	\$192	\$1,060	0.9%	34	\$893	\$578	0.7%	54	\$245	\$1,762	0.9%
Furnishing, Lighting, Plants, Frames	\$138	1.0%	50	\$256	\$1,398	1.2%	33	\$1,214	\$422	0.5%	25	\$387	\$1,958	1.0%
Furniture	\$51	0.4%	20	\$237	\$767	0.7%	9	\$2,442	\$406	0.5%	31	\$300	\$1,224	0.6%
Hardware, Tools	\$120	0.9%	20	\$558	\$1,274	1.1%	27	\$1,352	\$1,023	1.3%	43	\$545	\$2,417	1.2%
Gift Cards (high discount), Flowers	\$7	0.1%	19	\$34	\$62	0.1%	12	\$148	\$43	0.1%	13	\$76	\$112	0.1%
Health and Beauty Aids	\$276	2.0%	615	\$42	\$1,815	1.6%	364	\$143	\$1,586	2.0%	417	\$87	\$3,677	1.8%
Housewares, Vacuums, Fresheners	\$145	1.1%	50	\$269	\$1,240	1.1%	34	\$1,045	\$578	0.7%	25	\$530	\$1,963	1.0%
Jewelry, Fragrances, Collectibles	\$120	0.9%	463	\$24	\$1,116	1.0%	396	\$81	\$477	0.6%	536	\$20	\$1,713	0.8%
Kitchen Supplies	\$124	0.9%	82	\$141	\$1,432	1.3%	59	\$696	\$891	1.1%	104	\$196	\$2,447	1.2%
Office Equipment, Furniture, Phone	\$109	0.8%	49	\$207	\$1,297	1.2%	40	\$929	\$875	1.1%	83	\$242	\$2,281	1.1%
Office Supplies, School, Cartridges	\$148	1.1%	105	\$131	\$2,368	2.1%	77	\$881	\$1,437	1.8%	207	\$159	\$3,953	1.9%
Paper Products	\$449	3.3%	110	\$379	\$2,751	2.4%	42	\$1,877	\$2,609	3.3%	61	\$980	\$5,809	2.8%
Pet	\$308	2.2%	112	\$255	\$1,849	1.6%	31	\$1,710	\$1,750	2.2%	47	\$853	\$3,907	1.9%
Plastic Products, Trash Bags, Tin Foil	\$311	2.3%	104	\$277	\$2,187	1.9%	42	\$1,493	\$1,945	2.5%	76	\$587	\$4,443	2.2%
Seasonal	\$167	1.2%	209	\$74	\$1,297	1.2%	116	\$320	\$859	1.1%	109	\$181	\$2,323	1.1%
Sports, Camping, Luggage	\$44	0.3%	43	\$95	\$722	0.6%	18	\$1,149	\$227	0.3%	31	\$168	\$992	0.5%
Tobacco	\$515	3.7%	75	\$638	\$2,788	2.5%	95	\$841	\$5,703	7.3%	90	\$1,452	\$9,006	4.4%
Toys, Video Games	\$94	0.7%	247	\$35	\$834	0.7%	72	\$332	\$94	0.1%	85	\$25	\$1,022	0.5%
Total Non-Food	\$5,794	42.0%	4,226	\$127	\$42,984	38.1%	2,480	\$497	\$31,410	40.2%	3,458	\$208	\$80,187	39.2%
Ancillary Business	\$1,753	12.7%	n/a	n/a	\$18,736	16.6%	n/a	n/a	\$13,030	16.7%	n/a	n/a	\$33,518	16.4%
Overall Total	\$13,801		6,671	\$168	\$112,750		3,794	\$710	\$78,118		5,357	\$278	\$204,669	

WCF research, estimates. SKU counts in December, 2014.

Dry Grocery Sales

The chart below provides sub-category sales data for the dry grocery department. The penetration figures in the chart represent the percentage of dry grocery sales.

2014	BJ's				Costco				Sam's Club				Industry	
Worldwide Locations	207				671				839				1,717	
Category Data	Annual Sales		SKU		Annual Sales		SKU		Annual Sales		SKU		Annual Sales	
	million \$	percent	total	\$/week/club	million \$	percent	total	\$/week/club	million \$	percent	total	\$/week/club	million \$	percent
Baking	\$165	9.4%	40	\$383	\$1,238	9.3%	32	\$1,109	\$814	9.2%	37	\$504	\$2,218	9.3%
Breakfast Items, Peanut Butter	\$89	5.1%	27	\$308	\$669	5.0%	14	\$1,370	\$456	5.2%	18	\$580	\$1,214	5.1%
Canned Meat, Chicken, Seafood	\$78	4.4%	25	\$289	\$643	4.8%	14	\$1,316	\$408	4.6%	14	\$668	\$1,128	4.7%
Cereal	\$189	10.8%	32	\$550	\$1,419	10.6%	20	\$2,034	\$946	10.7%	19	\$1,141	\$2,555	10.7%
Coffee, Tea, Hot Chocolate	\$216	12.4%	55	\$366	\$1,837	13.7%	37	\$1,423	\$1,192	13.5%	41	\$666	\$3,246	13.5%
Condiments, Sauces, Dressings	\$142	8.1%	103	\$128	\$1,165	8.7%	40	\$835	\$803	9.1%	61	\$302	\$2,110	8.8%
Dried Fruit	\$39	2.2%	18	\$199	\$220	1.6%	11	\$572	\$130	1.5%	4	\$745	\$388	1.6%
Drink Mixes	\$33	1.9%	11	\$281	\$193	1.4%	5	\$1,105	\$79	0.9%	6	\$304	\$306	1.3%
Fruit, Vegetable, Pudding	\$124	7.1%	39	\$296	\$924	6.9%	14	\$1,891	\$645	7.3%	25	\$591	\$1,693	7.1%
Juice, Gatorade, Shelf Stable Milk	\$195	11.1%	58	\$312	\$1,633	12.2%	46	\$1,018	\$1,051	11.9%	35	\$688	\$2,879	12.0%
Ethnic	\$75	4.3%	12	\$584	\$121	0.9%	3	\$1,151	\$99	1.1%	3	\$754	\$295	1.2%
Oils	\$58	3.3%	24	\$224	\$522	3.9%	16	\$935	\$306	3.5%	20	\$351	\$886	3.7%
Olives, Tomato Products	\$51	2.9%	13	\$363	\$482	3.6%	14	\$987	\$336	3.8%	8	\$961	\$868	3.6%
Pasta, Rice, Beans, Potatoes	\$149	8.5%	44	\$314	\$1,145	8.6%	26	\$1,262	\$770	8.7%	24	\$735	\$2,063	8.6%
Soup	\$54	3.1%	34	\$148	\$422	3.2%	17	\$711	\$274	3.1%	19	\$330	\$750	3.1%
Spices	\$95	5.4%	79	\$112	\$756	5.7%	35	\$619	\$521	5.9%	69	\$173	\$1,373	5.7%
Dry Grocery Total	\$1,753		614	\$265	\$13,389		344	\$1,116	\$8,829		403	\$502	\$23,971	

WCF research, estimates. SKU counts in December, 2014.

Private Label

Private label programs are an important and growing part of the merchandising strategy at BJ's, Costco, PriceSmart and Sam's Club. Private label items not only provide each club with brand exclusivity but offer the opportunity for higher gross margins while maintaining product quality and value.

Costco's private label program primarily concentrates on one brand: Kirkland Signature (see picture on the right of a 1.75-liter bottle of Kirkland Signature London dry gin). The private label programs at BJ's (8 brands), PriceSmart (four brands) and Sam's Club (11 brands) focus on a multi-brand strategy.

This chapter is divided into eight sections: private label strategies, data overview, competing with a private label SKU, BJ's program, Costco's program, Sam's program, private label at Cost-U-Less and PriceSmart and pricing analysis. The data in this chapter was gathered at BJ's, Costco and Sam's Club in March, 2015.



Costco – Kirkland Signature London Dry Gin

Private Label Strategies

Warehouse club private label strategy is different compared to other retail formats. The clubs strive to offer premium private label products that meet or exceed the quality standards of the competing national brand while still offering a significant value. Private label products and programs are evaluated and decided upon at the corporate level with buyers following ten strategies:

1. **Gross Margin** – Private label products typically exceed traditional club gross margins of 8% to 12%. Costco believes, however, that offering its members a “value” is paramount and places a “cap” of 15% on private label gross margins with exceptions listed in a report that is seen by company executives.
2. **Savings** – Private label products should yield a 20% savings compared to the competing nationally brand.
3. **Quality** – Generally, club private label products should at the very least consistently meet the quality standards of the competing national brand. In many cases, club private label quality will exceed those national brands. However, in some cases, the quality standard of a particular club private label product is so much higher than the competing brand that the private label item may actually be more expensive on a per-unit basis than the competing national brand.

For example, Costco stocked 72-ounce bag of Nestle Toll House semi sweet chocolate chip morsels for \$9.49 and a 72-ounce bag of Kirkland Signature semi sweet chocolate chip morsels for \$9.99. The Kirkland Signature chocolate includes a higher percentage of cacao (51%) and is made with real vanilla.

4. **Competition** – Private label items are generally developed for a category that does not have a strong national brand since product introduction is easier (see picture on the right from Sam's Club of a 40-pound bucket of Member's Mark three-inch chlorinating tablets for pools).
5. **Volume** - Private label products are generally chosen based on a potential item's unit or dollar volume. The higher the volume, the more likely a private label item will be developed.
6. **Supply** – Generally, one manufacturer is chosen to produce a particular private label item. The clubs are able to negotiate the lowest possible cost by committing all their volume to that one manufacturer.



Sam's – Member's Mark Chlorinating Tablets

7. **Advertising** - Advertising costs are kept to a minimum and items are promoted through product demonstrations and club magazines.
8. **Merchandising** – Generally, private label items receive more visible merchandising space increasing product exposure.
9. **Packaging** – The clubs are able to not just control the product's exterior packaging but, through configuration of the interior container/package, can save money on transportation. Since the club's control the development of the private label product, they can dictate, where necessary, the pallet configuration to maximize the number of SKUs that will fit on a pallet reducing the number of truckloads needed to deliver product.

10. **Negotiations** – Private label programs assist the clubs in negotiating the best possible price from competing brands. In the January, 2001 issue of *The Costco Connection*, Dick DiCerchio, Costco's former senior executive vice president and chief operating officer (DiCerchio retired in 2010), said, "Some national brands weren't giving anyone a break [on price]. We needed to keep them honest, and that's what a quality private label can accomplish if done correctly."

Data Overview

The two charts in this section provide an objective overview of the private label programs at BJ's, Costco and Sam's Club. BJ's and Sam's each stock a line of towels (bath, hand and washcloths) in different colors. Historically, each color within each type of towel was counted as its own private label SKU. Beginning in 2013, the individual colors within each towel type were not counted as their own private label item. This decision reduced the bed and bath private label count at BJ's and Sam's.

Five Year Recap – The chart on the right shows private label SKU development over the past five calendar years. The most recent product data was gathered in March, 2015. The chart includes the total number of SKUs, the total number of private label items and the number of private label items in each category. The percentage next to the yearly private label total represents the ratio of private label items to overall SKUs. The column labeled brands shows the number of key private label brands offered by each club.

From 2011 to 2014, Costco stocked an average of 574 private label items. In 2015, Costco stocked 638 private label products, an increase of 11% compared to that four year average. Costco's percentage of total SKUs that are private label increased to 17% in 2015 and continued to be the highest rate among the three clubs with BJ's at 9% and Sam's at 11%.

	Private Label	Total SKUs	Private Label SKUs	Brands	Apparel	Alcohol	Auto	Candy, Snacks	Dry Grocery	Perishables	Seasonal	Bed, Bath	Hard Goods	HBA, Baby	Pet	Sundries
BJ's																
2011	7,352	608	8%	12	16	0	4	36	64	212	36	46	34	96	12	52
2012	6,891	611	9%	11	25	0	4	37	52	226	37	44	26	98	11	51
2013	6,739	623	9%	11	21	0	0	35	81	243	39	12	26	103	13	50
2014	6,737	629	9%	11	21	0	0	39	79	242	36	13	29	101	16	53
2015	6,671	579	9%	8	17	0	0	35	64	239	37	11	22	94	11	49
Costco																
2011	4,003	546	14%	3	20	9	37	34	69	191	33	16	17	85	8	27
2012	3,956	581	15%	3	21	8	39	41	70	198	43	6	25	90	10	30
2013	3,879	594	15%	3	27	13	40	38	83	194	41	5	18	95	9	31
2014	3,821	574	15%	3	22	21	41	39	82	190	29	5	14	89	11	31
2015	3,794	638	17%	3	22	31	41	39	94	202	47	12	17	89	15	29
Sam's Club																
2011	5,352	562	11%	6	4	0	10	8	43	180	25	27	80	105	7	73
2012	5,250	585	11%	11	4	2	10	7	44	210	32	24	76	95	6	75
2013	5,209	581	11%	11	4	2	9	6	41	224	40	4	72	97	5	77
2014	4,966	536	11%	12	5	0	9	11	43	177	32	10	76	93	3	77
2015	5,357	567	11%	11	3	0	11	8	44	185	34	12	91	94	6	79

From 2011 to 2014, BJ's stocked an average of 618 private label items. However, in 2015, BJ's reduced its private label assortment to 579 products, a decrease of 6% compared to that four year average. From 2011 to 2014, Sam's stocked an average of 566 private label products, essentially the same number of items as was observed in 2015.

2014 Calendar Year		BJ's	Costco	Sam's
Total	SKU	6,671	3,794	5,357
	Locations	207	671	839
	Yearly Product Sales less Ancillary (million)	\$12,048	\$94,014	\$65,004
	Yearly Sales per SKU	\$1,806,026	\$24,779,652	\$12,134,404
Branded	Yearly Sales per SKU per Location	\$8,725	\$36,929	\$14,463
	Weekly Sales per SKU per Location	\$168	\$710	\$278
	SKU	6,092	3,156	4,790
	Percent of Sales	87.7%	75.3%	86.2%
Private Label	Yearly Sales (million)	\$10,566	\$70,793	\$56,033
	Yearly Sales per SKU	\$1,734,422	\$22,431,097	\$11,698,006
	Yearly Sales per SKU per Location	\$8,379	\$33,429	\$13,943
	Weekly Sales per SKU per Location	\$161	\$643	\$268
Private Label	SKU	579	638	567
	Percent of Sales	12.3%	24.7%	13.8%
	Yearly Sales (million)	\$1,482	\$23,221	\$8,971
	Yearly Sales per SKU	\$2,559,420	\$36,397,270	\$15,821,079
Private Label	Yearly Sales per SKU per Location	\$12,364	\$54,243	\$18,857
	Weekly Sales per SKU per Location	\$238	\$1,043	\$363

2014 Sales – The chart on the left provides estimated sales for an average private label and branded SKU at each club. The sales data is from calendar year 2014 and does not include club ancillary businesses. The sales data is based on Costco's monthly sales reports and Sam's quarterly reported sales data. BJ's, as a private company, does not report sales data so their results are estimated.

A branded item at Costco generates \$643 weekly per club compared to a private label item which generates \$1,043 weekly per club. A branded item at BJ's generates \$161 weekly per club compared to a private label item which generates \$238 weekly per club and a branded item at Sam's generates \$268 weekly per club compared to a private label item which generates \$363 weekly per club.

Competing Against Club Private Label Items

Club vendors selling a branded product that competes with an existing or potential private label item should not feel completely pessimistic about their prospects. Club buyers generally approach private label products as a way to offer additional value to their member. Club buyers and operators are typically not "beholden" to private label SKUs but the competition is challenging.

Club Buyer Philosophy – Club buyers are trained to evaluate each item on its own individual volume and gross margin merits. If an item does not meet certain thresholds, it will be deleted. It does not matter if that deleted item is a private label item or a branded item. Among the principles that club buyers follow, two relate to this issue:

1. **Intelligent Loss of Sales** – Club buyers follow a strategy of an intelligent loss of sales. The clubs will only stock items that offer significant savings to their members. If a manufacturer, for example, prices an item too high or requires that the item be sold at the manufacturer's suggested retail price, a club will not stock the item. The clubs believe that if they cannot show a value to their members on a product, then that particular item should not be stocked.

2. **Decision Making Process** – Club buyers make item buying decisions not category buying decisions. When buying for a category, as grocery store buyers do, the goal is to provide a broad selection. When item buying, as club buyers do, an item must meet certain sales and value thresholds. If an item does not meet those criteria, the club will not stock it. Since the clubs only stock a limited number of SKUs, the club buyer's goal is to maximize sales per square foot.

Options Exist – Branded manufacturers have a couple of choices when putting together a strategy for competing against club private label products: reduce a product's cost and add features.

1. **Reduce Product Cost** – The branded vendor could choose to aggressively lower the club's cost so that the branded product offers an equal or better value than the private label item. Club buyers will consider deleting a private label item if it does not offer a savings or quality advantage in comparison to a competing brand.
2. **Add Features** – Another option is to include additional product features that, in conjunction with the product itself, provide a better value compared to the private label item. If the branded product with additional features offers an overall better value than the competing private label item, the club buyer will have to consider deleting the private label item in favor of the branded item.

How Does Your Company Compete With Costco's Kirkland Signature Brand?	
Company	Response
Broker	Large Try to convince the buyer that KS has many real poor sellers lately so they should keep our product and stay focused on national brands.
	Medium It's very difficult due to the SKU limitations imposed by Costco. They have very little SKU duplication which makes this a very challenging situation. We'll try to get consideration for a co-branded opportunity when we feel it would be warranted. Additionally, it would be very good for Costco to do more multi-vendor programs with regards to KS items--transitioning from items that have had one supplier for a KS item to more redundant suppliers.
	Small Try and find savings in raw materials and try to pass those savings along to Costco. We increased promotions such as IRCs and product demonstrations. However, if KS comes in and you're not a national brand, it's pretty much a death sentence. The regional buyers are forced to stock those items. The only time a KS item is not carried is if the raw material is in short supply or there is a specific region where an item performs significantly behind other regions. One exception ... is the Bay area deli department as they are able to offer their customers organic items over the KS products. We promote the importance of the brand concept. Even though there is great value in KS, brand names can drive the category. It also allows Costco to show the value of their club brand items.
Food	Large Show the power of the brand on a regional basis and reinforce that we'll continue to support our brand with product demonstrations and other promotional activities. M/VMs.
	Medium It's tough to keep our items in distribution, even when they have the #1 brand in the market in their buildings. Costco will still replace our item with their own KS brand. We haven't had any luck, as our items have been deleted to make room for KS.
Non-Food	Large We ensure Costco corporate understands our regional businesses. Where we over index or under index we pursue the business regionally. We have some flexibility built into the marketing plans, yet we do keep Corporate looped in.
Other	Small As long as our items meet or exceed the buyer hurdles, we are lucky enough to keep our items on the shelf.

WCF Research, 2014

Competing with Costco's Kirkland Signature Brand – In a 2014 club industry survey, vendors were asked how they compete with Costco's Kirkland Signature (KS) private label brand. Regarding the size of the companies that responded: large companies have annual sales exceeding \$500 million, medium companies have annual sales between \$100 million and \$500 million and small companies have annual sales up to \$100 million. Responses to this question elicited a variety of responses, many of which are listed in the chart above. The consensus was that if Costco is going to introduce a competitive Kirkland Signature SKU, the chances of successfully keeping your branded product stocked are challenging.

A medium broker said, "It's very difficult due to the SKU limitations imposed by Costco. They have very little SKU duplication which makes this a very challenging situation. We'll try to get consideration for a co-branded opportunity when we feel it would be warranted. Additionally, it would be very good for Costco to do more multi-vendor programs with regards to KS items – transitioning from items that have had one supplier for a KS item to more redundant suppliers."

Respondents did offer some concepts that can work. A small broker said, "Try and find savings in raw materials and try to pass those savings along to Costco. We increased promotions such as IRCs and product demonstrations. However, if KS comes in and you're not a national brand, it's pretty much a death sentence." A large food supplier said, "Show the power of the brand on a regional basis and reinforce that we'll continue to support our brand with product demonstrations and other promotional activities."

A small broker said that in one Costco region within the deli department, organic items are stocked instead of Kirkland Signature products. He said, "[Most of the time] the regional buyers are forced to stock [KS] items. The only time a KS item is not carried is if the raw material is in short supply or there is a specific region where an item performs significantly behind other regions. One exception ... is the Bay area deli as they are able to offer their customers organic items over the KS products."

BJ's Wholesale

In 1999, BJ's Wholesale introduced its first two private label brands: Berkley & Jensen for consumer members (see picture on the right of a 14-pound box of Berkley & Jensen dog biscuits) and Executive Choice for business members. Since then, BJ's has added a wide variety of private label brands and no longer stocks any Executive Choice SKUs.

In March, 2015, BJ's stocked 8 private label brands (see chart on the next page): Berkley & Jensen (apparel, bed and bath, candy, dry grocery, hard goods, HBA, baby, perishable, pet, seasonal and sundries), Wellesley Farms (candy, dry grocery and perishable), Earth's Pride (organic and natural items in candy, dry grocery and perishable), Lanesboro (apparel), Living Home (bed and bath, hard goods and seasonal), Rozzano (dry grocery and perishable), Lyndon Reede (candy) and Healthy Helpings (snacks).



BJ's – Berkley & Jensen Dog Biscuits

When it was a public company, BJ's stated its core customer is the supermarket shopper. BJ's believes its long term success is more contingent on taking market share from supermarkets than taking market share from Costco and Sam's. BJ's private label philosophy supports that strategy. The merchandise sold under its eight private label brands primarily target consumers.

BJ's private label sales penetration is approximately 12.3%. BJ's has stated its most affluent members are the highest percentage purchasers of private label SKUs. It does not cap private label margins and believes in offering a value compared to the national brand, not just the lowest price. The following is assorted information about BJ's private label program:

BJ's	2015								
	Berkley Jensen	Wellesley Farms	Earth's Pride	Lanesboro	Living Home	Rozzano	Lyndon Reede	Healthy Helpings	Other
Apparel	3	0	0	14	0	0	0	0	0
Bed and Bath	6	0	0	0	5	0	0	0	0
Candy/ Snacks	10	16	1	0	0	0	5	3	0
Dry Grocery	28	20	12	0	0	4	0	0	0
Hard Goods	18	0	0	0	4	0	0	0	0
HBA/ Baby	94	0	0	0	0	0	0	0	0
Perishable	14	201	20	0	0	4	0	0	0
Fit	11	0	0	0	0	0	0	0	0
Seasonal	36	0	0	0	1	0	0	0	0
Sundries	49	0	0	0	0	0	0	0	0
2015 Total	269	237	33	14	10	8	5	3	0
2014 Total	276	133	86	19	50	17	11	5	32
2013 Total	336	123	61	16	46	18	7	7	9
					623				

WCF Research - 2015

Multi-Brand Strategy – In a February, 2013 article about club private label programs in *plstorebrands.com*, Mark Keschl, national director for Colliers International's Retail Services Group, commented on BJ's multiple private label brand strategy. He said, "What I like about BJ's is they really pursue a very diversified private label strategy, whether it's hard goods, clothing or food. They've diversified the offering and really tailored it to the nature of that product."

Earth's Pride – BJ's introduced its Earth's Pride line of organic and natural food in 2008. The assortment of Earth's Pride products increased from 16 items in 2012 to 61 products in 2013 to 86 SKUs in 2014. However, BJ's reduced that assortment in 2015 to 33 products with many of those organic items converting to its Wellesley Farms brand.



BJ's – Wellesley Farms Tuna

Wellesley Farms – BJ's dramatically increased its assortment of Wellesley Farms products from 123 items in 2013 to 133 products in 2014 to 237 SKUs in 2015. Some of those new items were brand conversions from the company's Earth's Pride and Rozzano private label brands and some of those items are new products.

Some of BJ's Wellesley Farms items included: a case of eight 5-ounce cans of solid white albacore tuna (see picture on the left) for \$13.49 (dry grocery), a five-pound bag of Cortland apples for \$5.99 (perishable), a 32-ounce package of sliced mozzarella cheese for \$6.99 (cooler), a 128-ounce bottle of orange juice for \$3.99 (cooler), a 59-ounce bottle of organic orange juice for \$3.99 (cooler), a package of three 32-ounce bags of broccoli Normandy for \$6.99 (freezer) and a package of two 20-ounce loaves of wheat bread for \$2.99 (bread).

Lyndon Reede – BJ's initially introduced Lyndon Reede candy in 2006. The merchandise was stocked in the winter seasonal assortment with other holiday candy SKUs and was initially observed in the everyday candy aisle. The five Lyndon Reede SKUs observed at BJ's in 2015 were stocked in the everyday candy aisle and included: a 22-ounce bottle of buttercrunch toffee for \$4.99, a 45-ounce bottle of chocolate covered almonds for \$12.99, a 44-ounce bottle of chocolate covered cashews for \$12.99 and a 48-ounce bottle of chocolate covered raisins for \$10.49.

Organic Food – Over the past few years, organic food has been a growing part of the club channel. In January, 2014, BJ's stocked 59 private label organic items: 57 under Earth's Pride and two under Rozzano. In March, 2015, BJ's stocked 34 private label organic items: 20 under Earth's Pride, 13 under Wellesley Farms and one under Rozzano. It is possible that if BJ's is converting its organic assortment from Earth's Pride to Wellesley Farms, the reduction seen in March, 2015 is primarily due to packaging and order timing rather than an overall reduction in organic merchandise.

Deleted Brands – The following is a list of private label brands that BJ's no longer stocks:

- Altaire – beauty care, last observed in 2007.
- Executive Choice – wholesale line in food, perishable, hard goods and sundries, last observed in 2012.
- Exeter – dry grocery targeting businesses, last observed in 2007.
- Generation Earth – a line of natural HBA, baby and sundry SKUs, last observed in 2014.
- Jake and Julia – baby apparel, last observed in 2008.
- Lextron – computers, last observed in 2008.
- Mercer Street – prepared food, last observed in 2011.
- Peterson's – frozen seafood and shrimp, last observed in 2010.
- Portsmouth Shores – summer seasonal, last observed in 2007.
- Trade Craft – hardware and automotive, last observed in 2010.
- Trail Ridge – camping, last observed in 2007.
- Willow Lane – furniture, last observed in 2007.
- World Connoisseur – frozen prepared food, last observed in 2007.

Costco Wholesale

In 1995, Costco introduced its Kirkland Signature private label brand. Its private label strategy initially focused on premium SKUs in high volume “consumer need” categories. As members began to recognize Kirkland Signature’s quality, Costco expanded its selection to categories and items not traditionally associated with private label such a 159-piece Kirkland Signature mechanics tool set for \$99.99 or a case of forty-eight 12-ounce cans of Kirkland Signature light beer for \$21.99.

Costco’s private label merchandise represents approximately 24.7% of overall sales. As of March, 2015, Costco stocked 638 private label items (see chart on the right). This is the highest number of private label items that Costco has ever stocked.

In the October, 2009 issue of *The Costco Connection*, Jim Sinegal, Costco’s founder and former president and chief executive officer, said, “We will always be known for name brands such as Michelin, Sony and Crest but we will continue to augment our product offerings with our own Kirkland Signature items.” The following are assorted facts and information about Costco’s Kirkland Signature private label program:

Costco	2013			2014			2015		
	KS	TruNature	Others	KS	TruNature	Others	KS	TruNature	Others
Alcohol	13	0	0	21	0	0	31	0	0
Apparel	27	0	0	22	0	0	22	0	0
Automotive	40	0	0	41	0	0	41	0	0
Bed and Bath	5	0	0	5	0	0	12	0	0
Candy, Snacks	37	0	1	39	0	0	39	0	0
Dry Grocery	83	0	0	82	0	0	94	0	0
Hard Goods	14	0	4	11	0	3	12	0	5
HBA, Baby	86	9	0	82	7	0	81	8	0
Perishable	194	0	0	190	0	0	202	0	0
Pet	9	0	0	11	0	0	15	0	0
Seasonal	20	0	21	15	0	14	17	0	30
Sundries	31	0	0	31	0	0	29	0	0
Total	559	9	26	550	7	17	595	8	35
Overall Total	594			574			638		

WCF Research - 2013, 2014, 2015

Quality – Costco believes each new Kirkland Signature product must be “best in class” not only to spur sales but to protect the overall reputation of the brand. There are numerous examples of Costco’s focus on private label product quality:

Industry Observer Opinions – In a February, 2013 article about club private label programs in *plstorebrands.com*, a couple industry observers commented on Costco’s focus on offering quality Kirkland Signature products. Paula Rosenblum, managing partner with Retail Systems Research, said, “For most categories, the Kirkland brand is considered a very high-quality product – from trash bags to frozen vegetables, it matches up to national brands.” Jim Hertel, managing partner with Willard Bishop, said, “They have staked a claim on very best quality. That’s a high bar to clear, but they do it.”

Honey – The September, 2012 issue of *The Costco Connection* featured an article about Costco’s Kirkland Signature private label clover honey. The USDA has a honey grading system with Grade A being the best. However, the USDA does not “conduct regular inspections or emphasize standards, leaving it up to the beekeepers and honey processors to voluntarily self regulate.”

Costco’s private label honey is Grade A but the company needed to assure its members the honey it sold was of the highest quality, despite the grade. Costco’s Grade A honey rating is verified by True Source Honey, LLC, the industry’s self regulating organization. A Costco buyer, said, “True Source has pledged to protect its customers and consumers ... by ensuring to its utmost ability that honey is ethically sourced in a transparent and traceable manner from known beekeepers; that honey moves through the supply chain in full accordance with U.S. law, that it carries truthful labeling as to its source [and] has been tested to ensure quality.”

Co-Branding - An important concept in developing a strong private label program is member acceptance. One way that Costco achieves this is to co-brand its Kirkland Signature label with existing brand-name products. By associating the Kirkland Signature name with an existing known consumer brand (see picture below of a case of eight 17.3-ounce cartons of co-branded Kirkland Signature and Campbell’s classic chicken noodle soup), members associate the quality of the branded company to Costco and Kirkland Signature.

In the April, 2004 issue of *Private Label Buyer*, Tim Rose, currently Costco’s executive vice president of ancillary business, business centers and manufacturing, said, “Co-branding immediately brings recognition to the product when you are introducing a new Kirkland Signature item with a name brand on it that has been in the marketplace for 40 or 50 years. That brings a lot of loyalty, and brings something important to the table. People see two great brands.”

Costco has placed its Kirkland Signature label on the following products: jelly beans with Jelly Belly, chicken nuggets and animal crackers with Disney, bacon strips with Hormel, grape juice with Newman’s Own, shortbread cookies with Walker’s, luggage with Samsonite, dried plums with Sunsweet, cranberry juice with Ocean Spray, whole bean coffee with Starbucks, red plastic cups with Chinet and raisin bran cereal with Post.



Costco – KS/Campbell’s Chicken Noodle Soup

Negotiating Tool – In the company’s first quarter conference call in December, 2013, Richard Galanti, Costco’s executive vice president and chief financial officer, commented on the company’s overall private label strategy and its use as a negotiating tool. He said, “When we expand Kirkland Signature, it does a lot of things. In many cases ... we can get a little bit more margin and provide even greater value to our member ... In some cases it drives a lower price on the branded item as the branded item loses market share to the private label [and needs to lower prices to regain its business].”

Continuous Improvement – One of Costco’s strategies for improving Kirkland Signature private label products is a philosophy of continuous improvement. For example, Costco has been offering Kirkland Signature baby wipes since its private label brand was introduced in 1995. Over the years, Costco upgraded the product: it is now made of Tencel, a plant based fiber that makes a wipe softer, stronger and more absorbent, it uses “whisper soft” packaging that reduced the crinkling noise from using the package that might disturb babies and it uses flip-top lids that allow the wipe package to stay open for ease of use. In the September, 2014 issue of *The Costco Connection*, Cheryl Smeby, a Costco buyer, said, “These changes might seem small, but we’re constantly striving for continuous improvements to make our member’s lives easier.”

Member Acceptance – Craig Jelinek, Costco’s president and chief executive officer, was interviewed by *The Motley Fool* on August 1, 2013. He said that Costco’s Kirkland Signature brand will continue to grow as a percent of Costco’s overall business especially in food categories. Jelinek believes that general merchandise national brands will continue to be an important part of Costco’s business because of the advertising support behind these products. While that is also true with grocery and perishable products, there are more opportunities in the food categories to expand using a private label.

Jelinek said, “On the food part of the business, I think more and more if there’s trust in the house that sells [a private label], they’ll be trust in [that] brand. I think that’s one of the things that we’ve got going for us, that we’ve got trust in there in the Kirkland Signature name ... [You] have to be careful to make sure that you protect the integrity of every item you sell, so you don’t lose the reputation of that Kirkland Signature brand ... When we first went to it 22 years ago, it was very slow, but now anything that we put the Kirkland Signature brand on, people are not concerned about trying it.”

Sustainable Chocolate – Costco’s sustainable chocolate program was profiled in the October, 2013 issue of *The Costco Connection*. The program is a partnership between Costco, Blommer Chocolate Company (its chocolate supplier) and an international supply organization. The cocoa beans used to produce Costco’s chocolate is grown in West Africa’s Ivory Coast. The program partners with 15 cocoa bean farming cooperatives which represent approximately 5,000 farmers.

Beans from this program have been supplying a number of Kirkland Signature items including: milk chocolate almonds, milk chocolate raisins, milk chocolate macadamia caramel clusters, chewy granola bars and chocolate chips as well as bakery items such as cookies and muffins. The beans are shipped from the farm directly to Blommer with each bag marked with the Costco name. Blommer roasts the beans and converts them to chocolate. Blommer then ships the chocolate to Costco’s private label candy suppliers.

Franck Myhre, assistant buyer for corporate foods, said, “We make our chocolate with pure cocoa butter, not cheaper fats, which makes it richer and finer. We are also very particular about defects; for instance we can’t have too many chocolates sticking together, or broken and chipped, and provide exact specifications to the vendors. When they launch the first product, we do multiple taste tests to ensure expectations are being met.”

Frozen Waffles – Around 2010, Costco introduced a case of sixty 1.2-ounce Kirkland Signature frozen homestyle waffles for \$6.99 or 11.7-cents per waffle. At the time, Costco deleted Kellogg’s sixty 1.2-ounce case of frozen Eggo homestyle waffles. However, in 2014 both waffle SKUs were being stocked at Costco (see picture below). The package/pricing on the Kellogg’s Eggo SKU was: a 72-count box for \$9.99 or 13.9-cents per waffle. By 2015, Costco’s private label homestyle waffle SKU was no longer being stocked.

Since May, 2009, the only Kellogg’s Eggo homestyle waffle package observed in the club channel has been a 60-count case. BJ’s and Sam’s have stocked that sixty 1.2-ounce case of Kellogg’s Eggo homestyle waffles with retail prices typically ranging from \$8.29 to \$8.99 or 13.8-cents per waffle to 15.0-cents per waffle.



Costco – Frozen Homestyle Waffles

The Kellogg’s 72-count Eggo homestyle waffle package stocked at Costco had not been observed before. By reintroducing the Kellogg’s Eggo homestyle waffle SKU, Costco was able to negotiate for a larger package at a similar value to what is currently offered by BJ’s and Sam’s Club.

Bath Tissue – Costco’s Kirkland Signature bath tissue is produced by one supplier spread across eight fully automated mills. In the March/April, 2013 issue of *The Costco Connection*, a Costco assistant buyer said, “There are brands lowering sheet sizes to 10.1 by 10.1 cm and sheet counts to 200 per roll.” Costco’s Kirkland Signature bath tissue is 11.4 cm by 10.1 cm and includes 425 sheets per roll.

The bath tissue is comprised of 70% eucalyptus pulp which provides a softer texture and is more commonly used in higher end bath tissue. Some bath tissue brands use a chemical additive to improve the strength of the bath tissue and enable it to break down faster when flushed. Costco does not use any chemical additive. Instead, it has a “specific fiber blend” that is safe for recreational vehicles and breaks up as quickly as other brands.

The larger sheet size, a 21% increase in the thickness of each sheet and the larger roll size caused Costco to decrease the number of rolls in the package from 36 to 30. This was done so the product package could still be correctly configured on a pallet. The larger sheet and thickness was more costly to produce. However, Costco negotiated with the supplier to provide its members with a per sheet cost that was equivalent to the older SKU despite the larger and thicker sheet of bath tissue.

Organic Ground Beef – In 2011/2012, Costco introduced a four pound package of Kirkland Signature fresh organic beef. With this new private label item, Costco would become the largest seller of organic beef in the country. Due to supply issues, Costco sources organic beef from the United States, Canada and Australia. Costco processes the organic beef at its Tracy, California production facility on a multi-million-dollar processing line designated specifically for the product. Bob Huskey, assistant general merchandise manager at Costco, said, “It’s a program five years in the making.”



Costco – KS Organic Pudding

Costco’s beef testing requirements at Tracy are so strict, according to Huskey, some suppliers refuse to sell Costco. A Costco beef supplier said, “I’ve been in the beef industry a long time ... I have never come across a stricter food safety protocol than Costco’s in my entire flipping life. And please quote me verbatim.”

Organic – As of March, 2015, Costco stocked 31 Kirkland Signature organic items that included: a 24-count container of organic brown eggs for \$6.49 (cooler), a package of two 42.3-ounce bottles of organic coconut oil for \$26.99 (dry grocery), a package of two 96-ounce bottles of organic lemonade for \$5.99 (dry grocery), a case of three 64-ounce bottles of organic whole milk for \$11.99 (cooler), a case of twelve 3.17-ounce pouches of organic chocolate pudding (see picture on the left) for \$9.99 (dry grocery) and a 10-pound bag of organic sugar for \$7.49 (dry grocery)

Canned Skipjack Tuna – In 2014, Costco introduced a package of Kirkland Signature private label canned skipjack tuna from Tri Marine International (a case of twelve 7-ounce cans for \$14.99). Costco deleted the competing national brand chunk light tuna SKU: either Chicken of the Sea or Bumble Bee. The Kirkland Signature product does not use any vegetable broth, will only be caught using fishing vessels that don’t use fish aggregation devices, will only be caught by fishing vessels that catch free schools of tuna and will specifically use skipjack tuna and not chunk light which can be comprised of a range of tuna.

Kirkland Signature Brand Strength – According to a September 17, 2014 company press release, Landor, a San Francisco, California-based brand consulting and design firm, released its annual Breakaway Brands © study which ranks rising brand strength over a three year period. Brand strength is determined using three years of consumer survey data from the BrandAsset Valuator database. Over 3,000 brands were analyzed. The only private label brand on the list is Costco’s Kirkland Signature label. It is ranked ahead of Lea & Perrins, Bounty and Under Armour but behind brands such as Samsung, Chex, Puffs, Oakley and Keurig.

Alcohol – When Costco locations in Missouri (Independence) and Kansas (Lenexa) were visited in November, 2014, 18 Kirkland Signature wine and liquor SKUs were observed. Some of those items included: a one-liter bottle of Mexican anejo tequila for \$19.99, a 1.5-liter bottle of California cabernet sauvignon for \$7.99, a 1.75-liter bottle of Canadian whiskey for \$19.79, a 750-milliliter bottle of 40 year old single malt scotch from the Glenlivet Distillery for \$599.99, a 1.75-liter bottle of French vodka for \$20.99, a 1.75-liter bottle of St. Croix Island spiced rum for \$14.99 and a 750-milliliter bottle of Russian River pinot noir for \$12.99.

Gasoline – Costco extends its Kirkland Signature brand to its gasoline business. Costco’s sells two types of gasoline: Kirkland Signature regular unleaded and Kirkland Signature premium. All gasoline is required to have detergent additives mixed in. These detergent additives are not soap. Rather, they are organic materials that help keep an engine clean. Costco’s Kirkland Signature gasoline includes five-times the government minimum of detergent additives.

As Costco’s gasoline business grew, Costco was faced with the challenge of making sure its gasoline always had the appropriate mixture of additives. Costco determined the best way to control the additive mixture was to blend it on site when gasoline was delivered.

To achieve this, Costco trained its gasoline station attendants to not only handle emergencies, customer service and pump operations but to make sure the additives are blended correctly. In the April, 2014 issue of *The Costco Connection*, Tim Hurlocker, director of fuel quality and compliance at Costco, said, “Our highly qualified attendants manage the additives at each of our stations, during each and every fuel delivery.”

Sam's Club



Sam's – Member's Mark Baby Wipes

Sam's Club introduced its Member's Mark private label brand in 1998. Member's Mark (see picture on the left of a case of 1,000 Member's Mark baby wipes) is geared to consumer members and is currently used in the apparel, bed and bath, dry grocery, hard goods, baby, seasonal, sundries and perishable categories.

To meet business member needs, Sam's developed two additional brands: Bakers & Chefs for foodservice members (currently used in dry grocery, hard goods and perishable but reportedly being phased out) and ProForce, a commercial cleaning product line (currently used in sundries but reportedly being phased out). Until 2009, those were the three primary private label brands at Sam's Club along.

In 2010, Sam's introduced Castle Wood (currently stocked in the deli) and Certified (currently stocked in automotive). In 2011, Sam's introduced Artisan Fresh (currently stocked in perishable but reportedly being phased out), Daily Chef (currently stocked in hard goods, dry grocery, candy and perishable) and Simply Right (currently stocked in pet and HBA). In 2013, the Hotel Luxury Reserve brand in the bedding category was observed for the first time. In 2014, Daily Chef Foodservice (currently stocked in dry grocery, hard goods, perishable and sundries) and Member's Mark Commercial (currently stocked in automotive, hard goods and sundries) were introduced.

As of March, 2015, Sam's Club stocked 567 items across 11 private label brands (see chart on the right). Private label merchandise at Sam's Club represents approximately 13.8% of overall sales. The following are assorted facts and information about Sam's private label program.

Brand Consolidation – During its first quarter conference call in May, 2014, Sam's discussed its private label program.

The company announced it would be consolidating its private label program into three main brands: Member's Mark (including the Commercial label), Daily Chef (including the Foodservice label) and Simply Right. Based on observations since that announcement, it does not appear that Certified, Hotel Luxury Reserve and Castle Wood have been affected.

Sam's Club	2015											
	Daily Chef	Member's Mark	Simply Right	Daily Chef Foodservice	Bakers & Chefs	Castle Wood	Member's Mark Commercial	Certified	Hotel Luxury Reserve	Artisan Fresh	ProForce	Other
Alcohol	0	0	0	0	0	0	0	0	0	0	0	0
Apparel	0	3	0	0	0	0	0	0	0	0	0	0
Automotive	0	0	0	0	0	0	3	8	0	0	0	0
Bed and Bath	0	4	0	0	0	0	0	0	0	0	0	0
Candy, Snacks	8	0	0	0	0	0	0	0	0	0	0	0
Dry Grocery	22	4	0	9	9	0	0	0	0	0	0	0
Hard Goods	3	28	0	40	19	0	1	0	0	0	0	0
HBA, Baby	0	6	88	0	0	0	0	0	0	0	0	0
Perishable	138	1	0	11	3	28	0	0	0	4	0	0
Pet	0	0	6	0	0	0	0	0	0	0	0	0
Seasonal	0	34	0	0	0	0	0	0	0	0	0	0
Sundries	10	21	0	27	0	0	19	0	0	0	2	0
2015 Total	181	101	94	87	31	28	23	8	8	4	2	0
2014 Total	57	95	97	0	130	28	0	6	7	84	2	30
2013 Total	53	86	102	0	125	26	0	0	0	107	26	56
WCF Research - 2015												

The brands that are affected include: Bakers & Chefs which is being consolidated into both the Member's Mark Commercial and Daily Chef Foodservice brands, Artisan Fresh which is being consolidated into Daily Chef and ProForce which is being consolidated into the Member's Mark Commercial brand.



Sam's – Member's Mark Garden Scooter

Spring and Summer – Sam's 2015 spring and summer assortment included 34 Member's Mark products. Sam's 2014 spring and summer assortment included 18 Member's Mark products. The following are items observed in March, 2015 that were not observed in 2014: a luxury pool float for \$49.74, a 550-pound capacity wheelbarrow for \$69.96, a garden scooter with a swivel seat for \$49.98 (see picture on the left), a 50-pound bucket of chlorinating granules (for pools) for \$109.98, a package of two 1-gallon bottles of algacide (for pools) for \$28.98 and a case of twenty-four 1-pound bags of quick dissolving shock (for pools) for \$59.98.

Organic – Sam's stocked three Daily Chef organic SKUs: a 1.5-liter bottle of organic olive oil for \$9.98 (dry grocery), a 64-ounce bag of organic pineapple chunks for \$7.88 (freezer) and a 64-ounce bag of organic healthy blend vegetables for \$7.38 (freezer).

Kitchen Supplies – One of the categories that Sam's Club uses to better appeal to business members through a larger assortment is kitchen supplies. Sam's stocked 40 Daily Chef Foodservice and 19 Bakers & Chefs SKUs for foodservice members. Some of the Daily Chef Foodservice SKUs included: a 2.2-liter beverage dispenser for \$18.88, a package of two coffee decanters for \$14.48, a set of 36 stainless steel dinner forks for \$6.68, a set of two full stainless steam table pans for \$22.86, a set of twenty-four 20-ounce red restaurant tumblers for \$17.88, a 12-inch non-stick frying pan for \$21.98, a set of three 60-ounce clear pitchers for \$7.88, a set of two high heat spatulas for \$7.78, a 24-quart stockpot for \$36.96 and a set of two wire whips (a ten-inch and a 12-inch) for \$7.58.

Industry Observer Opinions – In a February, 2013 article about club private label programs in *p/storebrands.com*, industry observers commented on Sam's private label program. Jim Wisner, president of Wisner Marketing Group, said, "To be honest, I think they were always pretty good. But they've raised their game in terms of what they are doing. I think they understand what Costco does, what that provides as part of the shopping trip ... and they've begun to dial it up."

Spieckerman said, "Sam's has demonstrated a lot of integrity with its private brand development and understands the balance between national brands and private brands. Sam's has steadfastly refused to set arbitrary private brand penetration goals and instead, thoughtfully assesses when and where [the brands] make sense."

However, Rosenblum believes Sam's still has work to do on its private label program. She said, "I believe Sam's Club lags behind in this area. In fact, if you look at their website, you can see them highlighting national brands at a value price. In general, the Walmart properties have lagged in their ability to generate any kind of pop around their store brands. They seem to have had a harder time understanding the step-wise approach to establishing value and then gradually substituting out national brands."

Cost-U-Less and PriceSmart

The following are brief summaries regarding the private label programs at Cost-U-Less and PriceSmart.

PriceSmart – PriceSmart's private label philosophy is similar to its U.S. counterparts. Private label product quality should meet or exceed the competing national brand and offer a savings of 20%. PriceSmart has four private label brands that represent approximately 27% of overall sales. Those brands are Member's Selection, a higher quality consumer brand, Club Select, an institutional brand, PriceSmart, a fresh food and bakery brand, and Tender Quality, another fresh food brand.

Cost-U-Less – Unlike BJ's, Costco, PriceSmart and Sam's Club, Cost-U-Less has not developed a private label brand.

Pricing Analysis

This last section analyzes two private label retail pricing charts. The first chart compares the pricing of a private label item which all three clubs stock. The second chart compares club private label pricing to each item's competing national brand. The data for each chart was gathered in March, 2015.

Club Private Label Pricing Comparison – Fifteen private label items stocked by each of the three clubs were selected for this analysis (see chart below). The per-unit retail price was determined for each item. Sam's per-unit retail price was used as the base for the comparison. The per-unit retail price for BJ's and Costco was compared to Sam's per-unit retail price and the percentage higher or lower was calculated. That figure, which was multiplied by 100, appears in the differential (DIFF) column. A number above 100 indicates that club's per-unit retail price is higher compared to Sam's and a number below 100 indicates that club's per-unit retail price is lower than Sam's.

2015	Sam's Club				Costco				BJ's Wholesale					
	Brand	Pack	Retail	Unit Retail	Brand	Pack	Retail	Unit Retail	DIFF	Brand	Pack	Retail	Unit Retail	DIFF
Advil	Simply Right (SR)	2 600 ct	\$10.87	\$0.0091	Kirkland Signature (KS)	2 500 ct	\$8.79	\$0.0088	97	Berkley & Jensen (BJ)	1 500 ct	\$7.99	\$0.0160	176
Artichoke Hearts	Daily Chef	1 33.5 oz	\$6.38	\$0.1904	Kirkland Signature	2 33 oz	\$9.89	\$0.1498	79	Berkley & Jensen	1 35 oz	\$6.99	\$0.1997	108
Batteries - AA	Member's Mark	1 48 ct	\$12.98	\$0.2704	Kirkland Signature	1 48 ct	\$12.99	\$0.2706	100	Berkley & Jensen	1 48 ct	\$13.99	\$0.2915	105
Canned Chicken	Daily Chef	5 13 oz	\$10.98	\$0.1689	Kirkland Signature	6 12.5 oz	\$11.99	\$0.1599	95	Wellesley Farms	4 12.5 oz	\$7.89	\$0.1578	93
Chocolate Covered Almonds	Daily Chef	1 32 oz	\$10.15	\$0.3172	Kirkland Signature	1 48 oz	\$13.99	\$0.2915	92	Lyndon Reede	1 45 oz	\$12.99	\$0.2887	91
Disinfectant Wipes	Member's Mark	4 78 ct	\$8.98	\$0.0288	Kirkland Signature	1 304 ct	\$11.69	\$0.0385	134	Berkley & Jensen	4 75 ct	\$9.99	\$0.0333	116
Dog Food - Chicken, Rice	SR/Exceed	1 44 lb	\$33.48	\$0.7609	Kirkland Signature	1 40 lb	\$26.59	\$0.6648	87	Berkley & Jensen	1 28 lb	\$28.99	\$1.0354	136
Dried Plums	Daily Chef	1 50 oz	\$6.78	\$0.1356	KS/Mariani	1 56 oz	\$7.79	\$0.1391	103	BJ/Mariani	1 44 oz	\$7.79	\$0.1770	131
Fabric Softener Sheets	Member's Mark	2 250 ct	\$8.98	\$0.0180	Kirkland Signature	2 250 ct	\$8.99	\$0.0180	100	Berkley & Jensen	2 160 ct	\$5.99	\$0.0187	104
Napkins - White - 11.4-inch by 12.5-inch	Member's Mark	6 200 ct	\$9.98	\$0.0083	Kirkland Signature	4 260 ct	\$8.49	\$0.0082	98	Berkley & Jensen	2 380 ct	\$7.99	\$0.0105	126
Pepcid AC	Simply Right	2 85 ct	\$9.98	\$0.0587	Kirkland Signature	2 85 ct	\$9.99	\$0.0588	100	Berkley & Jensen	1 200 ct	\$14.99	\$0.0750	128
Red Plastic Cups - 18 oz	Daily Chef Foodservice	1 240 ct	\$10.68	\$0.0445	KS/Chinet	1 240 ct	\$10.99	\$0.0458	103	Berkley & Jensen	1 200 ct	\$9.19	\$0.0460	103
Trash Bags - 13 gallon - Drawstring	Member's Mark	1 90 ct	\$14.98	\$0.1664	Kirkland Signature	1 90 ct	\$15.99	\$0.1777	107	Berkley & Jensen	1 90 ct	\$16.99	\$0.1888	113
Water	Member's Mark	40 16.9 oz	\$3.98	\$0.0059	Kirkland Signature	40 16.9 oz	\$3.39	\$0.0050	85	Berkley & Jensen	35 16.9 oz	\$3.09	\$0.0052	89
Whole Bean Coffee - Colombian	Daily Chef	1 40 oz	\$14.88	\$0.3720	Kirkland Signature	1 32 oz	\$11.89	\$0.3716	100	Wellesley Farms	1 40 oz	\$13.99	\$0.3498	94

For example, all three clubs stocked canned chicken. Sam's Club stocked a case of five 13-ounce cans of Daily Chef canned chicken for \$10.98 or 16.89-cents per ounce. Costco stocked a case of six 12.5-ounce cans of Kirkland Signature canned chicken for \$11.99 or 15.99-cents per ounce (5% lower than Sam's Club). BJ's stocked a case of four 12.5-ounce cans for \$7.89 or 15.78-cents per ounce (7% lower than Sam's Club).

Brand Comparison – Eleven private label items along with the competing national brand were selected at each club (see chart on the next page). The pricing for the private label and national brand products were compared. The unit retail price of each item was calculated and the private label savings determined. For example, BJ's stocked a 50-ounce bottle of Carnation Coffee-mate non dairy creamer for \$5.69 or 11.38-cents per ounce and a package of two 22-ounce bottles of Berkley & Jensen non dairy creamer for \$4.89 or 11.11-cents per ounce. The Berkley & Jensen item offered a savings per ounce of 2%.

Club	2015	National Brand				Private Label				
		Brand	Pack	Retail	Per Unit	Brand	Pack	Retail	Per Unit	Savings
Costco	Fabric Softener Sheets	Bounce	260 ct	\$8.49	\$0.0327	Kirkland Signature	2-250 ct	\$8.99	\$0.0180	82%
	Light Beer	Budweiser	24-12 oz	\$16.59	\$0.0576	Kirkland Signature	48-12 oz	\$21.99	\$0.0382	51%
	Men's - Boxer Briefs	Champion	3 pair	\$12.99	\$4.3300	Kirkland Signature (KS)	4 pair	\$9.99	\$2.4975	73%
	Solid White Albacore Tuna	Chicken of the Sea	8-7 oz	\$12.89	\$0.2302	Kirkland Signature	8-7 oz	\$14.89	\$0.2659	-13%
	Greek Yogurt	Chobani	15-5.3 oz	\$11.99	\$0.1508	Kirkland Signature	15-6 oz	\$9.99	\$0.1110	36%
	Men's - Dress Socks	Gold Toe	4 pair	\$9.99	\$2.4975	Kirkland Signature	4 pair	\$8.99	\$2.2475	11%
	Diapers - Size 4	Huggies Snug & Dry	180 ct	\$38.99	\$0.2166	Kirkland Signature	180 ct	\$38.99	\$0.2166	0%
	Semi Sweet Morsels	Nestle Toll House	72 oz	\$9.49	\$0.1318	KS (51% Cacao, Real Vanilla)	72 oz	\$9.99	\$0.1388	-5%
	Smoking Cessation - Gum - 2 mg	Nicorette	200 ct	\$59.99	\$0.3000	Kirkland Signature	380 ct	\$59.99	\$0.1579	90%
	Fever, Pain Reducer - PM - X-Strength	Tylenol	225 ct	\$14.99	\$0.0666	Kirkland Signature	500 ct	\$10.99	\$0.0220	203%
BJ's	Acid Reducer - 150 mg	Zantac	100 ct	\$21.99	\$0.2199	Kirkland Signature	190 ct	\$8.99	\$0.0473	365%
	Non Dairy Creamer	Carnation Coffeemate	50 oz	\$5.69	\$0.1138	Berkley & Jensen	2-22 oz	\$4.89	\$0.1111	2%
	Parmesan Cheese	Kraft	24 oz	\$7.79	\$0.3246	Rozzano	16 oz	\$3.99	\$0.2494	30%
	Dog Biscuits - Large	Milk Bone	14 lb	\$12.59	\$0.8993	Berkley & Jensen	14 lb	\$9.49	\$0.6779	33%
	Fever, Pain Reducer	Motrin	300 ct	\$13.49	\$0.0450	Berkley & Jensen	750 ct	\$10.49	\$0.0140	221%
	Brush Heads - Floss	Oral-B	5 ct	\$25.99	\$5.1980	Berkley & Jensen	6 ct	\$21.99	\$3.6650	42%
	Dish Detergent - Liquid	Palmolive	90 oz	\$6.99	\$0.0777	Berkley & Jensen	100 oz	\$6.99	\$0.0699	11%
	Cooking Spray	Pam	2-12 oz	\$6.79	\$0.2829	Berkley & Jensen	2-12 oz	\$4.49	\$0.1871	51%
	Baby Wipes - Scented	Pampers	864 ct	\$19.99	\$0.0231	Berkley & Jensen	800 ct	\$14.99	\$0.0187	23%
	Hand Sanitizer	Purell	4-12 oz, 2-2 oz	\$11.99	\$0.2306	Berkley & Jensen	52 oz	\$9.99	\$0.1921	20%
Sam's Club	Sugar Substitute - No Calorie	Splenda	1,000 ct	\$19.99	\$0.0200	Berkley & Jensen	700 ct	\$9.99	\$0.0143	40%
	Orange Juice - Refrigerated	Tropicana	128 oz	\$6.19	\$0.0484	Wellesley Farms	128 oz	\$3.99	\$0.0312	55%
	Olive Oil - Extra Virgin	Bertolli	2 liter	\$13.98	\$6.9900	Daily Chef	3 liter	\$17.98	\$5.9933	17%
	Paper Plate - 10.06"	Dixie	186 ct	\$14.86	\$0.0799	Daily Chef	192 ct	\$13.86	\$0.0722	11%
	White Napkins - 1 ply - 11.4" x 12.5"	Dixie	1,200 ct	\$11.88	\$0.0099	Member's Mark	1200 ct	\$9.98	\$0.0083	19%
	Coffee - Kcup - Colombian	Folgers	80 ct	\$38.98	\$0.4873	Daily Chef	80 ct	\$32.98	\$0.4123	18%
	All Purpose Flour	Gold Medal	10 lb	\$4.88	\$0.4880	Bakers & Chefs	25 lb	\$9.76	\$0.3904	25%
	Apple Juice	Mott's	2-86 oz	\$4.98	\$0.0290	Member's Mark	2-96 oz	\$3.98	\$0.0207	40%
	Dog Food - Complete Nutrition	Pedigree	55 lb	\$22.98	\$0.4596	Simply Right	55 lb	\$19.98	\$0.3633	27%
	Scoopable Cat Litter	Purina Tidy Cats	19.5 lb	\$19.86	\$1.0185	Simply Right	42 lb	\$13.32	\$0.3171	221%
Baby Formula - Complete	Similac	34 oz	\$31.98	\$0.9406	Simply Right	48 oz	\$22.98	\$0.4788	96%	
Chicken - Boneless Skinless Breast	Tyson	6 lb	\$13.98	\$2.3300	Daily Chef	6 lb	\$11.98	\$1.9967	17%	
Allergy Medication - 10 mg	Zyrtec	100 ct	\$33.88	\$0.3388	Simply Right	400 ct	\$16.48	\$0.0412	722%	

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There are two items in this chart where the brand offered a lower unit retail price and both were at Costco: Chicken of the Sea solid white albacore tuna and Nestle Toll House semi sweet chocolate morsels. As discussed previously, Costco is not afraid to offer a more expensive private label product provided that the quality of the Kirkland Signature item is higher than the competing brand.

Private Label Item Detail

The following private label item lists for BJ's, Costco and Sam's Club were gathered in March, 2015.

BJ's Wholesale				
Brand/Partner	Description	2015		
Apparel		579		
		17		
Berkley & Jensen	Men's - Boat Shoes	1	2	pair \$27.99
Berkley & Jensen	Men's - Dress Shirt	1	1	count \$17.99
Berkley & Jensen	Women's - Sandals	1	1	pair \$16.99
Lanesboro	Men's - Boxer Briefs	1	5	count \$15.99
Lanesboro	Men's - Cargo Shorts	1	1	count \$14.99
Lanesboro	Men's - Jeans	1	1	count \$13.99
Lanesboro	Men's - Pants - No Iron	1	1	count \$19.99
Lanesboro	Men's - Pima Cotton T-Shirt	1	1	count \$9.99
Lanesboro	Men's - Polo Shirt	1	1	count \$13.99
Lanesboro	Men's - Quick Dry T-Shirt	1	1	count \$4.98
Lanesboro	Men's - Shorts	1	1	count \$5.98
Lanesboro	Men's - Socks - Crew	1	8	pair \$10.99
Lanesboro	Men's - Swim Shorts	1	1	count \$14.99
Lanesboro	Men's - T-Shirt - Crew Neck	1	5	count \$15.99
Lanesboro	Men's - T-Shirt - V Neck	1	5	count \$15.99
Lanesboro	Men's - Underwear - 32-42	1	5	count \$9.99
Lanesboro	Women's - Cardigan	1	1	count \$10.98
Bed & Bath		11		
Berkley & Jensen	Bed Sheets - 300 TC - Twin	1	1	count \$29.99
Berkley & Jensen	Bed Sheets - 400 TC - Full	1	1	count \$36.99
Berkley & Jensen	Bed Sheets - 400 TC - King	1	1	count \$49.99
Berkley & Jensen	Bed Sheets - 400 TC - Queen	1	1	count \$39.99
Berkley & Jensen	Bed Sheets - 600 TC - King	1	1	count \$69.99
Berkley & Jensen	Bed Sheets - 600 TC - Queen	1	1	count \$59.99
Living Home	Bath Rug - 21"x34" - Asst.	1	1	count \$12.99
Living Home	Bath Rug - Memory Foam	1	1	count \$14.99
Living Home	Bath Towel - 30"x58" - Asst.	1	1	count \$6.99
Living Home	Hand Towel - 16"x30" - Asst.	1	1	count \$4.99
Living Home	Wash Cloth - 13"x13" - Asst.	1	2	count \$4.99
Candy, Snacks		35		
Berkley & Jensen	Fruit Nut Mix	1	3	pound \$12.99
Berkley & Jensen	Pretzel - Sticks - Honey Wheat	1	42	ounce \$5.79
Berkley & Jensen	Pretzels - Peanut Butter Filled	1	37	ounce \$6.99
Berkley & Jensen	Pretzels - Sticks	1	55	ounce \$5.99
Berkley & Jensen	Raisins - CA	1	48	ounce \$6.99
Berkley & Jensen	Raisins - Gourmet	1	2	pound \$6.99
Berkley & Jensen	Trail Mix	12	2.75	ounce \$9.49
BJ/Mariani	Apricots	1	40	ounce \$8.99
BJ/Mariani	Mixed Fruit	1	32	ounce \$7.49
BJ/Mariani	Plums	1	44	ounce \$7.79
Earth's Pride	Organic - Trail Mix	1	17	ounce \$5.99
Healthy Helpings	Animal Crackers	1	45	ounce \$4.99
Healthy Helpings	Fruit Snacks	50	0.8	ounce \$5.99
Healthy Helpings	Raisins	24	1.5	ounce \$6.29
Lyndon Reede	Buttercrunch Toffee	1	22	ounce \$4.99
Lyndon Reede	Chocolate Covered Almonds	1	45	ounce \$12.99
Lyndon Reede	Chocolate Covered Cashews	1	44	ounce \$12.99
Lyndon Reede	Chocolate Covered Raisins	1	48	ounce \$10.49
Lyndon Reede	Pecan Brittle Bites	1	28.2	ounce \$7.99
Wellesley Farms	Cashews	1	34	ounce \$14.99
Wellesley Farms	Cranberry Mix	1	20	ounce \$5.99
Wellesley Farms	Decadent Delight	1	21.0	ounce \$5.99
Wellesley Farms	Dried Fruit Trio	1	16	ounce \$5.99
Wellesley Farms	Funky Chunky Mix	1	19	ounce \$5.99
Wellesley Farms	Gourmet Fruit Slices	1	16	ounce \$5.99
Wellesley Farms	Jordan Almonds	1	20.5	ounce \$6.99
Wellesley Farms	Non Pareils	1	16	ounce \$5.99
Wellesley Farms	Orchard Blend	1	28	ounce \$9.99
Wellesley Farms	Oriental Mix	1	22	ounce \$5.99
Wellesley Farms	Pistachios - In Shell	1	40	ounce \$16.99
Wellesley Farms	Sunflower Seeds	1	18	ounce \$3.99
Wellesley Farms	Sweet Crunchy Blend	1	15	ounce \$5.99
Wellesley Farms	Tavern Blend	1	21	ounce \$5.99
Wellesley Farms	Trail Mix	1	42	ounce \$9.99
Wellesley Farms	Yogurt Covered Pretzels	1	16.5	ounce \$4.99
Dry Grocery		64		
Berkley & Jensen	Almonds	1	3	pound \$16.99
Berkley & Jensen	Almonds - Salted	1	40	ounce \$14.99
Berkley & Jensen	Almonds - Sliced	1	32	ounce \$11.99
Berkley & Jensen	Artichoke Hearts	1	35	ounce \$6.99
Berkley & Jensen	Artichokes - Marinated - Petite	1	35	ounce \$6.99
Berkley & Jensen	Bouillon Cubes - Beef	1	75	count \$6.99
Berkley & Jensen	Bouillon Cubes - Chicken	1	75	count \$6.99
Berkley & Jensen	Coffee - Packets - Colombian	42	1.75	ounce \$18.99

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BJ's Wholesale				
Brand/Partner	Description	2015		
		579		
Berkley & Jensen	Cooking Spray	2	12	ounce \$4.49
Berkley & Jensen	Greek Giardano	1	56.4	ounce \$6.99
Berkley & Jensen	Hearts of Palm	2	25	ounce \$8.99
Berkley & Jensen	Manzanilla Olives	6	5	ounce \$6.99
Berkley & Jensen	Mushrooms - Marinated	1	30	ounce \$4.99
Berkley & Jensen	Non Dairy Creamer	2	22	ounce \$4.89
Berkley & Jensen	Non Pareil Capers	1	16	ounce \$5.99
Berkley & Jensen	Pecans	1	16	ounce \$6.99
Berkley & Jensen	Pepperoncini	1	56.4	ounce \$4.99
Berkley & Jensen	Queen Olives	2	19.5	ounce \$9.99
Berkley & Jensen	Roasted Red Peppers	2	15.5	ounce \$5.99
Berkley & Jensen	Sparkling Flavored Water	24	20	ounce \$8.99
Berkley & Jensen	Sun Dried Tomatoes	1	34.6	ounce \$7.99
Berkley & Jensen	Sweetener - No Calorie	1	700	count \$9.99
Berkley & Jensen	Swiss Granola	1	32	ounce \$6.89
Berkley & Jensen	Turkey Breast	3	12.5	ounce \$6.99
Berkley & Jensen	Vanilla Extract	1	16	ounce \$6.99
Berkley & Jensen	Variety Pack Soda	24	12	ounce \$5.49
Berkley & Jensen	Walnuts - Shelled	1	32	ounce \$13.99
Berkley & Jensen	Water	35	16.9	ounce \$3.09
Earth's Pride	Natural - Spice - Garlic - Minced	1	32	ounce \$3.99
Earth's Pride	Organic - Apple Juice	1	128	ounce \$4.99
Earth's Pride	Organic - Chicken Broth	6	32	ounce \$8.49
Earth's Pride	Organic - Coffee - Ground	1	32	ounce \$11.99
Earth's Pride	Organic - Coffee - WB - Decaf.	1	32	ounce \$16.99
Earth's Pride	Organic - Coffee - WB - Sumatra	1	40	ounce \$16.99
Earth's Pride	Organic - Lemonade	2	96	ounce \$6.69
Earth's Pride	Organic - Maple Syrup	1	32	ounce \$12.19
Earth's Pride	Organic - Peanut Butter	1	26	ounce \$5.99
Earth's Pride	Organic - Pine Nuts	1	8	ounce \$10.99
Earth's Pride	Organic - Quinoa	1	32	ounce \$9.99
Earth's Pride	Trail Mix - Black Forest Blend	1	28	ounce \$9.99
Rozzano	Balsamic Vinegar	1	34	ounce \$9.99
Rozzano	Italian Olive Medley	1	54	ounce \$8.99
Rozzano	Organic - Olive Oil	1	1	liter \$9.99
Rozzano	Parmesan Cheese	1	16	ounce \$3.99
Wellesley Farms	Apple Juice	2	96	ounce \$4.69
Wellesley Farms	Canola Oil	1	35	pound \$20.49
Wellesley Farms	Cherries	2	28	ounce \$7.99
Wellesley Farms	Chicken Breast - Canned	4	12.5	ounce \$7.89
Wellesley Farms	Coffee - Ground - Decaf	1	40	ounce \$11.99
Wellesley Farms	Coffee - Ground - Hazelnut	1	32	ounce \$10.99
Wellesley Farms	Coffee - Kcup - Arabica	1	84	count \$31.99
Wellesley Farms	Coffee - WB - Colombian	1	40	ounce \$13.99
Wellesley Farms	Coffee - WB - Costa Rica	1	40	ounce \$13.99
Wellesley Farms	Coffee - WB - French Roast	1	40	ounce \$13.99
Wellesley Farms	Coffee - WB - Kona	1	32	ounce \$15.99
Wellesley Farms	Coffee - WB - Papa New Guinea	1	32	ounce \$10.99
Wellesley Farms	Fancy Mixed Nuts	1	35	ounce \$13.99
Wellesley Farms	Garlic Croutons	1	32	ounce \$4.99
Wellesley Farms	Marinara Sauce - Italian	2	32	ounce \$7.99
Wellesley Farms	Olive Oil - Extra Virgin	1	3	liter \$16.99
Wellesley Farms	Olive Oil - Pure	1	5	liter \$19.99
Wellesley Farms	Soybean Oil	1	35	pound \$21.49
Wellesley Farms	Tuna - Solid White Albacore	8	5	ounce \$13.49
Wellesley Farms	Wasabi Peas	1	21	ounce \$5.99
Hard Goods		22		
Berkley & Jensen	#2 Pencils	1	96	count \$7.99
Berkley & Jensen	Address Labels - 1" by 2 5/8"	200	30	count \$17.99
Berkley & Jensen	Batteries - 9V	1	12	count \$12.99
Berkley & Jensen	Batteries - AA	1	48	count \$13.99
Berkley & Jensen	Batteries - AAA	1	32	count \$10.19
Berkley & Jensen	Batteries - C	1	12	count \$10.39
Berkley & Jensen	Batteries - D	1	12	count \$10.39
Berkley & Jensen	Calcium Chloride - Ice Melt	1	50	pound \$19.99
Berkley & Jensen	Envelopes - #10 Peel, Security	1	500	count \$11.99
Berkley & Jensen	Envelopes - #10 Security	1	500	count \$8.49
Berkley & Jensen	Envelopes - #6 3/4 Peel, Security	1	300	count \$6.99
Berkley & Jensen	Photo Paper - 4-inch by 6-inch	1	200	count \$14.99
Berkley & Jensen	Photo Paper - 8.5-inch by 11-inch	1	100	count \$19.99
Berkley & Jensen	Sheet Protector	1	200	count \$9.99
Berkley & Jensen	Thermal Paper Rolls - 2.25"	1	24	count \$10.99
Berkley & Jensen	Thermal Paper Rolls - 3.13"	1	9	count \$13.99
Berkley & Jensen	White Binder - 1/2"	1	6	count \$7.99
Berkley & Jensen	White Binder - 3"	1	2	count \$9.99

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BJ's Wholesale					
Brand/Partner	Description	2015 579			
Living Home	Cookware Set - Stainless Steel	1	13	count	\$199.99
Living Home	Frying Pan, Lid - 12-inch	1	1	count	\$49.99
Living Home	Storage Rack - 6 Shelf, 75" by 48"	1	1	count	\$99.99
Living Home	Twin Bunk Bed	1	1	count	\$299.99
HBA		84			
Berkley & Jensen	Acidophilus	1	100	count	\$14.99
Berkley & Jensen	Advil	1	500	count	\$7.99
Berkley & Jensen	Advil Liqui Gels	1	180	count	\$10.99
Berkley & Jensen	Advil PM	1	180	count	\$12.99
Berkley & Jensen	Aleve	1	400	count	\$11.99
Berkley & Jensen	Allegra Allergy	1	120	count	\$32.99
Berkley & Jensen	Anti Bacterial Soap	1	1	gallon	\$6.49
Berkley & Jensen	Bayer	1	500	count	\$5.99
Berkley & Jensen	Bayer - Low Dose	1	500	count	\$6.99
Berkley & Jensen	Benadryl Allergy	1	400	count	\$9.99
Berkley & Jensen	Brush Heads - Floss Action	1	6	count	\$21.99
Berkley & Jensen	Caltrate - 600+D	1	400	count	\$9.99
Berkley & Jensen	Centrum	1	500	count	\$13.99
Berkley & Jensen	Centrum Silver - Men 50+	1	250	count	\$13.99
Berkley & Jensen	Centrum Silver - Women 50+	1	250	count	\$13.99
Berkley & Jensen	Citracal	1	400	count	\$9.99
Berkley & Jensen	Claritan - 10 mg	1	365	count	\$17.49
Berkley & Jensen	COQ10 - 100 mg	1	120	count	\$14.99
Berkley & Jensen	COQ10 - 200 mg	1	90	count	\$19.99
Berkley & Jensen	COQ10 - 300 mg	1	60	count	\$19.99
Berkley & Jensen	Coritzone 10	2	2	ounce	\$4.99
Berkley & Jensen	Cotton Balls	4	100	count	\$6.99
Berkley & Jensen	Cotton Rounds	6	100	count	\$9.99
Berkley & Jensen	Dayquil (48), Nyquil (24)	1	72	count	\$79.99
Berkley & Jensen	Facial Cleansing Towelettes	1	150	count	\$12.99
Berkley & Jensen	Fish Oil - 1000 mg	1	300	count	\$6.99
Berkley & Jensen	Fish Oil - Odorless	1	250	count	\$15.99
Berkley & Jensen	Fish Oil X-Strength -1200 mg	1	300	count	\$9.99
Berkley & Jensen	Floss	4	90	count	\$7.49
Berkley & Jensen	Gas-X	2	60	count	\$7.99
Berkley & Jensen	Glucosamine, Chondrotin - 2X	1	300	count	\$24.99
Berkley & Jensen	Glucosamine, Chondrotin - 3X	1	150	count	\$16.99
Berkley & Jensen	Glucosamine, Chondrotin - D, 3X	1	180	count	\$14.99
Berkley & Jensen	Glucosamine, MSM, Vitamin D	1	300	count	\$14.99
Berkley & Jensen	Gummy Vites	1	200	count	\$8.99
Berkley & Jensen	Hand Sanitizer (4-12-oz, 2-2-oz)	1	6	count	\$9.99
Berkley & Jensen	Imodium AD	2	96	count	\$8.99
Berkley & Jensen	Lactaid Fast Acting	1	180	count	\$14.99
Berkley & Jensen	Max Performance Multi - Men	1	250	count	\$19.99
Berkley & Jensen	Mega Krill - 500 mg	1	80	count	\$19.99
Berkley & Jensen	Men's Mature Daily	1	400	count	\$12.99
Berkley & Jensen	Men's One a Day	1	250	count	\$9.99
Berkley & Jensen	Metamucil Capsules	1	400	count	\$9.99
Berkley & Jensen	Miralax	2	30	doses	\$16.99
Berkley & Jensen	Motrin	1	750	count	\$10.49
Berkley & Jensen	Motrin - Children's	1	8	ounce	\$5.99
Berkley & Jensen	Mucinex	2	36	count	\$19.99
Berkley & Jensen	Neosporin	2	1	ounce	\$4.99
Berkley & Jensen	Nicotine Gum - 2 mg - Ctd., Mint	1	200	count	\$47.19
Berkley & Jensen	Nicotine Gum - 2 mg - Original	1	200	count	\$31.59
Berkley & Jensen	Nicotine Gum - 4 mg - Ctd., Mint	1	200	count	\$47.19
Berkley & Jensen	Nicotine Gum - 4 mg - Original	1	200	count	\$31.59
Berkley & Jensen	Nicotine Lozenges - 2 mg - Mint	1	168	count	\$49.99
Berkley & Jensen	Nicotine Lozenges - 4 mg - Mint	1	168	count	\$49.99
Berkley & Jensen	Peppid AC	1	200	count	\$14.99
Berkley & Jensen	Poise - Maximum Absorbancy	1	117	count	\$19.99
Berkley & Jensen	Prevacid	3	14	count	\$14.99
Berkley & Jensen	Prilosec	1	42	count	\$15.49
Berkley & Jensen	Probiotic	1	63	count	\$27.99
Berkley & Jensen	Prostate	1	200	count	\$12.99
Berkley & Jensen	Protective Underpads	1	120	count	\$23.99
Berkley & Jensen	Protective Underwear - L - Wom.	1	72	count	\$29.49
Berkley & Jensen	Protective Underwear - S, M	1	80	count	\$29.49
Berkley & Jensen	Protective Underwear - XL	1	64	count	\$29.49
Berkley & Jensen	Razor - Men - Triple Blade - Disp.	1	18	count	\$14.99
Berkley & Jensen	Razor - Men - Twin Blade - Disp.	1	64	count	\$14.99
Berkley & Jensen	Robitussin	2	8	ounce	\$6.99
Berkley & Jensen	Saline Solution	3	16	ounce	\$9.99
Berkley & Jensen	Stool Softener	1	400	count	\$7.99
Berkley & Jensen	Sudafed PE	3	72	count	\$5.99
Berkley & Jensen	Tums EX	2	200	count	\$6.99
Berkley & Jensen	Tylenol Arthritis	1	300	count	\$10.99
Berkley & Jensen	Tylenol Extra Strength	1	500	count	\$5.99
Berkley & Jensen	Tylenol PM	1	500	count	\$7.99
Berkley & Jensen	Vinyl Gloves - L	2	100	count	\$8.99
Berkley & Jensen	Vinyl Gloves - M	2	100	count	\$8.99
Berkley & Jensen	Vision Shield	1	180	count	\$19.98
Berkley & Jensen	Vitamin C 1000 mg Rose Hips	1	375	count	\$19.99
Berkley & Jensen	Vitamin C Chewable	1	500	count	\$11.99
Berkley & Jensen	Vitamin D 1000 iu	1	400	count	\$7.99
Berkley & Jensen	Vitamin E 400 iu	1	500	count	\$15.99
Berkley & Jensen	Whiteniny Wraps	1	14	count	\$14.99

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BJ's Wholesale					
Brand/Partner	Description	2015 579			
Berkley & Jensen	Woman One A Day	1	250	count	\$9.99
Berkley & Jensen	Zantac	1	190	count	\$12.99
Baby		10			
Berkley & Jensen	Baby Wipes - Lotion	1	1140	count	\$19.99
Berkley & Jensen	Baby Wipes - Scented	1	800	count	\$14.99
Berkley & Jensen	Diapers - Size 2	1	184	count	\$22.99
Berkley & Jensen	Diapers - Size 3	1	160	count	\$22.99
Berkley & Jensen	Diapers - Size 4	1	142	count	\$22.99
Berkley & Jensen	Diapers - Size 5	1	124	count	\$22.99
Berkley & Jensen	Diapers - Size 6	1	100	count	\$22.99
Berkley & Jensen	Infant Formula - Iron	1	42	ounce	\$21.99
Berkley & Jensen	Infant Formula - Sensitive	1	36	ounce	\$21.99
Berkley & Jensen	Moist Flushable Wipes	1	432	count	\$12.99
Seasonal		37			
Berkley & Jensen	Spring, Summer - Gen. Merch.	36 SKU			
Living Home	Spring, Summer - Gen. Merch.	1 SKU			
Perishable		239			
Berkley & Jensen	Bakery	5 SKU			
Earth's Pride	Natural - Bakery	4 SKU			
Earth's Pride	Organic - Bakery	5 SKU			
Wellesley Farms	Bakery	68 SKU			
Wellesley Farms	Chicken	1 SKU			
Wellesley Farms	Meat	42 SKU			
Wellesley Farms	Prepared Food	5 SKU			
Wellesley Farms	Seafood	14 SKU			
Berkley & Jensen	Green Beans	1	4	pound	\$5.99
Berkley & Jensen	Seafood - Cod - Wild Alaskan	1	2	pound	\$14.99
Berkley & Jensen	Seafood - Mahi Mahi	1	32	ounce	\$15.99
Berkley & Jensen	Seafood - Swordfish	1	32	ounce	\$21.49
Berkley & Jensen	Seafood - Tuna - Yellow Fin	1	2	pound	\$13.99
Berkley & Jensen	Shrimp - Cooked - 100-150 ct	1	1.5	pound	\$13.49
Berkley & Jensen	Shrimp - Cooked - 71-90 ct	1	2	pound	\$19.99
Berkley & Jensen	Sirloin and Beef Patties	1	6	pound	\$23.99
Berkley & Jensen	Vegetables - Mini Cob Corn	2	12	count	\$7.99
Earth's Pride	Natural - Beef Burger	1	4	pound	\$17.49
Earth's Pride	Natural - Tater Puffs	1	64	ounce	\$5.99
Earth's Pride	Organic - Yellow Onions	1	3	pound	\$3.99
Earth's Pride	Organic - Apples - Fuji	1	5	pound	\$8.99
Earth's Pride	Organic - Apples - Gala	1	5	pound	\$8.99
Earth's Pride	Organic - Apples - Pink Lady	1	5	pound	\$9.99
Earth's Pride	Organic - Apples - Red Delicious	1	5	pound	\$8.99
Earth's Pride	Organic - Russet Potatoes	1	3	pound	\$2.99
Earth's Pride	Organic - Veg. - Broccoli Florets	1	64	ounce	\$6.49
Earth's Pride	Organic - Vegetables - Edamame	8	6.5	ounce	\$7.99
Earth's Pride	Organic - Vegetables - Medley	4	12	ounce	\$7.99
Rozzano	Meatballs - Angus - 2 oz	1	4	pound	\$14.99
Rozzano	Meatballs - Swedish - 0.5 oz	1	4	pound	\$12.99
Rozzano	Ravioli - Grilled Chix Mozzarella	2	15	ounce	\$8.99
Rozzano	Ravioli - Lobster and Crab	2	12.5	ounce	\$9.99
Wellesley Farms	Apple Cider	1	1	gallon	\$4.29
Wellesley Farms	Apples - Cortland	1	5	pound	\$5.99
Wellesley Farms	Apples - Empire	1	5	pound	\$5.99
Wellesley Farms	Apples - McIntosh	1	5	pound	\$5.29
Wellesley Farms	Apples - Red Delicious	1	8	pound	\$7.99
Wellesley Farms	Bacon - Center Cut	3	16	ounce	\$9.99
Wellesley Farms	Bacon - Ready to Eat	1	10	ounce	\$9.99
Wellesley Farms	Bacon - Thick Cut	1	3	pound	\$11.29
Wellesley Farms	Blue Cheese Crumbles	1	12	ounce	\$5.49
Wellesley Farms	Boneless Ham Shank	1	1	pound	\$3.99
Wellesley Farms	Bread - Hamburger Rolls	16	1.5	ounce	\$1.99
Wellesley Farms	Bread - N.E. Hot Dog Rolls	16	1.4	ounce	\$1.99
Wellesley Farms	Bread - Wheat	2	20	ounce	\$2.99
Wellesley Farms	Bread - White	2	20	ounce	\$2.49
Wellesley Farms	Butter - Quarters - Salted	4	1	pound	\$8.49
Wellesley Farms	Butter - Quarters - Unsalted	4	1	pound	\$8.49
Wellesley Farms	Cheese - NY X-Sharp Che. - White	1	2	pound	\$8.99
Wellesley Farms	Cheese - NY X-Sharp Ched. - Yel.	1	2	pound	\$8.99
Wellesley Farms	Cheese - NY Sharp Ched. - White	1	2	pound	\$6.49
Wellesley Farms	Cheese - NY Sharp Ched. - Yellow	1	2	pound	\$6.49
Wellesley Farms	Cheese - Shredded - Sharp Ched.	2	24	ounce	\$9.99
Wellesley Farms	Cheese - Shredded Mexican	2	24	ounce	\$7.29
Wellesley Farms	Cheese - Shredded Mild Cheddar	2	24	ounce	\$7.29
Wellesley Farms	Cheese - Shredded Mozzarella	2	24	ounce	\$7.29
Wellesley Farms	Cheese - Sliced - Colby Jack	1	32	ounce	\$6.99
Wellesley Farms	Cheese - Sliced - Mozzarella	1	32	ounce	\$6.99
Wellesley Farms	Cheese - Sliced - Muenster	1	2	pound	\$6.99
Wellesley Farms	Cheese - Sliced - Pepper Jack	1	32	ounce	\$6.99
Wellesley Farms	Cheese - Sliced Provolone	1	2	pound	\$6.99
Wellesley Farms	Cheese - Sliced Swiss	1	2	pound	\$6.99
Wellesley Farms	Cheese - Smoked Cheddar	1	1	pound	\$8.29
Wellesley Farms	Cheese - Smoked Gouda	1	1	pound	\$7.49
Wellesley Farms	Chicken and Cheese Quesadilla	8	4.5	ounce	\$9.99
Wellesley Farms	Chicken Black Bean Burritos	8	6	ounce	\$9.99
Wellesley Farms	French Fries	6	5	pound	\$16.99
Wellesley Farms	Ice Cream Cake	1	26	ounce	\$8.99
Wellesley Farms	Ice Cream Cake	1	60	ounce	\$13.99
Wellesley Farms	Ice Cream Cake	1	80	ounce	\$17.99

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BJ's Wholesale						
Brand/Partner	Description	2015		579		
Wellesley Farms	Ice Cream Cake	1	110	ounce		\$24.99
Wellesley Farms	Meatballs - Italian - 0.5 oz	1	4	pound		\$12.99
Wellesley Farms	Meatballs - Turkey - 1 oz	1	4	pound		\$12.99
Wellesley Farms	Milk - 1%	1	1	gallon		\$2.59
Wellesley Farms	Milk - 2%	1	1	gallon		\$2.59
Wellesley Farms	Milk - Skim	1	1	gallon		\$2.39
Wellesley Farms	Milk - Whole	1	1	gallon		\$2.59
Wellesley Farms	Mini Cream Puffs	1	70	count		\$7.99
Wellesley Farms	Orange Juice	1	128	ounce		\$3.99
Wellesley Farms	Organic - Butter - Salted	1	2	pound		\$7.99
Wellesley Farms	Organic - Butter - Unsalted	1	2	pound		\$7.99
Wellesley Farms	Organic - Juice - Orange Juice	1	59	ounce		\$3.99
Wellesley Farms	Organic - Juice - Orange, Strawberry	1	89	ounce		\$4.99
Wellesley Farms	Organic - Juice - Peach, Mango	1	89	ounce		\$4.99
Wellesley Farms	Organic - Milk - 1%	2	64	ounce		\$6.79
Wellesley Farms	Organic - Milk - 2%	2	64	ounce		\$6.79
Wellesley Farms	Organic - Milk - Fat Free	2	64	ounce		\$6.79
Wellesley Farms	Organic - Milk - Whole	2	64	ounce		\$6.79
Wellesley Farms	Organic - Peas	1	4	pound		\$6.99
Wellesley Farms	Organic - Ravioli - Spinach and Cheese	2	12.5	ounce		\$9.99
Wellesley Farms	Organic - Triple Berry Blend	1	3	pound		\$9.99
Wellesley Farms	Organic - Tropical Fruit Blend	1	48	ounce		\$10.49
Wellesley Farms	Produce - Red Onions	1	3	pound		\$2.99
Wellesley Farms	Produce - Yellow Onions	1	10	pound		\$4.99
Wellesley Farms	Ravioli - Cheese	2	17	ounce		\$8.99
Wellesley Farms	Salmon - Nova	1	16	ounce		\$16.99
Wellesley Farms	Salmon - Party Platter	1	12	ounce		\$14.99
Wellesley Farms	Salmon - Scottish Smoked	1	1.25	pound		\$19.49
Wellesley Farms	Salmon - Smoked Sockeye	1	8	ounce		\$14.99
Wellesley Farms	Tortellini - Five Cheese	2	20	ounce		\$9.99
Wellesley Farms	Vegetables - Broccoli Normandy	3	2	pound		\$6.99
Wellesley Farms	Vegetables - Farmers Garden Mix	1	40	ounce		\$6.99
Wellesley Farms	Vegetables - Red and Green Pepper	3	20	ounce		\$5.99
Pet		11				
Berkley & Jensen	Bird Seed	1	40	pound		\$19.99
Berkley & Jensen	Black Oil Sunflower Seeds	1	40	pound		\$21.99
Berkley & Jensen	Dog Biscuits - Large - Natural	1	14	pound		\$9.49
Berkley & Jensen	Dog Biscuits - Small - Natural	1	7	pound		\$6.99
Berkley & Jensen	Dog Food - Chicken - Natural	6	13	ounce		\$8.99
Berkley & Jensen	Dog Food - Chicken, Rice - Natural	1	16	pound		\$21.49
Berkley & Jensen	Dog Food - Duck, Vegetable - Natural	1	12	pound		\$23.99
Berkley & Jensen	Dog Food - Lamb, Potato - Natural	1	15	pound		\$23.29
Berkley & Jensen	Dog Food - Large Breed - Chicken and Rice	1	28	pound		\$37.99
Berkley & Jensen	Pet Bed - 29-inch by 41-inch	1	1	count		\$24.99
Berkley & Jensen	Scoopable Cat Litter	1	40	pound		\$9.99
Sundries		49				
Berkley & Jensen	Aluminum Foil - 12" x 1000 sq ft	1	1	count		\$22.99
Berkley & Jensen	Aluminum Foil - 12" x 250 sq ft	1	2	count		\$13.99
Berkley & Jensen	Aluminum Foil - 18" x 150 sq ft	1	2	count		\$12.69
Berkley & Jensen	Aluminum Foil - 18" x 500 sq ft	1	1	count		\$19.99
Berkley & Jensen	Aluminum Foil - Heavy Duty - 12" x 1250 sq ft	1	2	count		\$9.99
Berkley & Jensen	Aluminum Foil Sheets	1	500	count		\$9.99
Berkley & Jensen	Bake Pan with Lids	1	10	count		\$9.99
Berkley & Jensen	Bath Tissue - 1 ply	36	1000	count		\$18.99
Berkley & Jensen	Bathroom Tissue	36	352	count		\$17.99
Berkley & Jensen	Bath Tissue - 2 ply	36	187	count		\$14.99
Berkley & Jensen	Clear Forks, Knives, Spoons	3	120	count		\$12.99
Berkley & Jensen	Clear Plastic Forks	1	330	count		\$12.99
Berkley & Jensen	Dinner Napkins - 17" x 17"	2	100	count		\$7.99
Berkley & Jensen	Dishwasher Pacs	1	85	count		\$9.99
Berkley & Jensen	Disinfectant Wipes	4	75	count		\$9.99
Berkley & Jensen	Fabric Softener Sheets	2	160	count		\$5.99
Berkley & Jensen	Facial Tissue	8	210	count		\$11.99
Berkley & Jensen	Facial Tissue	10	80	count		\$11.99
Berkley & Jensen	Festive Red Cups - 16 oz	1	120	count		\$8.99
Berkley & Jensen	Full Steam Table Foil Pan	1	15	count		\$8.99
Berkley & Jensen	Half Steam Table Pans	1	30	count		\$6.59
Berkley & Jensen	Lasagna Pans	1	18	count		\$7.99
Berkley & Jensen	Laundry Detergent Pacs	1	90	count		\$13.99
Berkley & Jensen	Luncheon Napkins - 13-inch by 13-inch	1	600	count		\$7.99
Berkley & Jensen	Paper Towels - Select-A-Size - 10.9-inch by 16-inch	12	144	count		\$14.99
Berkley & Jensen	Paper Towels - White - 10.9-inch by 16-inch	12	81	count		\$14.99
Berkley & Jensen	Plastic Wrap - 12-inch by 3000-feet	1	1	count		\$12.99
Berkley & Jensen	Plastic Wrap - 18-inch by 3000-feet	1	1	count		\$14.99
Berkley & Jensen	Plates - Heavyweight - 10.25" (ten), 7 1/2"	1	20	count		\$8.99
Berkley & Jensen	Plates - Paper - 9"	1	375	count		\$11.99
Berkley & Jensen	Premium Plastic Cutlery - Forks (60)	1	140	count		\$10.99
Berkley & Jensen	Red Cups - 18 oz	1	200	count		\$9.19
Berkley & Jensen	Translucent Cups - 10 oz	1	280	count		\$8.99
Berkley & Jensen	Translucent Cups - 12 oz	1	260	count		\$8.99
Berkley & Jensen	Translucent Cups - 16-oz	1	180	count		\$8.99
Berkley & Jensen	Translucent Cups - 7 oz	1	400	count		\$8.99
Berkley & Jensen	Trash Bags - 13 gallon	1	200	count		\$13.99
Berkley & Jensen	Trash Bags - 30 gallon	1	100	count		\$13.99
Berkley & Jensen	Trash Bags - 45 gallon	1	100	count		\$19.99
Berkley & Jensen	Trash Bags - Clear - 55 gallon	1	50	count		\$13.49
Berkley & Jensen	Trash Bags - Contractor Bag - 42 gallon	1	32	count		\$14.39

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BJ's Wholesale						
Brand/Partner	Description	2015		579		
Berkley & Jensen	Trash Bags - Drawstring - 13 gallon	1	150	count		\$13.99
Berkley & Jensen	Trash Bags - Drawstring - 33 gallon	1	90	count		\$16.99
Berkley & Jensen	Trash Bags - Stretch Flex - 13 gallon	1	130	count		\$14.99
Berkley & Jensen	Ultra Dishwashing Liquid	1	100	ounce		\$6.99
Berkley & Jensen	Ultra Fabric Softener - 197 load	1	170	ounce		\$9.99
Berkley & Jensen	Ultra Laundry Detergent - 110-load	1	170	ounce		\$13.99
Berkley & Jensen	White Lunch Napkins - 12-inch by 12-inch	2	380	count		\$7.99
BJ/Dunicell	Tablecover - 54" by 108"	1	108	count		\$3.99

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Costco				
Brand/Partner	Description	2015 638		
Apparel				
22				
Kirkland Signature	Kids - Organic - Pajama Set	1	1	count \$11.99
Kirkland Signature	Men's - Dress Shirt	1	1	count \$17.99
Kirkland Signature	Men's - Dress Socks	1	4	pair \$8.99
Kirkland Signature	Men's - Jeans	1	1	count \$13.99
Kirkland Signature	Men's - Sneakers	1	1	pair \$16.99
Kirkland Signature	Men's - 1/4 Zip Cotton Pullover	1	1	count \$14.97
Kirkland Signature	Men's - Boxer Briefs	1	4	count \$9.99
Kirkland Signature	Men's - Crew Socks	1	6	pair \$9.99
Kirkland Signature	Men's - Italian Leather Belt	1	1	count \$17.99
Kirkland Signature	Men's - Long Sleeve T-Shirt	1	1	count \$12.99
Kirkland Signature	Men's - Non Active 1/4 Zip	1	1	count \$14.99
Kirkland Signature	Men's - Non Iron Pants	1	1	count \$19.99
Kirkland Signature	Men's - Performance Shorts	1	1	count \$14.99
Kirkland Signature	Men's - Ribbed Cotton Polo	1	1	count \$10.99
Kirkland Signature	Men's - T-Shirt - Crew Neck	1	6	count \$19.99
Kirkland Signature	Men's - T-Shirt - Pima Cotton	1	1	count \$11.99
Kirkland Signature	Men's - T-Shirt - V-Neck	1	4	count \$16.99
Kirkland Signature	Men's - T-Shirt - Crew Neck	1	1	count \$16.99
Kirkland Signature	Men's - Wool Pltd. Dress Pants	1	1	count \$49.99
Kirkland Signature	Woman's - 1/4 Zip Hoodie	1	1	count \$19.99
Kirkland Signature	Woman's - Camisole	1	2	count \$9.99
Kirkland Signature	Woman's - Full Zip Hoodie	1	1	count \$13.00
Alcohol				
31				
Kirkland Signature	Beer - Light	48	12	ounce \$21.99
Kirkland Signature	Bordeaux	1	750	milliliter \$8.99
Kirkland Signature	Bordeaux - France	1	750	milliliter \$7.89
Kirkland Signature	Bourbon - Small Batch	1	1	liter \$21.99
Kirkland Signature	Cabernet - California	1	1.5	liter \$7.99
Kirkland Signature	Cabernet - Mt. Cuvee - Napa	1	750	milliliter \$21.99
Kirkland Signature	Cabernet - Napa	1	750	milliliter \$19.99
Kirkland Signature	Cabernet - Napa - Sonoma	1	750	milliliter \$15.99
Kirkland Signature	Champagne - Brute - France	1	750	milliliter \$19.99
Kirkland Signature	Champagne - Brute, Rose, France	1	750	milliliter \$24.99
Kirkland Signature	Chardonnay - California	1	1.5	liter \$7.99
Kirkland Signature	Chardonnay - Sonoma County	1	750	milliliter \$6.99
Kirkland Signature	Dry Gin - London	1	1.75	liter \$19.99
Kirkland Signature	Malbec - Argentina	1	750	milliliter \$17.99
Kirkland Signature	Margarita - Golden - RTD - Alc.	1	1.75	liter \$9.99
Kirkland Signature	Meritage - Napa	1	750	milliliter \$13.99
Kirkland Signature	Merlot - Columbia Valley	1	750	milliliter \$11.99
Kirkland Signature	Merlot - Oakville	1	750	milliliter \$17.99
Kirkland Signature	Pinot Grigio - Italy	1	750	milliliter \$5.99
Kirkland Signature	Pinot Noir - Russian River	1	750	milliliter \$15.99
Kirkland Signature	Proseco	1	750	milliliter \$6.99
Kirkland Signature	Spice Rum - St. Croix Island	1	1.75	liter \$14.99
Kirkland Signature	Tequila - Anejo	1	1.5	liter \$19.99
Kirkland Signature	Tequila - Reposado - Blue Agave	1	1	liter \$14.99
Kirkland Signature	Tequila - Silver - Blue Agave	1	1	liter \$19.99
Kirkland Signature	Vodka - American	1	1.75	liter \$13.89
Kirkland Signature	Vodka - French	1	1.75	liter \$19.99
Kirkland Signature	Whiskey - Blended Scotch	1	750	milliliter \$79.99
Kirkland Signature	Whiskey - Canadian	1	1.75	liter \$19.79
Kirkland Signature	Whiskey - Glenlivet - 40-year	1	750	milliliter \$699.99
Kirkland Signature	Zinfandel - Old Vine - Sonoma	1	750	milliliter \$9.99
Automotive				
41				
Kirkland Signature	Batteries	12 SKU		
Kirkland Signature	Tires	28 SKU		
Kirkland Signature	Microfiber Towel (BC)	1	36	count \$17.64
Bed & Bath				
12				
Kirkland Signature	Matt. - King, Cal Kg. Qu. (online)	8 SKU		
Kirkland Signature	Sheets - Cotton - 540 tc - Cal King	1	1	count \$79.99
Kirkland Signature	Sheets - Cotton - 540 tc - King	1	1	count \$69.99
Kirkland Signature	Sheets - Cotton - 540 tc - Queen	1	1	count \$59.99
Kirkland Signature	White Goose Down Duvet	1	1	count \$159.99
Candy, Snacks				
39				
Kirkland Signature	Ancient Grain Crackers	1	50.75	ounce \$6.99
Kirkland Signature	Caramel Chocolate Macadamia	1	32	ounce \$13.89
Kirkland Signature	Cashew Clusters	1	32	ounce \$10.99
Kirkland Signature	Cashews	1	40	ounce \$14.99
Kirkland Signature	Cashews - Unsalted	1	40	ounce \$14.99
Kirkland Signature	Chocolate Covered Almonds	1	48	ounce \$13.99
Kirkland Signature	Chocolate Covered Cashews	1	17.6	ounce \$5.97
Kirkland Signature	Chocolate Covered Raisins	1	54	ounce \$10.99
Kirkland Signature	Dark Choc. Covered Almonds	1	32	ounce \$9.99
Kirkland Signature	Dark Choc. Covered Fruit	1	32	ounce \$9.49
Kirkland Signature	Dried Fruit - Blueberries	1	20	ounce \$7.89
Kirkland Signature	Dried Fruit - Cherries	1	20	ounce \$7.99
Kirkland Signature	Dried Fruit Slices	1	20	count \$15.99
Kirkland Signature	Dry Roasted Almonds	1	40	ounce \$16.99
Kirkland Signature	Dry Roasted Macadamia Nuts	1	24	ounce \$15.99
Kirkland Signature	European Cookies - Assorted	1	35.27	ounce \$6.99
Kirkland Signature	Fruit Medley Mix	1	56	ounce \$14.49
Kirkland Signature	Fruit Snacks	80	0.9	ounce \$10.79
Kirkland Signature	Funhouse Treats	1	92	ounce \$13.59
Kirkland Signature	Granola Bars - Soft, Chewy	60	0.85	ounce \$8.79
Kirkland Signature	Microwavable Popcorn - Butter	44	3.3	ounce \$9.89

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Costco				
Brand/Partner	Description	2015 638		
Kirkland Signature	Mixed Nuts - Fancy	1	2.5	pound \$15.99
Kirkland Signature	Mixed Nuts - Unsalted	1	40	ounce \$17.99
Kirkland Signature	Organic - Tortilla Chips	1	40	ounce \$4.59
Kirkland Signature	Peanuts - XL, Virginia	1	40	ounce \$6.79
Kirkland Signature	Pistachios - In Shell	1	3	pound \$19.99
Kirkland Signature	Rice Crackers and Nuts	1	48	ounce \$8.99
Kirkland Signature	Snack Nut Variety	24	2	ounce \$16.99
Kirkland Signature	Steak Strips - Dried	1	12	ounce \$9.99
Kirkland Signature	Trail Mix - Snack Pack	18	2.5	ounce \$11.79
Kirkland Signature	Trail Mix with M&Ms	1	4	pound \$15.99
Kirkland Signature	Trek Mix	1	32	ounce \$7.99
KS/Anderson Pretzel	Peanut Butter Pretzels	1	52	ounce \$8.99
KS/Disney	Organic - Animal Crackers	1	64	ounce \$8.99
KS/Jelly Belly	Jelly Beans	1	64	ounce \$15.89
KS/Kettle	Krinkle Cut Chips	1	32	ounce \$4.59
KS/Mission	Tortilla Strips	1	48	ounce \$3.79
KS/Sahale Snacks	Pecan Cashew Nut Crisp	1	16	ounce \$9.79
KS/Sunsweet	Dried Fruit - Plums	1	56	ounce \$7.79
Dry Grocery				
94				
Kirkland Signature	Almond Butter - Creamy	1	27	ounce \$10.79
Kirkland Signature	Almonds	1	3	pound \$16.99
Kirkland Signature	Applesauce - Pouches	24	3.17	ounce \$7.39
Kirkland Signature	Artichoke Hearts	2	33	ounce \$9.89
Kirkland Signature	Atlantic Salmon - Canned	6	7	ounce \$14.99
Kirkland Signature	Balsamic Vinegar	1	1	liter \$10.99
Kirkland Signature	Canola Oil	1	5	quart \$7.69
Kirkland Signature	Chicken Breast - Canned	6	12.5	ounce \$11.99
Kirkland Signature	Chocolate Chips	1	72	ounce \$9.99
Kirkland Signature	Chunk Light Tuna - Water	12	7	ounce \$14.99
Kirkland Signature	Coconut Water	12	11.1	ounce \$9.99
Kirkland Signature	Coffee - Ground - Decaf	1	3	pound \$11.99
Kirkland Signature	Coffee - Ground - Colombian	1	3	pound \$10.99
Kirkland Signature	Coffee - Ground - Medium	1	40	ounce \$12.49
Kirkland Signature	Coffee - WB - Colombian	1	32	ounce \$11.89
Kirkland Signature	Coffee - WB - Rwandan	1	48	ounce \$15.99
Kirkland Signature	Coffee - WB - Sumatra	1	32	ounce \$12.99
Kirkland Signature	Cooking Spray	2	16	ounce \$4.99
Kirkland Signature	Cranberry Cherry Juice	2	96	ounce \$7.99
Kirkland Signature	Crumbled Bacon	1	20	ounce \$9.99
Kirkland Signature	Cut Green Beans	12	14.5	ounce \$7.99
Kirkland Signature	Diet Green Tea	35	16.9	ounce \$9.59
Kirkland Signature	Honey - Bears	3	24	ounce \$13.69
Kirkland Signature	Honey - Pure Clover	1	5	pound \$13.99
Kirkland Signature	Juice - Apple - Fresh Pressed	2	128	ounce \$7.99
Kirkland Signature	Mandarin Oranges	20	4	ounce \$7.69
Kirkland Signature	Marinara Sauce	3	32	ounce \$7.79
Kirkland Signature	Mayonnaise	1	64	ounce \$4.99
Kirkland Signature	Mediterranean Oil Blend	1	3	liter \$9.99
Kirkland Signature	Minced Garlic	1	48	ounce \$4.39
Kirkland Signature	Olive Oil - Tuscan	1	1	liter \$12.99
Kirkland Signature	Olive Oil - X-Virgin	1	2	liter \$12.99
Kirkland Signature	Organic - Chicken Stock	6	32	ounce \$12.99
Kirkland Signature	Organic - Chocolate Milk	24	8.25	ounce \$16.99
Kirkland Signature	Organic - Coconut Oil	2	42.3	ounce \$26.99
Kirkland Signature	Organic - Cut Green Beans	12	45.5	ounce \$11.99
Kirkland Signature	Organic - Diced Tomatoes	8	14.5	ounce \$5.99
Kirkland Signature	Organic - Lemonade	2	96	ounce \$5.99
Kirkland Signature	Organic - Maple Syrup	1	1	liter \$12.69
Kirkland Signature	Organic - Dried Roma Tomatoes	1	35	ounce \$9.69
Kirkland Signature	Organic - Peanut Butter	2	28	ounce \$10.99
Kirkland Signature	Organic - Pudding Pouches	12	3.17	ounce \$9.99
Kirkland Signature	Organic - Rice Milk	12	32	ounce \$12.99
Kirkland Signature	Organic - Salsa	2	38	ounce \$7.69
Kirkland Signature	Organic - Strawberry Spread	1	42	ounce \$6.99
Kirkland Signature	Organic - Sugar	1	10	pound \$7.49
Kirkland Signature	Organic - Sweet Corn	12	14.5	ounce \$12.99
Kirkland Signature	Organic - Tomato Paste	12	6	ounce \$6.69
Kirkland Signature	Organic - Tomato Sauce	12	15	ounce \$7.99
Kirkland Signature	Organic - Vanilla Soy Milk	12	32	ounce \$13.49
Kirkland Signature	Organic - X-Virgin Olive Oil	1	2	liter \$15.99
Kirkland Signature	Peaches - Diced - Cups	20	4	ounce \$9.49
Kirkland Signature	Peanut Butter	2	40	ounce \$10.99
Kirkland Signature	Pecans	1	2	pound \$12.99
Kirkland Signature	Pine Nuts	1	24	ounce \$21.79
Kirkland Signature	Pure Olive Oil	2	3	liter \$26.99
Kirkland Signature	Raspberry Spread	1	42	ounce \$4.99
Kirkland Signature	Rice - Jasmine	1	25	ounce \$16.69
Kirkland Signature	Roasted Seaweed	10	0.6	ounce \$7.99
Kirkland Signature	Sliced Peaches	4	24	ounce \$9.59
Kirkland Signature	Solid White Abacore Tuna	8	7	ounce \$14.89
Kirkland Signature	Sparkling Water	24	17	ounce \$9.49
Kirkland Signature	Spice - California Gran. Garlic	1	18	ounce \$4.99
Kirkland Signature	Spice - Chopped Onions	1	11.7	ounce \$3.59
Kirkland Signature	Spice - Crushed Red Peppers	1	10	ounce \$3.25
Kirkland Signature	Spice - Himalayan Pink Salt	1	13	ounce \$3.99
Kirkland Signature	Spice - La Mancha Saffron	1	1	gram \$11.99
Kirkland Signature	Spice - Malabar Fine Pepper	1	12.3	ounce \$5.99

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Costco				
Brand/Partner	Description	2015 638		
Kirkland Signature	Spice - Mediterranean Sea Salt	1	13	ounce \$3.49
Kirkland Signature	Spice - Organic - No Salt Seas	1	14.5	ounce \$7.99
Kirkland Signature	Spice - Pure Sea Salt	1	30	ounce \$2.79
Kirkland Signature	Spice - Pure Vanilla	1	16	ounce \$6.99
Kirkland Signature	Spice - Saigon Ground Cinnamon	1	10.7	ounce \$2.59
Kirkland Signature	Spice - Tellicherry Pepper	1	6.3	ounce \$4.99
Kirkland Signature	Spice - Whole Black Peppercorn	1	14.1	ounce \$6.69
Kirkland Signature	Sweet Corn	12	15.25	ounce \$7.89
Kirkland Signature	Vegetable Oil	1	5	quart \$6.99
Kirkland Signature	Walnuts	1	3	pound \$18.99
Kirkland Signature	Water	40	16.9	ounce \$3.39
Kirkland Signature	Water	70	8	ounce \$6.69
KS/Campbell's	Classic Chicken Noodle	8	17.3	ounce \$10.89
KS/Campbell's	Tomato Bisque	8	16.9	ounce \$9.99
KS/Cargill	Liquid Fry Shortening	1	35	pound \$17.99
KS/Cargill	Soybean Oil	1	35	pound \$16.99
KS/Hansen	Juice Boxes	36	6.75	ounce \$8.99
KS/Itto En	Green Tea	1	100	count \$12.99
KS/Keurig	Coffee - Kcup - Pacific Bold	1	100	count \$36.99
KS/Keurig	K-Cups - Breakfast Blend	1	100	count \$36.99
KS/Nature's Path	Organic - Granola Cereal	2	17	ounce \$7.39
KS/Newman's Own	Grape Juice	2	96	ounce \$6.89
KS/Ocean Spray	Juice - Cranberry - 100%	2	96	ounce \$6.99
KS/Starbucks	Coffee - WB - Decaf - Fair Trade	1	32	ounce \$11.49
KS/Starbucks	Coffee - WB - Fair Trade	1	2	pound \$9.99
KS/Mia Rain	Zero Flavored Water	24	20	ounce \$9.99
Hard Goods 17				
CWC	Glass Beverage Jar	1	1	count \$44.99
CWC	Rustic Wood Tray	1	1	count \$29.99
CWC	Tarp - Heavy Duty - 12' by 16'	1	1	count \$11.99
CWC	Tumber Set - Acrylic	8	24	ounce \$15.99
CWC	Tumber Set - 13.5-oz (8), 22-oz (8)	1	16	count \$19.99
Kirkland Signature	AA Batteries	1	48	count \$12.99
Kirkland Signature	AAA Batteries	1	48	count \$15.49
Kirkland Signature	Cast Iron French Oven - 6.5-quart	1	1	count \$89.99
Kirkland Signature	Hard Adonized Cookware	1	15	count \$159.99
Kirkland Signature	Luggage - Rolling - Carry On	1	1	count \$99.99
Kirkland Signature	Mechanics Tool Set	1	159	count \$99.99
Kirkland Signature	Mobile Toolchest - 42-inch	1	1	count \$599.99
Kirkland Signature	Photo Paper - 11-inch by 14-inch	1	50	count \$26.99
Kirkland Signature	Photo Paper - 13-inch by 19-inch	1	50	count \$44.99
Kirkland Signature	Photo Paper - 4-inch by 6-inch	1	300	count \$13.99
Kirkland Signature	Photo Paper - 8.5-inch by 11-inch	1	150	count \$18.99
Kirkland Signature	Stainless Steel Cookware Set	1	13	count \$169.99
Pet 15				
Kirkland Signature	Cat - Healthy Weight	1	20	pound \$14.69
Kirkland Signature	Cat - Super Premium Cat Food	1	25	pound \$17.69
Kirkland Signature	Dog - Biscuits	1	15	pound \$11.69
Kirkland Signature	Dog - Chicken, Rice, Vegetable	1	40	pound \$26.59
Kirkland Signature	Dog - Healthy Weight Food	1	40	pound \$24.99
Kirkland Signature	Dog - Lamb, Rice, Vegetable	1	40	pound \$28.99
Kirkland Signature	Dog - Mature - Chix, Rice, Egg	1	40	pound \$27.89
Kirkland Signature	Dog - Puppy	1	20	pound \$13.99
Kirkland Signature	Dog, Cat - Pet Bed - 42-inch	1	1	count \$27.69
Kirkland Signature	Pet Bed - Orthopedic - 36" by 40"	1	1	count \$64.99
KS/Nature's Domain	Cat - Salmon and Sweet Potato	1	18	pound \$19.89
KS/Nature's Domain	Dog - Beef and Sweet Potato	1	35	pound \$29.69
KS/Nature's Domain	Dog - Salmon and Sweet Potato	1	35	pound \$32.99
KS/Nature's Domain	Dog - Turkey and Pea Stew	24	13.2	ounce \$18.99
KS/Nature's Domain	Dog - Turkey and Sweet Potato	1	35	pound \$29.99
Perishable 202				
Kirkland Signature	Meat	35 SKU		
Kirkland Signature	Bakery	28 SKU		
Kirkland Signature	Prepared Foods	30 SKU		
Kirkland Signature	Seafood	11 SKU		
Kirkland Signature	Chicken	1 SKU		
Kirkland Signature	Bacon - Center Cut - Sliced	4	1	pound \$10.99
Kirkland Signature	Bacon - Low Salt - Sliced	4	1	pound \$10.99
Kirkland Signature	Bacon - Thick Sliced - Dutch	2	1.5	pound \$12.99
Kirkland Signature	Bread - Cinnamon	1	28	ounce \$4.39
Kirkland Signature	Bread - Multigrain	2	28	ounce \$3.99
Kirkland Signature	Bread - Raisin Bread (BC)	2	24	ounce \$7.94
Kirkland Signature	Bread - Sandwich Rolls (BC)	1	18	count \$4.20
Kirkland Signature	Bread - Split Top Wheat	2	32	ounce \$3.99
Kirkland Signature	Butter - Salted Quarters	4	1	pound \$7.89
Kirkland Signature	Butter - Salted Solids	4	1	pound \$8.99
Kirkland Signature	Butter - Unsalted Quarters	4	1	pound \$8.99
Kirkland Signature	Cheese - American Blue Chese	1	1	pound \$4.79
Kirkland Signature	Cheese - American - Sliced (120)	1	2.5	pound \$9.29
Kirkland Signature	Cheese - Cave Aged Cheddar	1	1	pound \$11.99
Kirkland Signature	Cheese - Cheddar Jack Shred	2	2.5	pound \$11.59
Kirkland Signature	Cheese - Colby Jack	1	2	pound \$4.65
Kirkland Signature	Cheese - French Comte	1	18	ounce \$9.49
Kirkland Signature	Cheese - Goat	2	10.5	ounce \$6.69
Kirkland Signature	Cheese - Isigny French Brie	1	13.4	ounce \$5.69
Kirkland Signature	Cheese - Lake Country Asiago	1	1	pound \$5.99
Kirkland Signature	Cheese - Manchego Cheese	1	1	pound \$7.89

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Costco				
Brand/Partner	Description	2015 638		
Kirkland Signature	Cheese - Mild Cheddar Shred	2	2.5	pound \$11.59
Kirkland Signature	Cheese - Parmigiano Reggiano	1	1	pound \$9.29
Kirkland Signature	Cheese - Part Skim Mozz Shred	1	5	pound \$9.85
Kirkland Signature	Cheese - Pecorino Romano Wdg	1	1	pound \$7.99
Kirkland Signature	Cheese - Sharp Cheddar	1	2	pound \$5.39
Kirkland Signature	Cheese - Shredded Mexican Blend	1	2.5	pound \$7.99
Kirkland Signature	Cheese - Shred Parmigiano	1	16	ounce \$11.59
Kirkland Signature	Chicken - Bnls Skinless Chix	1	6.5	pound \$17.59
Kirkland Signature	Chicken - Bnls Sknls Chix Tenders	1	6	pound \$15.99
Kirkland Signature	Chicken - B/S Chix Thighs (BC)	1	6.5	ounce \$15.28
Kirkland Signature	Chicken - Grilled Strips	2	16	ounce \$10.69
Kirkland Signature	Chicken - Raw Chicken Wings	1	10	pound \$19.69
Kirkland Signature	Deli - Smoked Sockeye Salmon	2	8	ounce n/a
Kirkland Signature	Deli Meat - Ham - Black Forest	1	1	pound \$4.69
Kirkland Signature	Deli Meat - Ham - Boneless Steak	1	1	pound \$3.29
Kirkland Signature	Deli Meat - Ham - Extra Lean	2	24	ounce \$11.99
Kirkland Signature	Deli Meat - Ham - Master Carved	1	1	pound \$2.69
Kirkland Signature	Deli Meat - Rstd Turkey Breast	1	1	pound \$3.99
Kirkland Signature	Deli Meat - Sliced - Roast Beef	1	1	pound \$7.59
Kirkland Signature	Deli Meat - Spiral Sliced Ham	1	1	pound \$2.29
Kirkland Signature	Deli Meat - Turkey - Honey	1	1	pound \$6.89
Kirkland Signature	Deli Meat - Turkey - Oven Rstd	1	1	pound \$6.89
Kirkland Signature	Deli Meat - Turkey - Sliced Breast	3	14	ounce \$9.99
Kirkland Signature	Five Cheese Tortellini (BC)	2	24	ounce \$11.75
Kirkland Signature	Greek Yogurt - Non Fat	2	32	ounce \$6.99
Kirkland Signature	Greek Yogurt - Non Fat	15	6	ounce \$9.99
Kirkland Signature	Ground Beef Chubs	5	1.0	pound \$19.99
Kirkland Signature	Ground Beef Patties - 1/4-pound	1	6	pound \$21.99
Kirkland Signature	Ground Sirloin Patties - 1/3-pound	1	6	pound \$23.99
Kirkland Signature	Hot Dogs - Beef	3	1.5	pound \$12.99
Kirkland Signature	Hot Dogs - Dinner Franks	1	61	ounce \$12.99
Kirkland Signature	Liquid Egg Whites	6	16	ounce \$7.49
Kirkland Signature	Meatballs	1	6	pound \$17.99
Kirkland Signature	Milk - 1%	1	1	gallon \$2.45
Kirkland Signature	Milk - 2%	1	1	gallon \$2.45
Kirkland Signature	Milk - 2% - Lactose Free	3	64.0	ounce \$7.69
Kirkland Signature	Milk - Homogenized	1	1	gallon \$2.82
Kirkland Signature	Milk - Skim	1	1	gallon \$2.35
Kirkland Signature	Organic - Brown Eggs	1	24	count \$6.49
Kirkland Signature	Organic - Ground Beef	1	64	ounce \$19.99
Kirkland Signature	Organic - Milk - 1%	3	64	ounce \$10.99
Kirkland Signature	Organic - Milk - Fat Free	3	64	ounce \$10.59
Kirkland Signature	Organic - Milk - Whole	3	64	ounce \$11.99
Kirkland Signature	Organic - Orange Juice	1	128	ounce \$7.99
Kirkland Signature	Organic - Salted Butter	2	1	pound \$7.99
Kirkland Signature	Pineapple Chunks	1	4	pound \$6.69
Kirkland Signature	Pizza - Cheese	4	16.95	ounce \$9.99
Kirkland Signature	Pizza - Pepperoni - Rising Crust	4	30.35	ounce \$13.99
Kirkland Signature	Pulled Pork	1	32	ounce \$10.99
Kirkland Signature	Red Grapefruit	12	8	ounce \$9.99
Kirkland Signature	Sausage and Beef Lasagna	2	3	pound \$14.99
Kirkland Signature	Seafood - Hake Loins	1	2.5	pound \$9.99
Kirkland Signature	Seafood - Mahi Mahi	1	3	pound \$19.99
Kirkland Signature	Seafood - Panko Breaded Shrimp	1	2.5	pound \$24.99
Kirkland Signature	Seafood - Raw Sea Scallops	1	2	pound \$32.89
Kirkland Signature	Seafood - Wild Alaskan Cod	1	2	pound \$14.99
Kirkland Signature	Seafood - Wild Alaskan Halibut	1	2	pound \$39.99
Kirkland Signature	Seafood - Wild Alaskan Salmon	1	3	pound \$23.99
Kirkland Signature	Seafood - Wild Sockeye Salmon	2	8	ounce \$29.99
Kirkland Signature	Shrimp - Ckd Tail Off - 50-70 ct	1	2	pound \$19.89
Kirkland Signature	Shrimp - Cooked Tail On - 21-25 ct	1	2	pound \$27.99
Kirkland Signature	Shrimp - Cooked Tail On - 31-40 ct	1	2	pound \$21.99
Kirkland Signature	Shrimp - Raw Tail On - 21-25 ct	1	2	pound \$22.99
Kirkland Signature	Shrimp - Raw Tail On - 31-40 ct	1	2	pound \$17.99
Kirkland Signature	Smoked Salmon - Deli	2	12	ounce \$19.99
Kirkland Signature	Stir Fry Vegetables	1	5.5	pound \$7.49
Kirkland Signature	Turkey Burgers	12	5	ounce \$10.99
Kirkland Signature	Vanilla Ice Cream	2	64	ounce \$10.99
Kirkland Signature	Vegetable Normandy	1	5.5	pound \$6.49
KS/Blount	Soup - Lobster Bisque	2	20	ounce \$10.89
KS/Bolthouse	Cheese - Mild Cheddar	1	2	pound \$4.45
KS/Disney	Chicken Nuggets	1	5	pound \$11.99
KS/Hormel	Bacon Strips - Precooked	1	1	pound \$9.99
KS/Rader Farms	Three Berry Variety	1	4	pound \$11.99
KS/Stock Pot	Soup - Broccoli Cheddar	2	32	ounce \$9.99
KS/Stock Pot	Soup - Chicken Tortilla	2	32	ounce \$9.99
Seasonal 47				
Kirkland Signature	Candy, Dry Grocery	4 SKU		
CWC, Kirkland Signature	General Merchandise	43 SKU		
Baby 8				
Kirkland Signature	Baby Wipes - Unscented	1	900	count \$19.79
Kirkland Signature	Diapers - size 1/2, up to 15 pounds	1	136	count \$19.99
Kirkland Signature	Diapers - size 3, 16-28 pounds	1	210	count \$38.99
Kirkland Signature	Diapers - size 4, 23-27 pounds	1	180	count \$38.99
Kirkland Signature	Diapers - size 5, 27+ pounds	1	162	count \$38.99
Kirkland Signature	Diapers - size 6, 35+ pounds	1	135	count \$38.99
Kirkland Signature	Infant Formula	1	36	ounce \$17.99

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Costco					
Brand/Partner	Description	2015 638			
Kirkland Signature	Moist Flushable Wipes	10	60	count	\$14.99
Sundries		29			
Kirkland Signature	Aluminum Foil - 12 inch	1	1000	feet	\$21.99
Kirkland Signature	Aluminum Foil - 18 inch - Hwy Duty	1	500	feet	\$22.99
Kirkland Signature	Aluminum Foil Sheets	1	500	count	\$9.49
Kirkland Signature	Clear Cutlery - knife, fork, spoon	3	120	count	\$12.59
Kirkland Signature	Detergent - Free & Clear Laundry	1	186	ounce	\$13.99
Kirkland Signature	Detergent - Laundry Pacs	1	120	count	\$16.99
Kirkland Signature	Detergent - Pdr. - Bleach - 200 ld	1	448	ounce	\$15.89
Kirkland Signature	Detergent - Ultra - 126 load	1	194	ounce	\$13.99
Kirkland Signature	Dinner Napkins	4	260	count	\$8.49
Kirkland Signature	Dishwasher Detergent - Gel	2	116	ounce	\$12.49
Kirkland Signature	Dishwasher Pacs	1	110	count	\$9.69
Kirkland Signature	Disinfecting Wipes	1	304	count	\$11.69
Kirkland Signature	Env. Friendly - Dish Soap	1	135	ounce	\$8.69
Kirkland Signature	Env. Friendly - Laundry Detergent	1	186	ounce	\$13.99
Kirkland Signature	Fabric Softener - 200 load	1	187	ounce	\$9.59
Kirkland Signature	Fabric Softener Sheets	2	250	count	\$8.99
Kirkland Signature	Facial Tissue	12	100	count	\$14.79
Kirkland Signature	Lodging Tissue	30	125	count	\$25.99
Kirkland Signature	Paper Towels - 11x7 inch - Select	12	160	count	\$15.99
Kirkland Signature	Toilet Paper	30	425	count	\$15.99
Kirkland Signature	Toilet Paper - Ultra Soft	30	231	count	\$15.99
Kirkland Signature	Trash - Drawstring - 33 gallon	1	90	count	\$15.99
Kirkland Signature	Trash - Drawstring Kitchen - 13 gal	1	200	count	\$13.89
Kirkland Signature	Trash - Drum Liners - 55 gal	1	50	count	\$13.39
Kirkland Signature	Trash - Lawn Leaf Bags - 45 gal	1	100	count	\$20.99
Kirkland Signature	Trash - Wastebasket Liner - 10 gal	1	500	count	\$9.69
KS/Chinet	Red Cups - 18 oz	1	240	count	\$10.99
KS/Stretch Tite	Food Wrap - 12 inch	2	750	feet	\$9.99
KS/Stretch Tite	Food Wrap - 12 inch	1	3000	feet	\$12.69
HBA		81			
Kirkland Signature	Advil	2	500	count	\$8.79
Kirkland Signature	Advil Liquid Gels	2	180	count	\$12.49
Kirkland Signature	Aleve	1	400	count	\$12.99
Kirkland Signature	Allegra Allergy	1	120	count	\$33.99
Kirkland Signature	Antiseptic Mouth Rinse	3	1.5	liter	\$7.49
Kirkland Signature	Bayer - Low Dose	2	365	count	\$4.79
Kirkland Signature	Benadryl Allergy	1	400	count	\$4.69
Kirkland Signature	Benefiber	1	25.6	ounce	\$14.99
Kirkland Signature	Body Lotion	2	22	ounce	\$9.99
Kirkland Signature	Body Wash	2	27	ounce	\$9.99
Kirkland Signature	Calcium - 600 mg, D3	1	500	count	\$6.59
Kirkland Signature	Calcium Chews	1	180	count	\$11.99
Kirkland Signature	Calcium Citrate - 500 mg	2	250	count	\$9.99
Kirkland Signature	Claritan	1	365	count	\$11.99
Kirkland Signature	Conditioner	1	33.8	ounce	\$7.49
Kirkland Signature	CoQ10 - 300 mg	1	75	count	\$21.99
Kirkland Signature	Cortizone	4	2	ounce	\$6.99
Kirkland Signature	Daily Facial Cleansing Towelettes	1	150	count	\$11.99
Kirkland Signature	Ecotrine	1	500	count	\$5.89
Kirkland Signature	Energy Shot	48	2	ounce	\$34.99
Kirkland Signature	Energy Shot - Extra Strength	48	2	ounce	\$38.99
Kirkland Signature	Ensure - Complete Nutrition Shk	32	8	ounce	\$23.99
Kirkland Signature	Fish Oil - Enteric Coated	1	180	count	\$15.99
Kirkland Signature	Fish Oil - Wild Alaskan - 1400 mg	1	230	count	\$19.99
Kirkland Signature	Fish Oil Concentrate 1000 mg	1	400	count	\$9.49
Kirkland Signature	Glucosamine Chondroitin	1	220	count	\$21.49
Kirkland Signature	Glucosamin with MSM	1	375	count	\$16.49
Kirkland Signature	Hair, Skin and Nails	1	240	count	\$12.99
Kirkland Signature	Imodium AD	1	400	count	\$5.49
Kirkland Signature	Krill Oil	1	160	count	\$22.99
Kirkland Signature	Lactaid - Fast Act	1	180	count	\$14.99
Kirkland Signature	Magnesium Citrate	1	300	count	\$19.99
Kirkland Signature	Metamucil	2	180	count	\$19.99
Kirkland Signature	Metamucil Capsules	2	360	count	\$17.49
Kirkland Signature	Minoxidil - Men's Rogaine - Foam	6	60	grams	\$48.99
Kirkland Signature	Miralax	3	18	ounce	\$22.99
Kirkland Signature	Motrin	1	750	count	\$8.79
Kirkland Signature	Mucus Relief	2	200	count	\$11.49
Kirkland Signature	Nicorette - 2 mg - Original	2	190	count	\$59.99
Kirkland Signature	Nicorette - 4 mg - Lozenges	1	270	count	\$59.99
Kirkland Signature	Nicorette - 4 mg - Original	2	190	count	\$59.99
Kirkland Signature	Nitrile Exam Gloves - L	2	200	count	\$19.99
Kirkland Signature	Nitrile Exam Gloves - M	2	200	count	\$19.99
Kirkland Signature	Pepcid AC	2	85	count	\$9.99
Kirkland Signature	Performance Multi Vitamin	1	300	count	\$13.99
Kirkland Signature	Prevacid	3	14	count	\$14.89
Kirkland Signature	Prilosec	1	42	count	\$13.99
Kirkland Signature	Pro Complete Toothpaste	6	7.5	ounce	\$9.99
Kirkland Signature	Saline Solution	3	16	ounce	\$8.99
Kirkland Signature	Shampoo	1	33.8	ounce	\$9.99
Kirkland Signature	Soap/Bath Bar	15	4.5	ounce	\$9.99
Kirkland Signature	Stool Softener	2	200	count	\$5.49
Kirkland Signature	Super B Complex	1	500	count	\$11.99
Kirkland Signature	Tums Ultra	2	265	count	\$8.99
Kirkland Signature	Tylenol - Arthritis Pain	1	400	count	\$13.99

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Costco					
Brand/Partner	Description	2015 638			
Kirkland Signature	Tylenol Cold - Day (120), Night (48)	1	168	count	\$8.99
Kirkland Signature	Tylenol Extra Strength	2	500	count	\$8.59
Kirkland Signature	Tylenol X-Strength PM	1	500	count	\$10.99
Kirkland Signature	Unisom	2	96	count	\$6.99
Kirkland Signature	Vitamin - B12 - 500 MCG	1	300	count	\$18.99
Kirkland Signature	Vitamin - Gummy - Adult Multi	2	160	count	\$10.79
Kirkland Signature	Vitamin - Mature - Multi	1	500	count	\$11.49
Kirkland Signature	Vitamin - Multi - Daily	1	500	count	\$12.69
Kirkland Signature	Vitamin C - Chewable - 500 mg	1	500	count	\$11.99
Kirkland Signature	Vitamin C Rose Hips - 1000 mg	1	500	count	\$13.99
Kirkland Signature	Vitamin D3, 2000 IU	1	600	count	\$10.49
Kirkland Signature	Vitamin E 400 IU	1	500	count	\$10.39
Kirkland Signature	Vitamin Pack - Active	1	100	count	\$16.99
Kirkland Signature	Vitamins - Gummy - Children	2	160	count	\$9.99
Kirkland Signature	Weight Loss Shake - Chocolate	24	11	ounce	\$18.99
Kirkland Signature	Zantac 150	2	95	count	\$8.99
Kirkland Signature	Zyrtec	1	365	count	\$14.99
Kirkland Signature	Zyrtec - Children	2	8	ounce	\$9.99
TruNature	CoQ10 - 100 mg	1	150	count	\$13.29
TruNature	Cranberry - 300 mg	1	220	count	\$13.99
TruNature	Digestive Probiotic	1	100	count	\$16.99
TruNature	Ginkgo Biloba - 120 mg	1	300	count	\$14.59
TruNature	Grape Seed, Resveratrol	1	300	count	\$19.99
TruNature	Lutein with Zeaxanthin	1	140	count	\$8.29
TruNature	Prostate Health Complex	1	250	count	\$19.99
TruNature	Resveratrol - 250 mg	1	120	count	\$18.49

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Sam's Club			
Brand/Partner	Description	2015	
		567	
Apparel			
3			
Member's Mark	Men's - Jeans - Dark Washed	1	1 count \$13.98
Member's Mark	Men's - Jeans - Stone Washed	1	1 count \$13.98
Member's Mark	Men's - T-Shirts	1	6 count \$17.98
Candy, Snacks			
8			
Daily Chef	Almonds - Chocolate Covered	1	32 ounce \$10.15
Daily Chef	Dried Mangoes	1	20 ounce \$10.78
Daily Chef	Fruit Snacks	75	0.9 ounce \$7.48
Daily Chef	Gourmet Jelly Beans	1	4 pound \$10.98
Daily Chef	Peanut Butter Pretzels	1	44 ounce \$5.98
Daily Chef	Pitted Plums	1	50 ounce \$6.78
Daily Chef	Starlight Mints	1	7 pound \$7.98
Daily Chef	Trail Mix	1	3 pound \$10.67
Automotive			
11			
Certified	Dex/Mercon	12	1 quart \$25.12
Certified	Gas Oil - 80/90	1	5 gallon \$46.58
Certified	Hydraulic - AW 46	1	5 gallon \$39.68
Certified	Hydraulic/Trans. Oil - 10W20	1	35 pound \$43.48
Certified	Motor Oil - 10W30	12	1 quart \$24.86
Certified	Motor Oil - 10W40	12	1 quart \$24.86
Certified	Motor Oil - 5W20	12	1 quart \$25.12
Certified	Motor Oil - 5W30	12	1 quart \$25.12
MM Commercial	Cotton Terry Towel - 14x7 inches	1	60 count \$20.62
MM Commercial	Microfiber Towel	1	30 count \$13.58
MM Commercial	Shop Towel	1	100 count \$16.88
Bed & Bath			
12			
Hotel Luxury Reserve	Bath Rug - 24" by 36" - Assorted	1	1 count \$14.88
Hotel Luxury Reserve	Bath Towels - 30" by 58" - Asst.	1	1 count \$6.98
Hotel Luxury Reserve	Bed Sheets - 600 tc - King	1	6 count \$79.98
Hotel Luxury Reserve	Bed Sheets - 600 tc - Queen	1	6 count \$69.98
Hotel Luxury Reserve	Hand Towels - 16" by 30" - Asstd.	1	1 count \$3.98
Hotel Luxury Reserve	Pillow - King	1	2 count \$19.98
Hotel Luxury Reserve	Pillow - Queen	1	2 count \$16.98
Hotel Luxury Reserve	Washcloths - 13" by 15" - Asstd.	1	1 count \$3.98
Member's Mark	Bath Rug - 24" by 36" - Assorted	1	1 count \$9.98
Member's Mark	Bed Sheets - 450 tc - Full	1	1 count \$29.98
Member's Mark	Bed Sheets - 450 tc - King	1	1 count \$49.98
Member's Mark	Bed Sheets - 450 tc - Queen	1	1 count \$39.98
Dry Grocery			
44			
Bakers & Chefs	Canola Oil	1	35 pound \$19.68
Bakers & Chefs	Clear Fry Oil	1	35 pound \$18.53
Bakers & Chefs	Creamy/Liquid Shortening	1	35 pound \$19.59
Bakers & Chefs	Flour - All Purpose	1	25 pound \$9.34
Bakers & Chefs	Flour - Bread and Pizza	1	25 pound \$9.76
Bakers & Chefs	Packets - Parmesan Cheese	500	0.1 ounce \$19.28
Bakers & Chefs	Packets - Red Pepper	1000	0.03 ounce \$10.72
Bakers & Chefs	Peanut Oil	1	35 pound \$19.91
Bakers & Chefs	Vegetable Oil	1	35 pound \$19.63
Daily Chef	Artichoke Hearts	1	33.5 ounce \$6.38
Daily Chef	Barbeque Sauce - KC Style	1	1 gallon \$8.48
Daily Chef	Canned - Atlantic Salmon	4	7 ounce \$11.28
Daily Chef	Canned - Chicken	1	50 ounce \$8.88
Daily Chef	Canned - Chicken	5	13 ounce \$10.98
Daily Chef	Coffee - K-Cups - Colombian	1	80 count \$32.98
Daily Chef	Coffee - K-Cups - Decaffeinated	1	54 count \$22.98
Daily Chef	Coffee - K-Cups - French	1	80 count \$32.98
Daily Chef	Coffee - Whole Bean - Breakfast	1	40 ounce \$12.67
Daily Chef	Coffee - Whole Bean - Colombian	1	40 ounce \$14.88
Daily Chef	Coffee - Whole Bean - French	1	40 ounce \$14.88
Daily Chef	Mocha Cappuccino (online)	2	48 ounce \$19.98
Daily Chef	Non Dairy Creamer	1	60 ounce \$5.87
Daily Chef	Olive Oil	1	3 liter \$14.98
Daily Chef	Olive Oil - Organic	1	1.5 liter \$9.98
Daily Chef	Olive Oil - X-Virgin	1	3 liter \$17.98
Daily Chef	Pancake Mix	1	10 pound \$6.18
Daily Chef	Pasta - Angel Hair	6	1 pound \$6.48
Daily Chef	Pasta - Elbow Macaroni	6	1 pound \$6.48
Daily Chef	Pasta - Garden of Eatin'	6	1 pound \$6.78
Daily Chef	Pasta - Penne	6	1 pound \$6.48
Daily Chef	Pasta - Spaghetti	6	1 pound \$6.48
Daily Chef Foodservice	Brown Sugar	1	7 pound \$4.39
Daily Chef Foodservice	Cheddar Cheese Sauce	1	106 ounce \$6.28
Daily Chef Foodservice	Cooking Spray	2	16 ounce \$5.98
Daily Chef Foodservice	Dressing - Italian	1	128 ounce \$6.46
Daily Chef Foodservice	Dressing - Ranch	1	128 ounce \$6.98
Daily Chef Foodservice	Ketchup - #10 bottle - Fancy	1	114 ounce \$3.64
Daily Chef Foodservice	Nacho Cheese Sauce	1	106 ounce \$6.28
Daily Chef Foodservice	Sugar - Powdered	1	7 pound \$4.54
Daily Chef Foodservice	Vinegar	2	128 ounce \$3.88
Member's Mark	Apple Juice	2	96 ounce \$3.98
Member's Mark	Sparkling Water	15	1.0 liter \$8.98
Member's Mark	Water	64	8.0 ounce \$6.38
Member's Mark	Water	40	16.9 ounce \$3.98
Seasonal			
34			
Member's Mark	Spring, Summer - Gen. Merch.	34 SKU	
Hard Goods			
91			
Bakers & Chefs	Bar Mop - 16-inch x 19-inch	1	24 count \$12.88
WCF Research - March, 2015			

Sam's Club			
Brand/Partner	Description	2015	
		567	
Bakers & Chefs	Boning Knives	1	2 count \$7.58
Bakers & Chefs	Chafing Fuel - 6 hour	1	12 count \$14.97
Bakers & Chefs	Cutting Board - 15-inch x 20-inch	1	1 count \$8.98
Bakers & Chefs	Flour Sacks	1	12 count \$12.78
Bakers & Chefs	Food Serving Set - Disposable	1	24 count \$21.88
Bakers & Chefs	Frying Pan - Non Coated - 10-inch	1	1 count \$15.86
Bakers & Chefs	Frying Pan - Non Coated - 8-inch	1	1 count \$10.88
Bakers & Chefs	Glasses - Tumblers - Clear	24	20 ounce \$17.88
Bakers & Chefs	Kitchen Spoons	1	3 count \$4.78
Bakers & Chefs	Pocket Apron - Assorted	1	3 count \$12.94
Bakers & Chefs	Pocket Apron - White	1	3 count \$11.54
Bakers & Chefs	Steak Knives	1	12 count \$7.48
Bakers & Chefs	Tablecover - 54" x 120"	1	2 count \$21.64
Bakers & Chefs	Tablecover - 54x120 inch - White	1	2 count \$18.98
Bakers & Chefs	Tablecover - 54x96 inch - White	1	2 count \$14.88
Bakers & Chefs	Tablecover - Paper - 54x108 inch	1	6 count \$4.78
Bakers & Chefs	Tablecover - Round - 80" - White	1	2 count \$19.54
Bakers & Chefs	Tablecover - Round - 90"	1	2 count \$24.97
Daily Chef	Beverage Server with Chalkboard	1	2 count \$29.98
Daily Chef	Cookware Set - Non-Stick	1	11 count \$79.98
Daily Chef	Frying Pans - Non-Stick - 8, 10, 12	1	3 count \$24.98
Daily Chef Foodservice	Aluminum Sheet Pan - 13" by 18"	1	2 count \$10.78
Daily Chef Foodservice	Beverage Dispenser - 2.2-liter	1	1 count \$18.88
Daily Chef Foodservice	Catering Set	1	24 count \$21.88
Daily Chef Foodservice	Chef Spears - 8 inch	1	2 count \$8.86
Daily Chef Foodservice	Coffee Decanter	1	2 count \$14.48
Daily Chef Foodservice	Cooking Spoon - 13-inch	1	3 count \$4.78
Daily Chef Foodservice	Cook's Knives	1	2 count \$13.78
Daily Chef Foodservice	Dinner Forks	1	36 count \$6.68
Daily Chef Foodservice	Dinner Knives	1	36 count \$12.98
Daily Chef Foodservice	Dinner Spoons	1	36 count \$6.86
Daily Chef Foodservice	Flatware Set and Holder	1	48 count \$19.97
Daily Chef Foodservice	Frying Pan - Tri-Ply Clad - 10-inch	1	1 count \$24.87
Daily Chef Foodservice	Frying Pan - Tri-Ply Clad - 8-inch	1	1 count \$16.87
Daily Chef Foodservice	Full Steam Table Pan	1	2 count \$22.86
Daily Chef Foodservice	Glasses - Tumbler - Red	24	20 ounce \$17.88
Daily Chef Foodservice	Half Steam Table Pan	1	2 count \$19.76
Daily Chef Foodservice	Mixing Bowl - 13 quart	1	1 count \$8.78
Daily Chef Foodservice	Mixing Bowl Set - 3, 5 and 8 quart	1	3 count \$14.97
Daily Chef Foodservice	Non Stick Frying Pan - 10-inch	1	1 count \$14.98
Daily Chef Foodservice	Non Stick Frying Pan - 12-inch	1	1 count \$21.98
Daily Chef Foodservice	Non Stick Frying Pan - 14-inch	1	1 count \$26.98
Daily Chef Foodservice	Non Stick Frying Pan - 8-inch	1	1 count \$11.48
Daily Chef Foodservice	Paring Knives	1	4 count \$6.98
Daily Chef Foodservice	Pitchers	3	60 ounce \$7.88
Daily Chef Foodservice	Santoku Knives - 7-inch	1	2 count \$11.28
Daily Chef Foodservice	Sauce Cups - Stainless Steel	12	2.5 ounce \$4.57
Daily Chef Foodservice	Sauce Pan - 2.75-quart	1	1 count \$14.96
Daily Chef Foodservice	Sauce Pan - 5.5-quart	1	1 count \$20.96
Daily Chef Foodservice	Scoop	2	3.25 ounce \$10.68
Daily Chef Foodservice	Spatula - High Heat	1	2 count \$7.78
Daily Chef Foodservice	Squeeze Bottle	6	16 ounce \$4.28
Daily Chef Foodservice	Stockpot - 16 quart	1	1 count \$29.86
Daily Chef Foodservice	Stockpot - 24 quart	1	1 count \$36.96
Daily Chef Foodservice	Tablecover - 40-inch by 300-feet	1	1 count \$13.38
Daily Chef Foodservice	Teaspoons	1	36 count \$5.68
Daily Chef Foodservice	Thermal Carafe	1	1 count \$6.78
Daily Chef Foodservice	Tongs - Stainless Steel	1	2 count \$3.98
Daily Chef Foodservice	Turners - Stainless Steel	1	2 count \$6.88
Daily Chef Foodservice	Utility Knives - 6-inch, 6.25-inch	1	2 count \$6.98
Daily Chef Foodservice	Wire Whip - 10 inch, 12 inch	1	2 count \$7.58
Member's Mark	AA Batteries	1	48 count \$12.98
Member's Mark	AAA Batteries	1	48 count \$15.48
Member's Mark	Cookware Set - Stainless Steel	1	12 count \$199.98
Member's Mark	Copy Paper - 8.5x11 - 92 bright	10	500 count \$27.88
Member's Mark	Dual Toilet - High Efficiency	1	1 count \$89.98
Member's Mark	Executive Black Leather Chair	1	1 count \$222.87
Member's Mark	Folding File Cart	1	1 count \$19.98
Member's Mark	Footrest	1	1 count \$18.24
Member's Mark	HDMI Cables - 9-foot	1	2 count \$19.98
Member's Mark	Lantern Set - Flameless Candles	1	6 count \$29.48
Member's Mark	Print Cartridges - HP 564XL	1	5 count \$59.98
Member's Mark	Print Cartridges - HP 60XL/60	1	2 count \$41.98
Member's Mark	Print Cartridges - HP 74XL/75	1	2 count \$39.98
Member's Mark	Print Cartridges - HP 901XL	1	3 count \$49.98
Member's Mark	Print Cartridges - HP 920XL	1	3 count \$56.98
Member's Mark	Print Cartridges - HP 920XL	1	3 count \$34.98
Member's Mark	Print Cartridges - HP210XL/211XL	1	2 count \$34.98
Member's Mark	Shelf - Six Tier - 48-inch by 72-inch	1	1 count \$99.98
Member's Mark	Shelf - Six Tier - 72-inch by 77-inch	1	1 count \$159.98
Member's Mark	Steno Pad - White - 6" by 9"	1	12 count \$6.84
Member's Mark	Toilet Seat	1	1 count \$19.98
Member's Mark	Trash Can - 1.3-gal 7.9-gal	1	2 count \$29.98
Member's Mark	Utility Cart	1	1 count \$59.98
Member's Mark	Utility Cart - Multipurpose	1	1 count \$57.52
Member's Mark	Writing Pad - White - 5" by 8"	1	24 count \$5.27
Member's Mark	Writing Pad - White - 8.5" by 11"	1	12 count \$5.46
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Sam's Club				
Brand/Partner	Description	2015		
		567		
Member's Mark	Writing Pad - Yellow - 5" by 8"	1	24	count \$5.27
Member's Mark	Writing Pad - Yellow - 8.5" by 11"	1	12	count \$5.46
MM Commercial	Commercial Mat - 3-feet by 5-feet	1	1	count \$19.82
Pet				
6				
Simply Right	Cat - Complete Nutrition Adult	1	24	pound \$12.98
Simply Right	Cat Litter - Scoopable	1	42	pound \$13.32
Simply Right	Dog - Complete Nutrition Food	1	55	pound \$19.98
Simply Right	Training Pads - Puppy	1	120	count \$15.38
Simply Right/Exceed	Dog - Chicken Rice Dog Food	1	44	pound \$33.48
Simply Right/Exceed	Dog - Lamb and Rice Dog Food	1	44	pound \$34.98
Sundries				
79				
Daily Chef	Clear Plastic Plate - 6.25-inch	1	100	count \$11.68
Daily Chef	Clear Plastic Plate - 9-inch	1	40	count \$10.98
Daily Chef	Paper Plates - 10 1/16 inch	1	192	count \$13.86
Daily Chef	Parchment Paper	1	205	sf \$5.98
Daily Chef	Plastic Cups - Clear - 16 oz	1	120	count \$9.98
Daily Chef	Plastic Cups - Clear - 9 oz	1	240	count \$9.68
Daily Chef	Plastic Cutlery - Fk, Knives, Spns	3	120	count \$9.96
Daily Chef	Plastic Fork - Heavy Weight	1	300	count \$8.98
Daily Chef	Spring - Napkins - 13" by 13"	1	150	count \$5.96
Daily Chef	Spring - Plates - 10.25-inch	1	80	count \$7.96
Daily Chef Foodservice	Catering Tray - Round - 16"	1	4	count \$9.48
Daily Chef Foodservice	Food Tray - 2-pound	2	250	count \$8.98
Daily Chef Foodservice	Food Tray - 3-pound	2	250	count \$13.98
Daily Chef Foodservice	Full Steam Table - Lids	1	15	count \$6.98
Daily Chef Foodservice	Full Steam Table Pan	1	15	count \$8.78
Daily Chef Foodservice	Half Steam Table - Lids	1	30	count \$5.78
Daily Chef Foodservice	Half Steam Table Pan	1	30	count \$6.58
Daily Chef Foodservice	Nacho Tray - Clear	1	125	count \$4.98
Daily Chef Foodservice	Paper Plates - Heavy Duty - 9-inch	1	600	count \$17.94
Daily Chef Foodservice	Picnic Pack	1	200	count \$18.34
Daily Chef Foodservice	Plastic Cups - 12 oz - Trans.	1	330	count \$8.48
Daily Chef Foodservice	Plastic Cups - 18 oz - Red	1	240	count \$10.68
Daily Chef Foodservice	Plastic Wrap - 12 inch	1	3000	feet \$10.98
Daily Chef Foodservice	Plastic Wrap - 18 inch	1	3000	feet \$14.98
Daily Chef Foodservice	Sipper Stirrers - 7-inch	1	5000	count \$9.53
Daily Chef Foodservice	Souffle Cups - 2 oz	1	2500	count \$25.38
Daily Chef Foodservice	Souffle Lids - 2 oz	1	2500	count \$25.38
Daily Chef Foodservice	Straws - 10.25-inch	1	3000	count \$10.24
Daily Chef Foodservice	Straws - 7.75-inch	1	3000	count \$10.24
Daily Chef Foodservice	Tin Foil - Heavy Duty - 18 inch	1	500	feet \$20.78
Daily Chef Foodservice	Tin Foil - Sheets - 12x10.75 inch	1	500	count \$8.58
Daily Chef Foodservice	Tin Foil - Sheets - 9x10.75 inch	1	500	count \$6.58
Daily Chef Foodservice	Tin Foil - Standard - 18 inch	1	500	feet \$14.98
Daily Chef Foodservice	Toothpicks	4	800	count \$2.92
Daily Chef Foodservice	White Plastic - Fork	1	600	count \$9.97
Daily Chef Foodservice	White Plastic - Knife	1	600	count \$9.97
Daily Chef Foodservice	White Plastic - Spoon	1	600	count \$9.97
Member's Mark	Action Pacs - Dishwasher	1	105	count \$9.98
Member's Mark	Detergent - Power Pacs	1	90	count \$13.98
Member's Mark	Disinfectant Wipes	4	78	count \$8.98
Member's Mark	Dome Lids - Clear	1	500	count \$19.98
Member's Mark	Fabric Softener - 197 load	1	170	ounce \$8.48
Member's Mark	Fabric Softener - 197 load - Van.	1	170	ounce \$8.48
Member's Mark	Fabric Softener Sheets	2	250	count \$8.98
Member's Mark	Facial Tissue - 2 Ply	12	169	count \$11.98
Member's Mark	Facial Tissue - 3 Ply	12	80	count \$11.48
Member's Mark	Laundry Detergent - Liquid - 115 ld	1	177	ounce \$13.98
Member's Mark	Laundry Det. - Liq. - 115 ld - Island	1	177	ounce \$13.98
Member's Mark	Napkins - White - 11.4" by 12.5"	6	200	count \$9.98
Member's Mark	Paper Towels - Select-A-Size	15	142	count \$16.48
Member's Mark	Plastic Lids - Flat	1	500	count \$17.48
Member's Mark	Toilet Paper - 2 ply	45	220	count \$17.86
Member's Mark	Trash Bag - Drawstring - 33 gal	1	90	count \$14.98
Member's Mark	Trash Bags - 33-gallon - Tie	1	90	count \$13.98
Member's Mark	Trash Bags - 55 gallon	1	80	count \$20.68
Member's Mark	Trash Bags - Drawstring - 13 gal	1	180	count \$12.58
Member's Mark	Trash Bags - Drawstring - 39 gal	1	90	count \$19.67
MM Commercial	Anti-Bacterial Hand Cleaner	1	1	gallon \$8.48
MM Commercial	Carpet Cleaner - 128-oz 32-oz	1	160	ounce \$8.98
MM Commercial	Deck Brush, Squeegee	1	2	count \$17.87
MM Commercial	Floor Cleaner and Degreaser	1	1	gallon \$5.28
MM Commercial	Floor Stripper	1	1	gallon \$5.96
MM Commercial	Glass Cleaner - 128-oz 32-oz	1	1	gallon \$6.98
MM Commercial	Grill and Fryer Cleaner	3	32	ounce \$8.48
MM Commercial	Hand Soap - Foaming	2	33.8	ounce \$11.87
MM Commercial	Hand Soap Dispenser	1	1	count \$5.98
MM Commercial	Heavy Duty Degreaser	1	1	gallon \$6.58
MM Commercial	High Glass Finish	1	2.5	gallon \$24.46
MM Commercial	No Rinse Floor Cleaner	1	1	gallon \$4.98
MM Commercial	Pink Dish Detergent	1	1	gallon \$4.98
MM Commercial	Spray Bottle	6	32	ounce \$5.68
MM Commercial	Trash Bags - 33 gallon	1	320	count \$20.98
MM Commercial	Trash Bags - 42 gallon	1	32	count \$12.48
MM Commercial	Trash Bags - 7-10 gallon	1	1000	count \$17.67
MM Commercial	Trash Bags - Clear - 45 gallon	1	220	count \$22.58
MM Commercial	Vinyl Gloves	2	120	count \$9.76

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Sam's Club				
Brand/Partner	Description	2015		
		567		
MMWind Fresh	Detergent - Powder	1	325	pound \$15.38
ProForce	Lemon Disinfectant	1	1	gallon \$6.36
ProForce	Sanitizer	1	1	gallon \$5.28
Baby				
8				
Member's Mark	Baby Wipes	10	100	count \$17.86
Member's Mark	Diapers - Size 3	1	252	count \$34.94
Member's Mark	Diapers - Size 4	1	225	count \$34.94
Member's Mark	Diapers - Size 5	1	196	count \$34.94
Member's Mark	Diapers - Size 6	1	100	count \$21.48
Simply Right	Baby Formula - Complete	1	48	ounce \$22.98
Simply Right	Baby Formula - Gentle	1	48	ounce \$24.98
Simply Right	Baby Formula - Sensitive	1	48	ounce \$24.98
HBA				
86				
Member's Mark	Vinyl Gloves	2	120	count \$9.76
Simply Right	Adult Wipes	1	240	count \$6.78
Simply Right	Advil	2	600	count \$10.87
Simply Right	Advil Liqui-Gels	2	200	count \$13.98
Simply Right	Alcohol	2	32	ounce \$3.58
Simply Right	Alcohol Swabs	2	32	ounce \$3.98
Simply Right	Aleve	1	400	count \$12.98
Simply Right	Align Probiotic	2	4	ounce \$28.88
Simply Right	Allegra Allergy	1	120	count \$29.87
Simply Right	Benadryl Allergy	1	600	count \$4.68
Simply Right	Body Wash - Coconut	3	24	ounce \$6.97
Simply Right	Body Wash - Moisturizing	3	24	ounce \$6.98
Simply Right	Calcium 600 mg D3	1	500	count \$7.98
Simply Right	Calcium 600 D - Softgels	1	300	count \$12.98
Simply Right	Centrum Silver - Adult - 50+	1	250	count \$11.48
Simply Right	Centrum Silver - Men - 50+	1	400	count \$12.48
Simply Right	Centrum Silver - Women - 50+	1	400	count \$12.48
Simply Right	Cinnamon - 500 mg	1	500	count \$13.98
Simply Right	Citracal Petites	1	500	count \$9.98
Simply Right	Claritin	2	200	count \$13.46
Simply Right	Colace	1	600	count \$7.98
Simply Right	COQ 10 100 mg	1	180	count \$16.98
Simply Right	COQ 10 200 mg	1	120	count \$24.98
Simply Right	COQ 10 400 mg	1	60	count \$29.72
Simply Right	Cranberry 500 mg	1	150	count \$13.58
Simply Right	Dietary Supplement	1	150	count \$14.98
Simply Right	Fish Oil - Mini Capsules	1	350	count \$10.98
Simply Right	Fish Oil - Triple Strength - 1400 mg	1	150	count \$19.98
Simply Right	Fish Oil D3	1	200	count \$13.98
Simply Right	Flaxseed Oil	1	325	count \$12.98
Simply Right	Ginkgo Biloba	1	350	count \$14.98
Simply Right	Glucosamine Chondroitin	1	300	count \$29.97
Simply Right	Gluc. HCL 1500 mg, NSM 1500 mg	1	350	count \$14.88
Simply Right	Hand Sanitizer	1	67.6	ounce \$6.98
Simply Right	Imodium AD	1	400	count \$5.48
Simply Right	Iron	1	300	count \$9.87
Simply Right	Iron - Dietary Supplement	1	300	count \$9.87
Simply Right	Krill Oil	1	120	count \$25.87
Simply Right	Lutein Zeaxanthin	1	120	count \$16.68
Simply Right	Maxi Pads	1	156	count \$21.86
Simply Right	Miralax	3	17.9	ounce \$22.98
Simply Right	Mucinex - Expectorant	1	400	count \$11.48
Simply Right	Niacin	1	200	count \$9.73
Simply Right	Nicotine Gum - 2 mg - Mint	2	160	count \$49.98
Simply Right	Nicotine Gum - 4 mg - Mint	1	220	count \$49.98
Simply Right	Nicotine Gum - 4 mg - Original	2	160	count \$49.98
Simply Right	Nicotine Lozenges - 2 mg	7	27.00	count \$46.98
Simply Right	Nicotine Lozenges - 4 mg	7	27	count \$49.98
Simply Right	Nicotine Patch - Step 1	1	21	count \$33.98
Simply Right	Nitrile Gloves - LG	1	200	count \$10.98
Simply Right	Nitrile Gloves - M	1	200	count \$10.98
Simply Right	Nitrile Gloves - S	1	200	count \$10.98
Simply Right	Omega 3-6-9	1	300	count \$14.98
Simply Right	Osteo Bi-Flex	1	220	count \$19.98
Simply Right	Pepcid AC	2	85	count \$9.98
Simply Right	Peroxide	2	32	ounce \$1.76
Simply Right	Potassium	1	500	count \$5.98
Simply Right	Prevacid	3	14	count \$14.88
Simply Right	Prilosec OTC	3	14	count \$15.48
Simply Right	Prostate Health	1	250	count \$18.94
Simply Right	Protective Briefs - LG	1	48	count \$20.98
Simply Right	Protective Briefs - M	1	60	count \$20.98
Simply Right	Protective Underwear - Men - S/M	1	88	count \$29.98
Simply Right	Protective Underwear - Men - XL	1	72	count \$29.98
Simply Right	Protective Underwear - Women - L	1	72	count \$29.98
Simply Right	Red Yeast Rice - 600 mg	1	300	count \$13.98
Simply Right	Resveratrol Plus	1	120	count \$15.98
Simply Right	Saline Solution	3	16	ounce \$8.98
Simply Right	Saw Palmetto	1	200	count \$16.68
Simply Right	Soap - Anti Bacterial	2	80	ounce \$6.98
Simply Right	Soap - Hand - Aloe	2	80	count \$6.98
Simply Right	Tums EX	2	265	count \$8.86
Simply Right	Tylenol Arthritis	2	200	count \$13.98
Simply Right	Tylenol X-Strength Caplets	2	600	count \$10.87

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Sam's Club						
Brand/Partner	Description	2015				
		567				
Simply Right	Tylenol X-Strength PM	1	500	count	\$7.86	
Simply Right	Tylenol X-Strength Rapid Release	1	400	count	\$11.98	
Simply Right	Underpads - 23-inch by 36-inch	1	120	count	\$23.48	
Simply Right	Vitamin B Complex	1	300	count	\$9.97	
Simply Right	Vitamin B12 1000 mg	2	200	count	\$17.88	
Simply Right	Vitamin C 1000 mg	1	500	count	\$11.96	
Simply Right	Vitamin D3 2000 iu	1	400	count	\$8.48	
Simply Right	Vitamin D3 5000 IU	1	400	count	\$9.98	
Simply Right	Vitamin E 400 IU	1	500	count	\$10.39	
Simply Right	Zantac 150	1	190	count	\$8.98	
Simply Right	Zyrtec	1	400	count	\$16.48	
Simply Right	Zyrtec - Children's	2	4	ounce	\$5.46	
Perishable		185				
Daily Chef	Bakery	55 SKU				
Daily Chef	Chicken	2 SKU				
Daily Chef	Meat	35 SKU				
Daily Chef	Prepared	12 SKU				
Daily Chef	Seafood	4 SKU				
Artisan Fresh	Cheese - Cubes - Cheddar	1	2	pound	\$10.98	
Artisan Fresh	Cheese - Cubes - Colby Jack	1	2	pound	\$10.98	
Artisan Fresh	Pesto Sauce	1	22	ounce	\$7.98	
Artisan Fresh	Spinach Artichoke Dip	1	24	ounce	\$8.98	
Bakers & Chefs	Cheese - Cheddar - Shred	1	5	pound	\$11.48	
Bakers & Chefs	Hot Dogs - Beef	1	80	count	\$25.47	
Bakers & Chefs	Hot Dogs - Meat	1	80	count	\$15.78	
Castle Wood	Cheese - American - White	1	32	ounce	\$11.98	
Castle Wood	Cheese - Baby Swiss - Sliced	1	1.67	pound	\$11.98	
Castle Wood	Cheese - Cheddar - Sharp - Yellow	1	2	pound	\$11.98	
Castle Wood	Cheese - Colby Jack - Sliced	1	2	pound	\$11.98	
Castle Wood	Cheese - Lite Swiss	1	1.5	pound	\$11.98	
Castle Wood	Cheese - Mild Cheddar - Sliced	1	2	pound	\$11.98	
Castle Wood	Cheese - Cheddar, Pep Jk - Sliced	1	2	pound	\$11.98	
Castle Wood	Cheese - Muenster - Sliced	1	2	pound	\$11.98	
Castle Wood	Cheese - Pepper Jack - Sliced	1	2	pound	\$11.98	
Castle Wood	Cheese - Provolone - Sliced	1	2	pound	\$11.98	
Castle Wood	Cheese - Prov. Swiss, Colby - Sliced	1	1.5	pound	\$11.98	
Castle Wood	Cheese - Smoked Gouda - Sliced	1	1.5	pound	\$11.98	
Castle Wood	Chicken Breast - Oven Roasted	1	22	ounce	\$6.98	
Castle Wood	Corned Beef - Angus - Sliced	1	22	ounce	\$12.88	
Castle Wood	Corned Beef - Sliced	1	22	ounce	\$12.88	
Castle Wood	Ham - Black Forest - Sliced	1	22	ounce	\$6.98	
Castle Wood	Ham - Shaved Honey	1	22	ounce	\$6.98	
Castle Wood	Ham - Virginia - Sliced	1	22	ounce	\$6.98	
Castle Wood	Ham, Chicken, Turkey - Sliced	1	30	ounce	\$9.98	
Castle Wood	Ham, Turkey, Roast Beef - Sliced	1	33	ounce	\$12.98	
Castle Wood	Party Tray - Meat and Cheese	1	3.65	pound	\$25.98	
Castle Wood	Pastrami - Turkey - Sliced	1	22	ounce	\$6.98	
Castle Wood	Roast Beef - Angus - Sliced	1	22	ounce	\$12.88	
Castle Wood	Salami - Genoa - Sliced	1	22	ounce	\$7.98	
Castle Wood	Salami - Hard - Sliced	1	22	ounce	\$7.98	
Castle Wood	Turkey - Herb Roasted - Sliced	1	22	ounce	\$7.98	
Castle Wood	Turkey - Hickory - Sliced	1	22	ounce	\$7.98	
Castle Wood	Turkey - Honey - Shaved	1	22	ounce	\$7.98	
Daily Chef	Ahi Tuna	1	32	ounce	\$14.98	
Daily Chef	Cheese - Sharp Cheddar	1	32	ounce	\$5.18	
Daily Chef	Chicken - Boneless Skinless	1	6	pound	\$11.98	
Daily Chef	Chicken - Mesquite Grilled Breast	1	2.9	pound	\$11.98	
Daily Chef	Chicken Sausage - Bacon Cheddar	1	48	ounce	\$16.98	
Daily Chef	Chicken Sausage - Chipotle	1	48	ounce	\$16.98	
Daily Chef	Chicken Sausage - Mozz Garlic	1	48	ounce	\$16.98	
Daily Chef	Chicken Sausage - Spinach Asiago	1	48	ounce	\$16.98	
Daily Chef	Cottage Cheese	1	3	pound	\$3.58	
Daily Chef	Crab Cakes	6	3	ounce	\$13.98	
Daily Chef	Dinner Shrimp	1	40	ounce	\$15.98	
Daily Chef	Lobster Cakes	6	2.5	ounce	\$14.98	
Daily Chef	Milk - 1%	1	1	gallon	\$2.19	
Daily Chef	Milk - 2%	1	1	gallon	\$2.24	
Daily Chef	Milk - Skim	1	1	gallon	\$2.27	
Daily Chef	Milk - Whole	1	1	gallon	\$2.29	
Daily Chef	Organic - Pineapple Chunks	1	64	ounce	\$7.88	
Daily Chef	Organic - Veg. - Healthy Blend	1	64	ounce	\$7.38	
Daily Chef	Seafood - Mahi Mahi - Ter.	6	5	ounce	\$16.98	
Daily Chef	Seafood - Tilapia - Crusted	1	40	ounce	\$11.98	
Daily Chef	Shrimp - Ckd. - Tail Off - 60-80 ct	1	32	ounce	\$20.48	
Daily Chef	Shrimp - Ckd. - Tail On - 31-40 ct	1	32	ounce	\$19.98	
Daily Chef	Shrimp - Raw - Colossal	1	18	ounce	\$18.98	
Daily Chef	Shrimp - Raw - Tail On - 31-40 ct	1	32	ounce	\$21.98	
Daily Chef	Vegetables - Broccoli - Steamable	4	16	ounce	\$5.98	
Daily Chef	Vegetables - Corn - Steamable	6	12	ounce	\$5.98	
Daily Chef	Vegetables - Green Beans - Steamable	4	16	ounce	\$5.98	
Daily Chef	Vegetables - Mixed - Steamable	6	12	ounce	\$5.98	
Daily Chef	Vegetables - Normandy - Steamable	4	16	ounce	\$6.98	
Daily Chef Foodservice	Bacon - 18/22 Slices	1	10	pound	\$26.67	
Daily Chef Foodservice	Butter - Salted - Quarters	4	1	pound	\$7.89	
Daily Chef Foodservice	Butter - Unsalted - Solids	4	1	pound	\$7.98	
Daily Chef Foodservice	Cheese - American - 120 ct - White	1	5	pound	\$10.46	
Daily Chef Foodservice	Cheese - American - 120 ct - Yellow	1	5	pound	\$10.24	

WCF Research - March, 2015

Sam's Club						
Brand/Partner	Description	2015				
		567				
Daily Chef Foodservice	Cheese - American - 160 ct - White	1	5	pound	\$10.32	
Daily Chef Foodservice	Cheese - Shred - Cheddar - White	1	5	pound	\$11.92	
Daily Chef Foodservice	Cheese - Shred - Cheddar - Yellow	1	5	pound	\$11.48	
Daily Chef Foodservice	Cheese - Shred - PS Mozzarella	1	5	pound	\$10.73	
Daily Chef Foodservice	Cheese - Shred - Whole Mozzarella	1	5	pound	\$10.78	
Daily Chef Foodservice	Cottage Cheese	1	5	pound	\$6.28	
Daily Chef/SeaPak	Salmon Burgers - Wild Alaskan	10	4	ounce	\$13.98	
Member's Mark	Turkey - Ground	1	40	ounce	\$12.95	

WCF Research - March, 2015

Notes

Web Sites

When developing sales and marketing plans for BJ's, Cost-U-Less, Costco, PriceSmart and Sam's Club, club vendors should consider not only each company's physical locations but also each company's web site. For example, in fiscal 2014, Costco's United States, Canadian and United Kingdom web sites generated annual sales of approximately \$2.95 billion which represented approximately 17 club locations.

Although BJ's, Cost-U-Less, Sam's Club and PriceSmart do not publicly share specific web site sales data, online growth is evident from public statements, continued development of each site, their ever changing product assortment and the fact that the clubs separate their online and physical location buyers. When combining the growth of each club's web site with an atypical online assortment, club internet sites offer vendors a potentially "fruitful" additional distribution channel.

This chapter includes eight sections: online strategies, BJ's.com overview, Costco.com overview, Costless.com overview, PriceSmart.com overview, Samsclub.com overview, web site observations in March, 2014 and web site observations in February, 2015.

Online Strategies

The following comments from suppliers were in online success questions in our two warehouse club industry surveys in 2014.

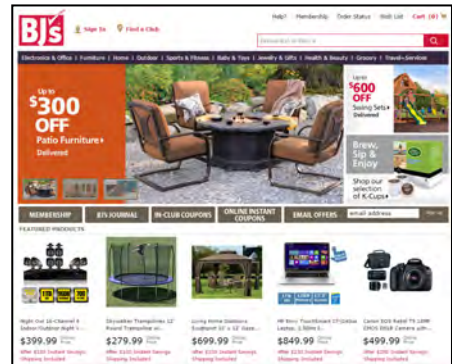
Leverage Success – A non-food supplier said, "You can use success online to gain access to in-store testing for distribution." A broker said, "Overall, eCommerce is a great way to introduce products, gain success and eventually gain distribution with brick & mortar."

Online Plan – A food vendor said one key is a company having an eCommerce strategy in place. He said, "[Our online business] has been rather limited but we are able to place some items not normally stocked in actual club locations. A key is the manufacturer having a company strategy for ecommerce. Unfortunately this is not the case with many CPG companies."

Unique Items – A broker said that large, bulky items that are difficult to transport from the physical locations are what club online buyers are seeking. He said, "New, innovative items. Large items that are difficult for members to take home in their cars." A broker commented on Costco's desire for high end food items that can be sent as gifts. He said, "In the food areas they are usually looking for items that can be sent as gifts or are very high end at Costco."

BJ's.com

In October, 2006, BJ's began selling merchandise on its web site. In January, 2007, BJ's announced that the company would close its in-club pharmacy operation and the ongoing capital used to fund the pharmacy business would be redirected to develop and grow BJ's web site business.



BJ's.com – April, 2015

In October, 2010, BJ's redesigned its web site, making product searches and selection easier. The new site includes an improved product search feature, a side-by-side product comparison tool, the ability to read and write product reviews and product sharing capabilities using Facebook, Twitter, Pinterest, Google and LinkedIn.

Costco.com

Costco introduced its web site in 1998 with a 12-person staff. Costco's web site has been profitable since 2001. In its 2014 fiscal year, Costco's web sites in the United States, Canada and the United Kingdom generated approximately \$2.95 billion in sales, a 19% increase compared to the \$2.50 billion in fiscal 2013.

Distribution – In 2013, Costco added an online distribution center in Texas enabling it to deliver orders within two days to 80% of the country.

Limited Assortment – One of the first things Costco did when it introduced its web site in 1998 was to limit the assortment of items. Instead of offering thousands or tens of thousands of items like many Internet retailers, Costco kept its selection to 400 SKUs. A Costco vice president at the time, said, "We want fewer items. Six people touch every item between item selection and shipping, so there's a tremendous amount of work per item."



Costco.com – April, 2015

A non-food supplier commented on Costco.com. He said, “Costco completely separates online vs offline. The Costco.com buyers are very strict in what they bring in. Similar to the physical locations, they limit SKUs in a category and still push value compared to the marketplace. Treasure hunt philosophy stays true online for them. All three major clubs now have separate buying teams for online.”

Multiple Listing – Many items on Costco’s web site are listed multiple times in different categories. This provides added product visibility and the appearance of a larger merchandise selection.

Clothing – According to an article in the July, 2013 issue of *The Costco Connection*, the company introduced an expanded selection of clothing on its web site for men, women and children. The assistant general merchandise manager for apparel, said, “One of our main goals is to maintain a fashion-forward outlook when selecting which clothing to offer ... We want to offer seasonal items currently in vogue ... However, we also want to make sure that classic apparel is part of the mix.”

Google – Costco has been testing a same day delivery service with Google Shopping Express in six cities/markets: San Francisco, Los Angeles, New York, Chicago, Washington DC and Boston. Customers pay a \$4.99 delivery fee for each store at which a customer places an order. To shop at Costco through Google Express, customers need a Costco membership number and executive members will continue to receive their 2% rebate on purchases made through the online service.

Typically, once an order is placed with Google, it is sent to the specific store location and a store employee picks the product and gets it ready for pickup. A Google Express delivery truck picks the order up and would typically take the order to a distribution facility where it is packed with other similarly located orders for delivery to the customer.

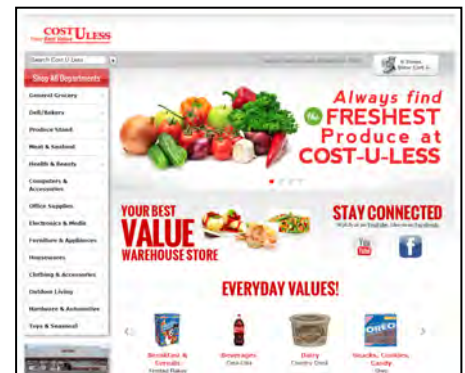
Alibaba.com – Alibaba.com, a Chinese-based online ecommerce company, is described as the largest online marketplace in the world. Its operations included consumer-to-consumer, business-to-consumer and business-to-business. Its online transactions last year at \$248 billion eclipsed the total combined sales for eBay.com and Amazon.com.

Costco opened an online store on Alibaba.com’s marketplace site, Tmall.com. Costco is selling branded and Kirkland Signature private label food and healthcare products on the site, costco.tmall.hk. The advantage of selling its products through Alibaba.com is logistically, a distribution infrastructure is already in place, operationally, a payment infrastructure is already in place, and in terms of merchandising, Costco can learn about the Chinese marketplace and determine in an inexpensive way, whether opening club locations in the country makes sense.

Jim Murphy, an executive vice president at Costco, said, “Costco sees tremendous growth opportunities in China, especially in light of Chinese consumers’ increasing appetite for imported products. We have chosen a great partner, Alibaba, for the official launch of Costco’s flagship store. Our Tmall Global flagship store will give Chinese online shoppers a channel to purchase directly from Costco.”

Cost-U-Less

Cost-U-Less began selling merchandise online in 2010 at all its locations. Customers can pick up their order in their local Cost-U-Less location or have it delivered.

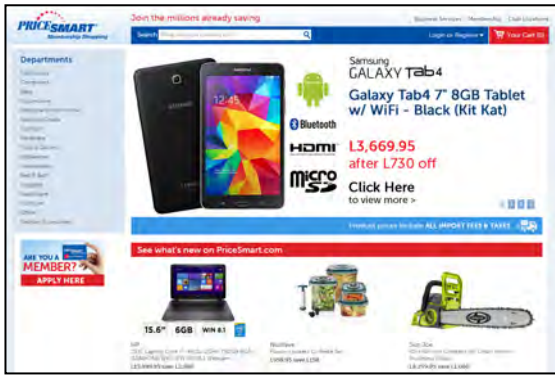


Costules.com – April, 2015

Pricesmart.com

PriceSmart offers online sales in every location. The major difference in how PriceSmart operates its online business is on the fulfillment side. Tom Martin, PriceSmart’s executive vice president of merchandising said, “We fulfill through our DC direct to the clubs and the member picks up their order at our location. We do not fulfill to the member’s home.” Online product pricing includes standard shipping, handling and all duties and taxes. Members, however, can choose an express delivery option.

In terms of its buying and merchandising strategy, PriceSmart’s online business expands its assortment. Martin said, “For the most part, our web sites offer only unique items not found in our club locations. Now, we may find a successful online item that could become a traditional club item and the online guys might lose that SKU. We have had some real good success in most of the markets in higher end institutional products like deep fat fryers, ice machines, and other higher ticket restaurant equipment.”



Pricesmart.com – April, 2015

El Salvador – PriceSmart.com offers United States members, who have family in El Salvador, the opportunity to purchase merchandise for those family members online and have those family members pick it up at one of the two PriceSmart locations in the country. Those family members do not even have to be a PriceSmart member to pick up the merchandise. The service is only available to members shopping online from the United States. Once an order is placed and paid for, the merchandise will be available to be picked up within three days.

SKUs – According to previous company reports, PriceSmart lists approximately 2,000 items on its web site.

Assortment – PriceSmart's web site program primarily lists non-food products that are not stocked in its club locations. In its second quarter of its 2013 fiscal year, 3,300 web site orders were processed.

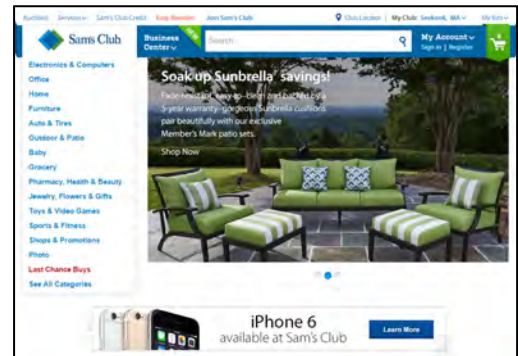
Samsclub.com

Sam's web site strategy is similar to its club competitors in that it offers a unique assortment of merchandise that is not found in its club locations. However, Samsclub.com differentiates itself from BJ's, Costco, Cost-U-Less and PriceSmart through its wholesale focus, its click and pull service and its online auction program.

Wholesale Focus – Sam's groups products by key business member types. For these wholesale members, finding items that they need for their business is much simpler. There are specific areas and links for businesses such as convenience stores, vending operators, foodservice businesses, child care facilities, construction companies, hotel operators, janitorial and cleaning businesses, religious organizations and salons.

Auctions – Sam's Club's auction site is run in partnership with B-Stock Solutions (www.bstockolutions.com). On its web site, Sam's states that it is company policy to sell items that are new and in their original packaging. The auction system uses "proxy bidding" that allows the member to enter a maximum bid on an item and the system will manage the auction. If your "proxy" bid is higher than other bidders, you will win the auction without having to be at your computer and will pay \$1 more than the second highest bidder.

Traffic – In its October, 2013 financial analyst meeting, Sam's Club reported that in the first half of its fiscal year, traffic on Samsclub.com increased 23% compared to last year, mobile traffic increased 100% compared to last year and direct-to-home orders increased 40% compared to last year.



Samsclub.com – April, 2015

Subscription Service – Sam's Club introduced a subscription service for members who shop at Samsclub.com. The service will enable members to have products they purchase regularly delivered automatically. Members can select eligible items, select the quantity that will be delivered, select how often that item quantity will be delivered and enter payment information for each delivery. Sam's Club will notify the member prior to each order being shipped and will ask the member to verify the order. Subscription orders can be changed at any time.

Sam's Club is testing approximately 700 items for the subscription service. The products include baby products (diapers and wipes), beauty products and office supplies. Once logged into Samsclub.com, items that are eligible will have the word "subscribe" under the retail price. Members will not have to pay a delivery fee for subscription items.

Club Pickup – Using the web site, members can purchase merchandise from their home or office and pick it up at their local club. Club pickup has no minimum order and orders placed before 5pm can be picked up the next day at a specific time designated by that member.

Sam's introduced a new online club pickup ordering tool and is testing a club pickup kiosk in one location. Members place their club pickup order online and either pay for it at that time or when they receive the product. The member receives a text or Email when the order is ready. When they arrive at the club, the member goes to a special drive up area in front where they "check in" and a Sam's employee brings the order to their car.

Web Site Observations – March, 2014

Please note, the retail prices mentioned in this article include shipping and handling unless otherwise noted and do not include any discounts or instant savings. To view items at PriceSmart.com, one of the countries in which the company operates must be selected. For this article, the United States Virgin Islands was selected and item retail prices on the site were listed in U.S. dollars. Additionally, items ordered at PriceSmart.com are delivered to a member's local club where he would pick it up. PriceSmart does not deliver online orders to a residence or business.

Camping – Costco stocked a line of camping and fishing coolers that included: a 120-quart Yukon cold locker ice chest from IGLOO that offers eight days of ice retention for \$349.99, a 95-quart ProGreear marine cooler from Pelican that features seven to ten days of ice retention for \$299.99 and a package of two 18-can capacity soft sided playmate coolers from IGLOO for \$29.99 (see picture on the right).

Other camping items at Costco included: a Mountain Man grill and griddle set that included a charcoal box, steel stake and carrying case for \$99.99, a Camp Chef Del Rio brand gas fire pit that included a lava rock, cover and roasting sticks for \$189.99, an SOG three-piece axe and knife set that included a 8.2-inch skinning knife, an axe with a three-inch blade and a hidden saw within the axe handle for \$99.99 and a Zodi all season instant hot shower with enclosure that included a water heater, shower hoses, a pump, a showerhead, a storage case and a detachable floor for \$259.99.

BJ's camping assortment included: a Gone Fishing 12.25-inch fillet knife and sheath for \$19.99, a Gone Fishing two-piece titanized plier and titanized scissor set for \$21.99, a package of 55 Silverlake freshwater fishing flies for \$19.99, a South Bend two-piece 64-inch fishing rod and spinning reel for \$44.99, a Century 5.2-gallon portable toilet with a detachable holding tank for \$87.99, a Happy Camper multifunction compass that included an LED light, a flint and striking blade to start a fire, a magnifying glass, a leveler and a ruler for \$14.99 and a 12-piece Johnson & Johnson first aid kit to go in a plastic case for \$1.49.

Health and Beauty Aids – BJ's health and beauty aid assortment included: a 400-count bottle of Bayer low dose 81-mg aspirin tablets for \$9.99 (plus shipping), a 300-count bottle of Excedrin migraine caplets for \$14.49, a 200-count bottle of Berkley & Jensen 200-mg ibuprofen tablets for \$9.99 (plus shipping), a package of three 4-ounce bottles of Dimetapp children's cold and cough medicine for \$11.99 (plus shipping), a package of six 3.5-ounce bars of Neutrogena original formula facial bar for \$9.99 (plus shipping), a package of three 5-ounce tubes of Olay regenerist cream cleanser for \$15.99 (plus shipping), a package of three 2.6-ounce containers of Old Spice pure sport sweat defense antiperspirant and deodorant for \$10.49 (plus shipping) and a package of 11 disposable Gillette Mach 3 razors for \$23.99 (plus shipping).

PriceSmart's health and beauty aid selection included a number of massage items: an iComfort therapeutic zero gravity massage chair with a built-in MP3 player and LED remote control for \$4,599.99, a Master Apollo portable massage chair which weighs 18-pounds and can be folded up and stored in a wheeled case for \$279.99, an iComfort kneading foot massager for \$204.99 and an iComfort shoulder and neck massager for \$119.99.

Pet – Costco's pet food assortment included: a six-gallon sealed emergency bucket with 17.5-pounds of Pet's Banquet cat food for \$59.99, a case of two five-pound bags of Pampered Pet chicken pot pie dog treats for \$42.99, a case of two 32-ounce bags of Doggy Dollars natural beef dog treats for \$39.99 and four 2-pound bags of Pampered Pet low fat peanut butter dog cookies for \$29.99.

Security – PriceSmart stocked a number of unique security items such as: a four-foot by eight-foot Pacific blast resistant wall armor that is rated to stop a 9mm handgun and can be screwed or glued to an existing wall for \$599.99, a Pacific blast resistant 24-inch by 36-inch clear security transaction window that is rated to stop a 9mm handgun for \$1,399.99, a Pacific blast resistant steel door that is rated to stop a 9mm handgun and a 38, a 357 and a 44 magnum handgun and can be painted or veneered to look like a normal door for \$1,899.99 and the components (ten sheets of Pacific four-foot by eight-foot blast resistant wall armor and the Pacific steel door) to create a safe room for \$6,999.99.

Bathroom Supplies – Sam's stocked a variety of wholesale bathroom supplies that included: a package of twelve 4-ounce cherry scented toilet bowl deodorizer blocks with plastic hangars from Krystal for \$11.38, a package of twelve 3.25-ounce Krystal non-para green apple scented urinal screens with a cleaner block for \$13.88, a GoJo touch free soap dispenser that can dispense 30,000 actuations from three "C" batteries for \$24.98 and a BluStorm hand dryer that can dry hands in ten to 15 seconds for \$345.00 (plus shipping).

Art – Costco offered a variety of fine art in five categories: commissioned Disney art, commissioned sports art, masters, contemporary art and commissioned pet portraits. Some of the items included: a "King Solomon" by Marc Chagall lithograph for \$1,349.99, a "Palm Sunday" by Max Jacob original gouache pastel and charcoal that is hand signed by the artist for \$6,299.99 and a "Larry Bird" by Stephen Holland limited edition giclée on canvas signed by the artist for \$999.99 (see picture on the next page).

In partnership with Harvest Fine Art (www.harvestfineart.com), Costco commissioned a series of six pieces of Disney art by Noah. The art is/will be sold by Costco in the form of originals, limited editions and art posters. For example, Costco stocked a limited edition (just 400 pieces were produced) giclée on canvas signed by Noah called "Best Friends Secrets" for \$149.99.

Sports and Games – PriceSmart stocked a Park & Sun volleyball set with a net, poles, stakes, the boundary and a carrying bag for \$259.99, a Lifetime adjustable and portable soccer goal (four-foot wide, six-foot wide or seven-foot wide) for \$129.99 and a Park & Sun bocce ball set with eight balls (two red, two blue, two yellow and two green), a distance marker and carrying case for \$89.99.

In the game category, PriceSmart stocked a Fat Cat Reno II seven-foot billiard table for \$1,049.99, a Viper Maverick foosball table for \$839.99, a Kettler Stockholm weatherproof table tennis table for \$699.99 and a Triumph Sports seven-foot air hockey table for \$529.99.

Batteries – Costco stocked two 8-count packages of Duracell nine-volt batteries for \$36.99 (plus shipping), two 32-count packages of Duracell AAA batteries for \$37.99 (plus shipping) and two 24-count packages of Duracell AA quantum batteries for \$33.99 (plus shipping).



Costco.com – Larry Bird Painting

Kitchen and Appliances – Costco's kitchen and appliance assortment included: a Little Snowie sno cone machine with concentrate, syrups and a foot pedal for \$199.99, a Weston stainless steel 575-watt electric meat grinder and sausage stuffer that can grind two to three-pounds of meat per minute for \$89.99, a Chef's Choice electric slicer with a seven-inch blade and a blade sharpener for \$299.99, a German-made Chantal 10-piece copper fusion cookware set that is freezer and dishwasher safe for \$599.99 and a Kilner jelly straining kit with a stand and machine washable nylon bag for \$29.99.

Other kitchen and appliance SKUs at Costco included: a Eurodib electronic dishwasher that can operate on as little as one-half gallon of water per cycle for \$3,149.99 (retail price includes delivery, installation and haul away in most areas) and a Vinotemp 560-bottle wine cabinet for \$3,199.99.

BJ's kitchen and appliance assortment included: an Artisan Metal Works three-piece stainless steel mixing bowl set (a three-quart, a five-quart and an eight-quart) for \$24.99, a Nostalgia Electrics 2.5-quart triple slow cooker buffet set for \$44.99 (plus shipping), a Artisan Metal Works two-quart stainless steel bell shaped pitcher for \$27.99, a nine-piece Imusa stainless steel espresso set for \$29.99 (plus shipping), a 45-piece Reed & Barton everyday elan flatware set for \$57.99 (plus shipping) and a Pfaltzgraff two-tier fruit basket for \$29.99 (plus shipping).

Other kitchen and appliance SKU at BJ's included: a BUNN frozen beverage system with two 3-gallon hoppers and a touch pad display for \$2,199.99, a Panasonic automatic bread maker with a raisin and nut dispenser for \$199.99 (plus shipping), a Kalorik three tier see-through stackable food steamer for \$54.99 and an Excalibur nine-tray (each tray is 15-inches by 15-inches) dehydrator with an adjustable timer for \$239.99 (plus shipping).

In the kitchen and appliance category, PriceSmart stocked a Ballington 80-quart stainless steel stock pot for \$169.99, a Prime Pacific 31-piece kitchen starter set that included cookware, bowls, knives, utensils and a cutting board for \$139.99 and a package of two stainless steel stock pots from Cook Pro (a 24-quart and a 35-quart) for \$139.99.

Hardware – Costco stocked a NuMax finish nailer set that included a 16-gauge straight nailer, a Freeman 21-degree full head framing nailer that uses two-inch to 3.5-inch nails for \$159.99, a package of four Universal Security hard wired smoke alarms with battery backup for \$69.99 and a New Waves smart toilet with a warm water wash, an air wash, a heated seat, a remote control and LED night light for \$1,599.99.

BJ's hardware assortment included: a RIGID 60-inch cast iron straight wrench pipe for \$399.99, a RIGID four-inch cast iron bench chain vice for \$259.99, a Rockwell cordless 18-volt lithium drill/driver kit with an LED light built in for \$199.99, a DEK 15-horsepower commercial chipper and shredder for \$1,299.99, a Rockwell five-amp orbital jigsaw for \$44.99 and a Rockwell seven-amp half-inch hammer drill for \$67.99.

Sam's hardware assortment included: a Wagner electric power paint roller kit that included a 16-foot hose, nine-inch roller, trim pad, angled corner pad, a five-gallon adapter and an 18-inch extension pole for \$63.33 (plus shipping) and a Bostich repair tool kit that included long nose pliers, slip-joint pliers, a standard screwdriver, a Phillips screwdriver, a level, a hammer, a tape ruler and a zippered case for \$29.98.

Gift Cards and Tickets – Costco stocked a 2014 Los Angeles Angels two ticket baseball package that included two hot dogs and two small sodas for \$59.99 (plus \$1.59 for shipping and handling), a round of golf at the Makai Golf Club at The St. Regis Princeville Resort on Hawaii with a golf cart and range balls for \$144.99 and a \$500 gift card for The Chalet Hotel Schonegg in Zermatt, Switzerland that is within the Matterhorn ski area for \$379.99. Sam's Club stocked a package of two \$25 Boston Market gift cards for \$39.98 and package of two \$50 Steiner Sports Memorabilia gift cards for \$79.98.

Concessions – Sam’s Club stocked a number of funnel cake concession items that included: a Gold Medal funnel finger mold for \$69.98 (plus shipping), a Gold Medal eight-inch funnel cake mold ring for \$24.63 (plus shipping), a case of 2,500 Gold Medal funnel finger cones that can hold six to 12 funnel fingers for \$105.88 (plus shipping), a case of six 5-pound bags of Pennsylvania Dutch funnel cake mix for \$47.98 (plus shipping), a Gold Medal funnel cake fryer that can produce approximately sixty 8-inch funnel cakes per hour for \$769.00 (plus shipping) and a Gold Medal funnel cake tool kit (pitcher, skimmer, spatula, sugar sifter, sugaring pan, jug and bucket) for \$104.62 (plus shipping).

Sam’s Club also stocked a number of hot dog concession SKUs that included: a case of 1,000 Gold Medal hot dog dry wax bags for \$22.64 (plus shipping), a case of 1,000 Gold Medal foil hot dog bags for \$55.96 (plus shipping), a case of six 5-pound bags of Dipsy Dog corn dog mix for \$45.98 (plus shipping), a Gold Medal foot long corn dog fryer for \$820.00 (plus shipping) and a Star Manufacturing hot dog broiler and bun warmer with a capacity for thirty-six 4-ounce hot dogs and 32 buns for \$945.00 (plus shipping).

Dry Grocery – Costco’s food assortment included: a case of fifty single serve packets of Swiss Miss regular hot cocoa mix for \$10.39 (the minimum order on this item is two units), a package of two 90-count cases of Green Mountain donut shop coffee k-cups for \$89.99, a package of four bottles of Sid Wainer & Sons powder (two 24-ounce bottles of honey and two 18-ounce bottles of mesquite smoke) for \$84.99, a package of two 3-liter tins of La Civetta limited edition extra virgin Italian olive oil for \$59.99, a four-ounce package of French black truffles packaged in a wood box for \$239.99 and a case of four 5-pound bags of Hoody’s in-shell roasted and unsalted peanuts for \$32.99.

Sam’s food assortment included: a case of 12 packages of Nabisco Oreo cookies (each package contained six cookies) for \$11.48, a case of 24 packages of Walkers shortbread cookies (each package contained two cookies) for \$19.98, a case of eight 2-ounce packages of Famous Amos chocolate chip cookies for \$5.48, a case of 60 packages of Grandma’s chocolate cookies (each package contained two cookies) for \$25.98 (plus shipping) and a case of sixty-four 2-ounce bags of Frito Lay fritos corn chips for \$37.98 (plus shipping).

Other food items at Samclub.com included: a package of two 35-ounce containers of Utz cheese balls for \$12.98 (plus shipping), a package of two 36-ounce containers of Utz honey wheat braided pretzel twists for \$12.98 (plus shipping) and a case of six Cafe2Go (see picture on the right) self heating hot chocolate beverage kits (each kit included a heater, a water bladder, 18 cups, 18 packets of Nestle hot cocoa mix and 18 stirrers) for \$89.98 (plus shipping).



Samsclub.com – Self Heating Beverage Kit

Freezer – Costco stocked a ten-pound case of Trident Seafoods wild Alaskan red king crab for \$269.99, a ten-pound variety package of sausages from D’Artagnan Gourmet that included eight andouille, 15 chorizo, 16 wild board and sage and 18 lamb merguez for \$119.99 and a case of two 8.5-pound (average weight) Big Easy de-boned restaurant quality turkeys for \$84.99. BJ’s stocked a 30-piece Gourmet Burger gift pack that included twelve 4-ounce USDA Choice black angus steak burgers, twelve 4-ounce turkey burgers and six 6-ounce Wagyu kobe beef burgers for \$139.99 and a 138-piece Perfect Bite caterer’s collection that included 48 caramelized onion and feta pastry kisses, 40 caramelized onion and gorgonzola burgers, two 14-ounce apple cranberry baked brie and 48 red pepper and spinach crustless quiche for \$99.00 (plus shipping).

Automotive – Costco’s automotive assorted included three customized automobile parts: Michelin precision laser-fit customized floor liners, CargoVault secure in-vehicle one or two drawer storage systems for SUV’s and pick-ups and a pair of SPYDER Auto side step non-slip bars enabling easier access into a vehicle.

Sundries – BJ’s stocked a variety of case sale sundry SKUs that included: a case of eight 7.5-ounce pump bottles of Dial complete foaming hand wash for \$29.99, a case of seventy-two 3.5-ounce bars of Dial gold soap for \$59.99, a case of twelve 24-ounce bottles of Clorox toilet bowl cleaner for \$36.99, a case of twelve 25-ounce cans of Scrubbing Bubbles bathroom cleaner for \$56.38, a case of twelve 32-ounce bottles of Windex glass and surface cleaner for \$79.99, a case of six 64-ounce bottles of Mop & Glo triple action floor cleaner for \$79.99 and a case of twelve 35-count bottles of Clorox fresh scent disinfecting wipes for \$30.39.

Web Site Observations – February, 2015

Please note, the retail prices mentioned in this article include shipping and handling unless otherwise noted and do not include any discounts or instant savings. To view items at PriceSmart.com, one of the countries in which the company operates must be selected. For this article, Costa Rica was selected and the exchange rate at the time was 1 USD (US Dollar) for every 536 CRC (Costco Rica Colons). The prices listed in this article are converted to US Dollars (rounded to the nearest dollar). Additionally, items ordered at PriceSmart.com are delivered to a member’s local club where he would pick it up. PriceSmart does not deliver online orders to a residence or business.

Appliances – Costco.com stocked a six-burner (each burner is 15,000-BTUs) 48-inch stainless steel professional style German-made gas range from NXR for \$4,999.99. The stove included an infrared broiler and a blue porcelain coating to make it easier to clean. Costco.com also stocked a Forno Magnifico electric 12-inch pizza oven that can reach 750-degrees for \$99.99, a Miracle-Gro indoor AeroGarden with LED growing lights, a gourmet herb seed kit and liquid nutrients for \$199.99 and an Aquaverse super high capacity fast fill bottle-less hot and cold water cooler with rolled metal sides that are fingerprint resistant for \$469.99. The water cooler included an installation kit (filter, filter head, water lines and quick connect water source).

Office – The office assortment at Samsclub.com included: an Acco rubber band ball made up of 260 colored rubber bands for \$3.98, a set of 100 six-inch by nine-inch cash transmittal bags from Quality Park for \$58.48, a case of one-hundred 13-inch by 22-inch clear coin tote bags from MMF Industries for \$89.98 and a Swingline 28-sheet commercial electric three hole punch for \$139.38.

BJs.com stocked an Xblue six line pink-colored telephone system that works on standard telephone lines with eight phones, a communication server, a self-install connector package and a cordless telephone module for \$1,199.99. Other office products at BJs.com included: a 12-stick package of white low dust Quartet Alpha nontoxic chalk for \$2.99, a Dri-Mark smart money counterfeit bill detector pen for use with U.S. currency for \$3.99, a Scotch New England Patriots mini helmet tape dispenser that included one roll of Scotch tape for \$12.99 and an X-Acto 12-sheet capacity laser paper trimmer with a wood base for \$79.99.

In the office category, Pricemart.com stocked: a pallet of twenty-one 8-foot commercial tables from Lifetime and a table cart that can hold ten tables for \$3,172, a pallet of 32 Lifetime contoured white granite chairs and a chair cart that can hold 32 chairs for \$1,642, a case of five synchronized analog clocks from Pyramid with a wireless radio frequency transmitter for \$1,119, a Pyramid auto totaling time clock that offers error-free payroll tracking for up to 100 employees for \$420 and a Bestar Embassy L-shaped desk and hutch office set with a keyboard shelf, a CPU stand, a catch-all drawer, two file drawers and a rubber strip for wire management for \$1,082.

Computer Accessories – Pricemart.com stocked a BK Media stand-alone DVD/CD duplicator that can make three copies of one original for \$430, a Genius speaker system with a subwoofer, two satellite speakers and a control box for \$93 and a LG pocket photo printer that prints 2-inch by 3-inch photos for \$157.

Furniture – BJs.com stocked a Crystal Pointe two door, 40-inch high by 50-inch wide mahogany veneer cabinet with a motorized television lift and a built-in infrared system that enables the user to operate audio and television components without having to open the doors for \$2,499.99. BJs.com also stocked a Remington 47.38-inch high by 58.75-inch wide electric fireplace controlled by a dimmer switch with a motorized television lift for \$3,799.99.

Automotive – Costco.com stocked a six-piece Rubbermaid mobile organization kit for \$39.99 that included two cargo bins, a cup holder organizer, a glove box organizer, a seat belt organizer and a vent catch-all that holds small items for \$39.99. Costco.com also stocked an 11-piece Surf City Garage interior and exterior automotive detailing kit for \$79.99, a Rapid Care 29-piece emergency back pack and a 107-piece first aid kit for \$99.99 and an AirBedz six-foot to 6.5-foot truck bed air mattress with a built-in air pump for \$189.99.



Pricesmart.com – InstaJack Automatic Jack

Costco.com stocked a number of third party custom installed automotive products that included (product cost and shipping are based on the type of order): a set of four Velox custom wheels, Roadwire professionally installed customized leather seat upholstery and a Coverking custom tailored dashboard cover.

Pricesmart.com's automotive assortment included: a Champion 10,000-pound capacity winch kit with a snatch block, roller fairlead, power controller, clevis hook and battery power lead for \$597, a Torin five-ton chain block with a hand hoist for \$261, an InstaJACK 12-volt automatic jack with a remote, night light and steel carrying handle that can lift vehicles weighing up to 7,000-pounds for \$140 (see picture on the left) and a Wagan emergency impact wrench kit that provides all the tools and supplies necessary to repair a flat tire for \$80.

Baby – In the baby category, Costco.com stocked a case of twenty-four 3.5-ounce squeezable pouches of Earth's Best organic peach, pear and yogurt for \$37.99, a case of four 16.9-ounce bottles of Mustelo dermo-cleansing for a baby's hair and body for \$39.99 (plus \$2.99 for shipping) and a case of three 13.5-ounce bottles of Sebamed baby wash with a bonus 6.8-ounce tube of cream for \$39.99.

The baby assortment at Samsclub.com included: a 76-piece Dreambaby home and bathroom safety kit (48 for the home and 28 for the bathroom) for \$26.14 (plus shipping), The First Years steam sterilizer with a drying rack that can be used on bottles, pacifiers and small toys \$39.86 (plus shipping) and a TOMY nursery bottle warmer with a removable basket, automatic shut-off and a ready light for \$29.98 (plus shipping).

Health and Beauty Aids – BJs.com stocked the following health and beauty aid products: a case of seventy-two 3.5-ounce bars of Dial gold soap for \$71.89, a case of twelve 7.5-ounce pump bottles of Dial liquid gold antibacterial soap for \$41.99, a case of sixteen 4-ounce bars of Dove white bar soap for \$15.99 (plus shipping) and a case of twelve 8-ounce pump bottles of Purell instant hand sanitizer and moisturizer for \$53.19.

Electronics and Music – Costco.com stocked a customized home security and fire system from Link Home Security that provides access via a smartphone or tablet (product cost and shipping are based on the type of order). Costco.com also stocked a Kahuna ZebraWood concert ukulele that included a case and stand for \$129.99 and a 20-piece Virgin Hitman electric drum set that included 184 drum voices, 50 drum patterns and a USB port for \$399.99.

Samsclub.com stocked a Griffin Survivor all-terrain case and stand (designed to meet/exceed U.S. Department of Defense standards) for an iPad 1, 2 and 3 for \$49.88 (plus shipping), an AmpliVox wireless lapel microphone kit with a transmitter, receiver and lapel microphone for \$246.38 and a SuperBattery rechargeable battery bank with a built-in crank that provides up to four hours of power, a built-in flashlight and is splash proof for \$24.24.

BJs.com stocked a Spectrum cream and maple electric guitar with a mini amp and ten back tracks for \$89.99, a Yamaha 76-key full sized keyboard that connects to a computer and stand for \$219.99 and an Orleans full size mandolin with a sunburst finish that included a gig bag for \$99.99.

The musical assortment at Pricesmart.com included: a Peavey 1,000-watt three piece speaker system for \$1,175, a Blue Microphones Yeti USB microphone for \$181 and a Peavey electric guitar package that included a pair of bass ear buds and a digital tuner for \$177. Other electronic items at Pricesmart.com included: a Goal Zero five-port Sherpa solar recharging kit (two ultra-fast charging ports for phones and tablets, a 12-volt port for lights, a port designed for laptops and a detachable AC inverter for DSLR cameras) for \$466 and a Grape Solar portable device charging wand that can be charged from a solar folding panel, a USB port or an AC outlet for \$41.

Floral – In the floral category, Costco.com stocked a 20-piece black mini calla wedding collection for \$899.99. The set included a 30-stem bridal bouquet, three bridesmaid bouquets (15 stems each), six boutonnieres (1 stem plus three lily grass each), four corsages (1 stem plus a seeded euc each) and six centerpieces (each one contained 7 stems plus 35 assorted flowers). Costco.com also stocked a case of 200 orange roses from Kendal Floral for \$169.99 and a package of three key lime citrus trees (each tree is between 24-inches and 30-inches) that are pre-planted in grower pots for \$124.99.

Samsclub.com stocked a case of thirty-six 9-inch by 4-inch by 3-inch floral foam water absorption bricks (for retail florists) from Oasis for \$119.98 (plus shipping), a 25-ounce can of Floralive leaf shine spray that provides a natural non-oily appearance that dries quickly and keeps foliage cleaner for a longer period of time for \$4.98 (plus shipping), a case of six 10.38-inch flared crystal vases for \$39.98 (plus shipping) and a case of 100 Floralive clear bouquet sleeves for \$104.98 (plus shipping).

Dry Grocery and Candy – In the dry grocery department, Costco.com stocked a wide variety of products: a case of 144 Tanka spicy buffalo and cranberry protein bars (each bar is 70 calories) for \$269.99, a case of four 5-pound bags of Hoody's in-shell unsalted and roasted peanuts for \$32.99, a 44-ounce bottle of Utz pub mix for \$8.19 (this product typically retails for \$6.99 at a Costco club location), a 56-ounce bag of M&M plain candy for \$10.39, a case of six 6.2-ounce tins of Walkers shortbread cookies for \$49.99 (each oval tin included 40 traditionally shaped cookies such as fingers, rounds, ovals and triangles), a case of forty-eight 6.5-ounce cans of Trident Seafoods' Silver Lining brand smoked sockeye salmon for \$299.99 and a case of four 16.9-ounce bottles of Fini organic red wine vinegar for \$27.99.

In the dry grocery and candy department, Samsclub.com stocked: a case of six 0.3-ounce jars of Litehouse fresh parsley for \$15.98 (plus shipping), a case of six 21-ounce jars of Durkee roasted garlic seasoning for \$54.98, a case of three-hundred 0.2-ounce packages of Keebler Zesta saltine crackers for \$15.98, a 72-case pallet of Nestle Pure Life bottled water (each case contained twenty-four 16.9-ounce bottles) for \$498.00, a case of seven 4.8-ounce Lindt limited edition green frog-shaped tins of chocolate (solid milk chocolate frogs, solid milk chocolate hearts and milk chocolate golden balls) for \$69.88 (plus shipping), a case of 2,340 assorted individually wrapped Spangler Dum Dum pops for \$99.98, a case of twelve 3.6-ounce bags of Sathers cherry sours for \$7.98 (plus shipping) and a case of twenty-four 3.1-ounce bags of Gold Medal prepackaged cotton candy (each bag contains vanilla and blueberry) for \$29.98 (plus shipping).

In the dry grocery department, BJs.com stocked a case of six 8-ounce bottles of Kilchurn Estate English breakfast preserves (two strawberry champagne, two apricot and two black currant) for \$69.99 and a case of eight 16-ounce bags of Jansal Valley ancient gourmet grains (two cracked wheat, two black barley, two kamut and two quinoa) for \$59.99.

Perishable – Costco.com stocked: a Kirkland Signature private label whole wheel of parmigiano reggiano cheese at approximately 72-pounds for \$12.50 per pound for \$899.99, a D'Artagnan Japanese A-5 grade boneless ribeye roast at approximately 11-pounds for \$136.38 per pound for \$1,499.99 and a case of forty-five 3.5-ounce Seamazz shrimp burgers for \$109.99.

Samsclub.com stocked: a 12-pound case of Ocean Café jumbo 16/20 breaded butterfly shrimp for \$197.38, a ten-pound box of Tampa Bay skinless grouper fillets for \$224.98 and a 15-pound tur-duc-hen stuffed with cranberries, walnuts and cornbread from Big Easy Foods for \$79.98.

The perishable assortment at BJs.com included: a case of 13 hand selected Asian pears from Sid Wainer & Son for \$44.99 and a case of eight 24-ounce cinnamon walnut coffee cakes from Boston Coffee Cake for \$99.99.

Sundries – In sundries, Costco.com stocked a case of 1,000 Dixie PerfectTouch 12-ounce hot drink cups for \$114.99, a case of 3,000 Marcal 100% recycled white two-ply dinner napkins for \$55.49, a case of 1,000 Eco-Products spoons made from vegetable plant starch for \$64.99, a case of thirty 85-sheet two-ply white paper towel rolls from Windsoft for \$37.48, a package of thirty 64-gallon green biodegradable compost trash bags from Stout EcoSafe for \$39.89 and a package of 45 Seventh Generation natural dishwasher detergent packs for \$12.99. In sundries, BJs.com stocked a case of six 72-count hand cleaner cloth towels (10.5-inch by 12.25-inch) from Scrubs for \$79.99.

Concessions – Samsclub.com stocked a number of unique concession related products that included: a case of three-hundred 32-ounce Gold Medal heavy duty lemonade plastic cups with lids and straws for \$127.88 (plus shipping), a case of 1,000 Gold Medal foil cheeseburger bags for \$51.64 (plus shipping), a Gold Medal foot long corn dog fryer for \$820.00 (plus shipping), a case of six 5-pound bags of Dipsy Dog corn dog mix for \$45.98 (plus shipping), a case of forty-eight 3.5-ounce portion cups with nacho cheese sauce from Ricos for \$32.98, a case of six 107-ounce (#10) cans of Ricos nacho cheese sauce for \$59.98 and a Gold Medal hot fudge warmer for \$328.00 (plus shipping).

Hardware – Costco.com stocked a set of four Insteon wireless water leak sensors that are set on the floor with no screws or tape and notify the user via text or Email of water leakage for \$99.99, a Freeman floor installation set with a flooring nailer/stapler and a fiberglass mallet for \$119.99 and a Platinum Edge 400-piece combination drill bit set with wheels for \$99.99.

In the hardware category, Pricemart.com stocked: a DuroStar 4,000-watt portable gas powered generator for \$1,306, a Pro Series plasma cutter kit for \$1,119 and a Pro Series 120-volt arc welder with a welding cable, electrode holder, ground cable, earth clamp, clipping hammer and helmet for \$159.

Janitorial – Samsclub.com stocked a Piranha 20-inch automatic hand pushed floor scrubber with two 12-volt batteries, a swing squeegee, a pad holder and charger that in a single pass will apply cleaning solution, scrub and recover dirty water for \$3,998.00. The janitorial assortment at Samsclub.com also included: a Rubbermaid safety cone with “Wet Floor – Caution” written on it for \$29.98 and a OdoBan commercial fogmaster junior that can be used by hotels, restaurants, beauty salons, nursing homes and churches for \$96.22 (plus shipping). The janitorial assortment at BJs.com included a Rubbermaid commercial off-white baby changing table for \$327.49.

Kitchen – Some of the high end kitchen supplies stocked at Costco.com included: a Chantal copper fusion 10-piece cookware set with a non-stick natural enamel surface for \$599.99, an eight-piece Ryu Damascus steel knife set and block for \$349.99 and a Wallace Grande Baroque 34-piece sterling silver flatware set with a wood storage chest for \$5,699.99.

The kitchen supply assortment at Pricemart.com included: a Ballington 80-quart stainless steel stock pot for \$205, a Prime Pacific stainless steel bread box and paper towel holder for \$62, a Top Chef nine-piece stainless steel knife set and wood block for \$159 and a set of five Prime Pacific aluminum stock pots with lids as well as a bonus colander and assorted tools for \$187.

Sports – Samsclub.com stocked a wide selection of baseball and softball supplies and equipment that included: a Mizuno Jennie Finch series 31-inch fast pitch softball bat for \$73.88, an ATEC Casey softball pitching machine for \$2,264.00 (plus shipping), a MacGregor woman's catcher's gear set with two shin guards, a chest protector and a helmet for \$111.32 (plus shipping), a case of 12 MacGregor Little League baseballs for \$34.98 (plus shipping), a heavy duty galvanized steel bat rack that holds 14 bats and can be permanently mounted to a dugout surface for \$86.12 (plus shipping) and a case of thirty-six 20-ounce cans of athletic white field marking paint for \$118.32 (plus shipping).

The sports assortment at Bjs.com included a Body Solid 20-pound weighted vest for \$79.99, a Body Solid medicine ball rack with two adjustable storage rings for \$65.99, a set of two Body Solid push up bars for \$24.99, a Body Solid full foam roller for \$26.99, a LifeSpan heart rate ring for \$29.99 and a Slendertone abdominal muscle toner for men and women with seven programs for \$99.99.

Notes

Department Analysis

One of the best ways to understand the buying and merchandising strategies at BJ's, Costco and Sam's Club is to analyze the changes and trends in all club departments. The entire list of club departments is divided into four main groups:

1. Softlines, HBA, Office, Alcohol
2. Dry Grocery, Candy
3. Automotive, Home Goods, Majors, Sundries
4. Frozen, Refrigerated, Perishable

This chapter provides the most recent analysis of each department group and of organic items. The bakery, deli, fresh food and produce analysis was done in March, 2014. The softlines, HBA, sporting goods and office analysis was done in May, 2014. The dry grocery and candy analysis was done in June, 2014. The automotive, home goods, majors and sundries analysis was done in September, 2014. An organic merchandise analysis was done in October, 2014. The cooler and freezer analysis was done in November, 2014.

The data in this chapter will not tie with data found in other sections of the 2015 Warehouse Club Industry Guide. The data in this chapter was acquired at different times during the 2014 calendar year and data found in the rest of the 2015 Warehouse Club Industry Guide was gathered just prior to the release date in April, 2015.

Analysis Background

While there are always differences to be found within each club regionally and nationally, the merchandise composition of the majority of each department and category is similar across the country. Given that assumption, the results that are provided, whether the data is gathered in California, New Hampshire, Florida or Texas, are sound representations of the overall industry. The charts on the following pages are mostly self-explanatory. However, the following explains portions of those charts:

Pallet per Item – Each dry grocery, candy or non-food item was categorized by how it was merchandised. If an item was merchandised on a full pallet, it was given one point. If an item was merchandised on a half pallet, it was given one-half point. If an item was merchandised on a shelf or on a third of a pallet, it was given one-third point. The total number of points were added up by category and divided by the number of SKUs in that category.

A resultant figure of one means every item in that category was merchandised on a full pallet. A figure between one-half and one means that, on average, each pallet in that category held one to two items. A resultant figure of less than one-half means that, on average, an item in that category is either merchandised on a shelf or on a pallet that holds two to three items.

Wholesale or Retail – It was subjectively determined whether an item (based on package size and product type) was geared more towards a business member or a consumer. When determining if an item should be counted as wholesale, we consider whether one of the following business types would purchase the item for its operation: restaurant, vending operator, gasoline station, day care provider, convenience store, professional (doctor or attorney), hotel operator, hair salon and caterer.

End Cap Analysis – Except for the perishable categories, an end cap analysis was performed for each department study. Ten random end cap items, within each department, were selected from each club operator. The brand, description, package, retail price and pallet count of each item were recorded. The retail inventory value of the pallet was calculated by multiplying the retail price times the pallet count, which was estimated based on the assumed pallet height of the product.

Bakery, Deli, Fresh Food and Produce *(March, 2014 – Massachusetts, New Hampshire)*

Bakery Analysis – The five bakery sub-categories include: direct store delivery (DSD) bread, DSD pastry, customized cakes, in-house bakery and in-house pastry. The following are observations from the bakery department:

Consumer Focus – Compared to Costco (40 retail bakery products), BJ's (154 retail bakery SKUs) and Sam's Club (86 retail bakery items) focus more on the consumer by stocking a wider variety of bakery products for this member. Additionally, consumer member SKUs generally have smaller packages resulting in lower retail price points. As a result, BJ's and Sam's average bakery retail price is \$6 compared to Costco whose average bakery retail price is \$7.

For example, BJ's stocked 14 Thomas bread SKUs. Of that assortment, there were two wholesale items: a package of two 9-piece cartons of original English muffins for \$5.49 and package of two 9-piece cartons of multi-grain English muffins for \$5.49. Some of the remaining consumer items included: a package of six sliced blueberry bagels for \$2.99, a package of six sliced onion bagels for \$2.99, a package of ten sliced plain bagel thins for \$2.99, a package of nine cinnamon raisin English muffins for \$2.99, a package of ten whole wheat mini bagels for \$2.99 and a package of ten plain mini bagels for \$2.99.

Sam's consumer assortment included: a package of six Atlanta Bread plain sliced bagels for \$2.68, a package of twelve Atlanta Bread mini plain sliced bagels for \$2.68, a package of 16 Oroweat 100% whole wheat sandwich thins for \$4.34 and a package of 16 Thomas plain sliced bagel thins for \$4.68.

Wholesale Focus – Sam's continues to differentiate itself from BJ's and Costco by offering a large selection of vending muffins, danishes and cakes that can be resold by convenience store members, vending truck operators and other wholesale customers. Some of those items included: a case of eight 2.1-ounce Bimbo vanilla conchas for \$3.36, a case of twelve 4-ounce Cloverhill big Texas cinnamon rolls for \$6.38, a case of sixteen 4-ounce Cloverhill danishes (four big Texas cinnamon rolls, four iced honey buns, four glazed honey buns and four cheese danishes) for \$7.99 and a case of thirty 2-ounce Svenhard's danishes (six breakfast claws, six berry horns, six cinnamon horns, six raisin snails and six cheese horns) for \$11.98.

Unique Pastry Items – The following are interesting pastry items stocked at each club. BJ's stocked a 43-ounce "It's Da Bomb" cake from the Cake Boss for \$19.99, a 46-ounce "It's My Party" cake from the Cake Boss for \$19.99, a 39-ounce red velvet cake from the Cake Boss for \$19.99, a 24-ounce container of assorted mini donut holes (plain, powdered and cinnamon) from Country Treats for \$3.29, a 24-ounce container of Lilly's Bake Shop coconut macaroons for \$7.99, a package of two 16-ounce containers of Michel's Bakery mini muffins (one package had blueberry and one package had chocolate chip) for \$5.99 and a 16-ounce container of Hill & Valley sugar free sliced lemon cream cake for \$3.59.

Costco stocked a 31.5-ounce container of Two Bite mini cinnamon rolls for \$6.99, a 24-ounce container of assorted mini kosher danishes (berry, apples, strawberry and lemon) from Yerushalayim Bakery for \$6.89 and a 24-ounce container of assorted mini kosher danishes (chocolate and cinnamon) from Yerushalayim Bakery for \$6.89. Sam's Club stocked: a container of 32 Artisan Fresh private label mini brownies for \$5.99, a 28-ounce container of Art Dessert raspberry walnut rugala for \$6.98, a 43-ounce package of Daily Chef private label sliced loaf cakes (six slices of chocolate ganache, six slices of raspberry swirl and six slices of ice lemon) for \$6.34 and a 24-ounce container of Uncle Wally's toasted coconut brownie truffle cups for \$5.98.

Deli Analysis – The six deli sub-categories include: cheese, dips/appetizers/desserts, meat and prepared food, pasta and sauces, seafood and soup. The following are observations from the deli department:

Meat and Prepared – Sam's stocked the following prepared food SKUs: a 40-ounce container of chicken medallion in rosa sauce from F&S for \$14.98, a 40-ounce container of Hometown Gourmet firecracker chicken with charbroiled chicken and sweet and spicy sauce for \$14.98, a 40-ounce container of turkey meatballs in marinara sauce from Hometown Gourmet for \$11.98, a 30-ounce container of kale, hummus and chickpea ravioli from Huovo for \$10.98, a 36-ounce container of Isabella's chicken enchilada bake for \$13.98, a 36-ounce container of Monterey seafood lasagna for \$14.98 and a 40-ounce container of Reser's five cheese macaroni for \$10.98.

Costco's prepared food selection included: a 48-ounce container of Naples Kitchen Hawaiian style chicken thighs with teriyaki sauce and pineapple for \$13.59, a Full Circle chicken breast stuffed with broccoli and cheddar cheese for \$5.29 per pound and a package of two 24-ounce containers of Kirkland Signature five cheese tortellini stuffed with parmigiano reggiano cheese for \$9.99. Sam's meat selection included: a 32-ounce container of Del Sol pork carnitas for \$13.98, a 24-ounce container of John Soules beef fajita strips for \$9.98 and a 24-ounce container of John Soules chicken fajita meat for \$7.98.

	Costco	SKU			Average Retail			SKU					
		Category/Department	2003	2013	2014	2003	2013	2014	Wholesale			Retail	
Bakery	DSD - Bread	23	30	24	\$3	\$4	\$4	20	12	11	3	18	13
	DSD - Pastry	18	13	9	\$5	\$7	\$7	13	4	n/a	5	9	9
	Customized Cakes	5	2	3	\$14	\$18	\$18	5	n/a	n/a	n/a	2	3
	In House - Bread	9	8	11	\$4	\$5	\$5	9	7	5	n/a	1	6
	In House - Pastry	22	25	24	\$6	\$9	\$9	21	16	15	1	9	9
	BAKERY Total	77	78	71	\$5	\$7	\$7	68	39	31	9	39	40
Deli	Cheese	33	59	38	\$8	\$10	\$10	21	20	11	12	39	27
	Dips, Appetizer, Dessert	34	30	26	\$6	\$7	\$6	18	4	2	16	26	24
	Meat, Prepared	30	51	49	\$10	\$11	\$12	21	6	9	9	45	40
	Pasta, Sauce	6	7	6	\$8	\$7	\$10	n/a	n/a	n/a	6	7	6
	Seafood	10	7	11	\$10	\$13	\$13	4	4	4	6	3	7
	Soup	3	6	6	\$8	\$9	\$10	n/a	n/a	n/a	3	6	6
DELI Total	116	160	136	\$8	\$10	\$10	64	34	26	52	126	110	
Fresh Food	Chicken	8	17	14	\$9	\$19	\$16	7	10	9	1	7	5
	Meat, Turkey	40	48	45	\$16	\$25	\$31	35	32	26	5	16	19
	Prepared	27	28	26	\$11	\$15	\$16	4	3	3	23	25	23
	Seafood	7	5	7	\$10	\$16	\$24	7	4	3	n/a	1	4
	FRESH FOOD Total	82	98	92	\$13	\$21	\$24	53	49	41	29	49	51
	Total	326	418	374	\$8	\$11	\$12	227	173	137	99	245	237

	BJ's Wholesale	SKU			Average Retail			SKU					
		Category/Department	2003	2013	2014	2003	2013	2014	Wholesale			Retail	
Bakery	DSD - Bread	43	69	72	\$4	\$4	\$4	21	19	26	22	50	46
	DSD - Pastry	52	42	57	\$5	\$7	\$8	18	10	10	34	32	47
	Customized Cakes	49	19	9	\$10	\$12	\$23	11	7	n/a	38	12	9
	In House - Bread	23	19	32	\$3	\$3	\$4	13	3	6	10	16	26
	In House - Pastry	44	33	30	\$5	\$6	\$7	35	6	4	9	27	26
	BAKERY Total	211	182	200	\$6	\$6	\$6	98	45	46	113	137	154
Deli	Cheese	108	73	70	\$7	\$8	\$7	29	13	8	79	60	62
	Dips, Appetizer, Dessert	9	41	44	\$5	\$6	\$6	1	2	4	8	39	40
	Meat, Prepared	89	149	143	\$9	\$9	\$9	29	31	19	60	118	124
	Pasta, Sauce	8	11	12	\$7	\$9	\$9	n/a	n/a	n/a	8	11	12
	Seafood	1	13	18	\$8	\$7	\$11	1	n/a	n/a	n/a	13	18
	Soup	n/a	8	10	n/a	\$9	\$10	n/a	n/a	n/a	n/a	8	10
DELI Total	215	295	297	\$8	\$8	\$9	60	46	31	155	249	266	
Fresh Food	Chicken	23	18	11	\$8	\$13	\$14	12	11	4	11	7	7
	Meat, Turkey	91	88	89	\$12	\$16	\$17	41	37	28	50	51	61
	Prepared	55	8	3	\$8	\$6	\$6	6	n/a	n/a	49	8	3
	Seafood	28	16	25	\$11	\$16	\$12	8	4	n/a	20	12	25
	FRESH FOOD Total	197	130	128	\$11	\$15	\$15	67	52	32	130	78	96
	Total	705	746	781	\$7	\$8	\$8	245	203	151	460	543	630

	Sam's Club	SKU			Average Retail			SKU					
		Category/Department	2003	2013	2014	2003	2013	2014	Wholesale			Retail	
Bakery	DSD - Bread	25	54	52	\$3	\$4	\$4	20	19	17	5	35	35
	DSD - Pastry	19	33	36	\$5	\$7	\$7	13	24	17	6	9	19
	Customized Cakes	10	9	6	\$13	\$20	\$17	10	n/a	n/a	n/a	9	6
	In House - Bread	6	18	17	\$3	\$4	\$4	6	12	9	n/a	6	8
	In House - Pastry	22	36	29	\$5	\$7	\$8	14	20	11	8	16	18
	BAKERY Total	82	150	140	\$5	\$6	\$6	63	75	54	19	75	86
Deli	Cheese	59	77	86	\$6	\$10	\$10	37	29	24	22	48	62
	Dips, Appetizer, Dessert	10	21	14	\$5	\$8	\$8	4	n/a	n/a	6	21	14
	Meat, Prepared	52	60	59	\$8	\$12	\$13	30	9	10	22	51	49
	Pasta, Sauce	10	6	7	\$7	\$10	\$9	n/a	n/a	n/a	10	6	7
	Seafood	3	n/a	6	\$6	n/a	\$13	1	n/a	n/a	2	n/a	6
	Soup	3	4	6	\$7	\$10	\$10	n/a	n/a	n/a	3	4	6
DELI Total	137	168	178	\$7	\$10	\$11	72	38	34	65	130	144	
Fresh Food	Chicken	8	7	8	\$8	\$14	\$13	8	7	6	n/a	n/a	2
	Meat, Turkey	49	44	43	\$17	\$25	\$20	39	28	24	10	16	19
	Prepared	3	18	10	\$12	\$10	\$12	2	n/a	n/a	1	18	10
	Seafood	10	15	10	\$17	\$13	\$14	5	8	7	5	7	3
	FRESH FOOD Total	70	84	71	\$16	\$19	\$17	54	43	37	16	41	34
	Total	349	487	472	\$5	\$7	\$6	234	202	164	115	285	308

BJ's Assortment – BJ's stocked the most deli items among the three clubs. Some of the items not stocked at Costco and Sam's Club included: a case of six 3.2-ounce Oscar Mayer lunchables (three ham and cheddar with crackers and three turkey and cheddar with crackers) for \$7.99, a 32-ounce container of Vita herring in wine sauce for \$6.99, a 16-ounce package of American Kosher sliced pastrami for \$9.99, three 8-ounce packages of Applegate turkey bacon for \$11.69, a 24-ounce package of Hormel sliced pepperoni for \$5.99, three 9-ounce packages of Oscar Mayer sliced smoked ham for \$7.99 and a three-pound package of Gwaltney chicken sausage for \$3.99.

Cheese – Costco's high end imported/domestic cheese assortment included a number of Kirkland Signature private label items such as: a package of American blue cheese for \$5.29 per pound, a 13.4-ounce package of Isigny French brie for \$5.99, a wedge of lake country asiago for \$5.59 per pound, a wedge of manchego for \$8.39 per pound (see picture on the right) and a wedge of parmigiano reggiano for \$11.49 per pound.



Costco – Kirkland Signature Manchego Cheese

Soup – Costco stocked six soup SKUs: a package of two 20-ounce containers of co-branded Kirkland Signature and Blount lobster bisque for \$10.99, a package of two 32-ounce containers of co-branded Kirkland Signature and Stock Pot broccoli cheddar soup for \$9.99, a package of two 32-ounce containers of co-branded Kirkland Signature and Stock Pot chicken tortilla soup for \$9.99, a package of two 20-ounce containers of Legal Sea Food New England clam chowder for \$9.89 and a package of two 20-ounce containers of Legal Sea Food crab and corn chowder for \$10.89.

BJ's stocked eight soup SKUs: a package of two 20-ounce containers of Blount turkey kale soup for \$8.99, a package of two 20-ounce containers of Cooking Light chicken tortilla soup for \$9.99, a package of two 20-ounce containers of Cooking Light turkey chili soup for \$9.99, a package of two 20-ounce containers of Legal Sea Food lobster bisque for \$11.99 and a package of two 20-ounce containers of Legal Sea Food New England clam chowder for \$9.99.

Other soup SKUs at BJ's included: a package of two 20-ounce containers of Panera broccoli and cheddar soup for \$8.79, a package of two 20-ounce containers of Panera loaded potato soup for \$8.79 and a package of two 20-ounce containers of Panera Tuscan style chicken soup for \$10.99.

Appetizers – BJ's stocked a line of appetizers from Keepos that included: a 12.3-ounce Greek olive medley container for \$5.29, a 12.3-ounce container of kalamata olives for \$5.29, a 12.3-ounce container of marinated artichokes for \$5.99, a 14.1-ounce container of Mediterranean salad with feta cheese for \$5.99, a 14.1-ounce container of Mediterranean salad with provolone cheese for \$6.49 and a 12.3-ounce container of stuffed grape leaves for \$5.49.

Organic – Costco's organic assortment included: a 36-ounce package of Don Lee vegetable patties for \$12.69, a 24-ounce package of Organic Creamery colby jack cheese for \$8.99, a 36-ounce container of spinach and cheese lasagna for \$12.99 and a case of sixteen 2-ounce single serve cups of Hannah hummus for \$5.99.

Single Serve – BJ's stocked a number of single serve or "on the go" SKUs in its deli. Those items included: a case of twelve 2-ounce cups of Ewel black bean hummus for \$6.59 (see picture on the left), a case of six 3.5-ounce cups of Hans Kissle chicken cranberry salad for \$8.29, a case of six 2.75-ounce cups of Moe's guacamole for \$6.59, a case of twelve 2-ounce cups of Sabra hummus for \$5.99 and a package of two 3-ounce containers of Danielle snack packs that included prosciutto, provolone cheese and taralli bread for \$9.99.

Fresh Food – The four fresh food sub-categories include: fresh chicken, fresh meat and turkey, fresh seafood and in-house prepared. The following are observations from the fresh food department.

Natural – BJ's stocked a number of items labeled as natural. The assortment included: ground lamb from Cedar Springs Lamb for \$5.99 per pound, a 2.5-pound rotisserie chicken from Harvestland for \$5.99, three 16-ounce packages of lean ground beef from Nature's Source for \$13.99, a sirloin strip steak from Nature's Source for \$10.99 per pound, tenderloin beef tips from Nature's Source for \$12.99 per pound and tenderloin steak from Nature's Choice for \$17.99.

Co-Branding – Costco's assortment included two co-branded SKUs: a rack of pork from Kirkland Signature and Farmland for \$3.99 per pound and a pork sirloin tip roast from Kirkland Signature and Smithfield for \$3.99 per pound.

Organic – Costco's organic assortment included: Coleman boneless skinless chicken breast for \$5.99 per pound, Coleman boneless skinless thigh meat for \$4.29 per pound, Coleman whole bagged chicken fryers for \$2.49 per pound and a four-pound package of Kirkland Signature ground beef for \$17.99.

Meat Selection – Costco stocked two 20-ounce packages of Kiva Sun ground bison for \$16.99. BJ's stocked three SKUs from Swift: a petite pork shoulder with a Korean BBQ dry rub for \$2.49 per pound, a boneless pork loin with a Mediterranean dry rub for \$3.69 per pound and a boneless pork loin with an onion garlic pepper dry rub for \$3.29 per pound.

Produce – The two produce sub-categories include fruit and vegetables. The following are produce department observations.

Organic – BJ's stocked a wide variety of organic fruits and vegetables that included: a five-pound bag of Earth's Pride private label Fiji apples for \$9.99, a five-pound bag of Earth's Pride granny smith apples for \$9.99, a three-pound bag of Earth's Pride russet potatoes for \$2.79, a five-ounce container of Fresh Express baby kale for \$2.69, a 16-ounce container of Fresh Express baby spinach for \$4.49, a 16-ounce container of Fresh Express spring mix for \$4.49 and a four-pound bag of Pacific Organic Produce oranges for \$5.99.

Costco's organic assortment included: three-pounds of Del Monte bananas for \$1.99, a package of three 32-ounce bottles of co-branded Kirkland Signature and Bolthouse carrot juice for \$7.39, a package of two 33.8-ounce bottles of Sambazon acai juice for \$8.99 and a 24-ounce container of kale, chard and spinach from Earthbound Farms for \$5.99.

Apples – Club members pay to shop and expect products that they purchase at the warehouse clubs to offer them a value. Without that value, the club channel would simply not exist because customers would not pay to shop and profits, which are typically represented by membership revenues, would evaporate.

The clubs offer a value, generally, in four ways: an item's cost can be lowered through better buying and the savings passed to the member in the form of lower prices, an item's package can be increased enabling the clubs to purchase it more efficiently reducing the product's unit cost, a product's package can be changed improving the item's quality despite that packaging potentially raising the cost and features and/or benefits can be added to an item without the member fully paying for those add-ons.

Fuji and pink lady apples provide an example of how Costco's approach to value differs from BJ's and Sam's Club. Costco stocked seven apple SKUs. All but one are packaged in a plastic clamshell container with individual "bubbles" that hold each apple better preserving the integrity and quality of the product during shipment. Packaging apples in this manner is more expensive but Costco most likely believes that the quality difference, compared to packaging apples in a plastic bag, exceeds the pricing differential.

Costco stocked a 5.5-pound container of Yakima Fresh pink lady apples for \$9.49 or \$1.72 per pound while BJ's stocked a five-pound bag of Mott's pink lady apples for \$7.49 or \$1.50 per pound. Costco stocked a 5.5-pound container of Yakima Fresh Fuji apples for \$9.49 or \$1.72 per pound while Sam's Club stocked a five-pound bag of Domex Superfresh Fuji apples for \$7.98 or \$1.60 per pound.

Other apple SKUs at BJ's included four Wellesley Farms private label SKUs: a five-pound bag of Cortland for \$6.99, a five-pound bag of empire for \$6.99, a five-pound bag of McIntosh for \$5.49 and an eight-pound bag of red delicious for \$6.99.

Fruit – Costco's fruit assortment included: a case of twelve 10-ounce bottles of Naked Juice (four mighty mango, four green machine and four berry) for \$14.59, a ten-pound package of Ocean Spray grapefruit for \$7.79 and a 13-pound box of Paramount naval oranges for \$12.99. Sam's fruit assortment included: a package of two 32-ounce bottles of Bolthouse Farms strawberry banana smoothie for \$5.98, a 64-ounce bottle of mighty mango juice from Naked Juice for \$6.98, a 60-ounce bottle of POM pomegranate juice for \$9.98 and a five-pound package of Sunkist oranges for \$5.98.

Potatoes – BJ's stocked seven potato SKUs from Green Giant that included: a ten-pound bag of gold for \$4.99, a five-pound bag of Idahoan for \$2.59, a ten-pound bag of jumbo russet for \$4.79, a ten-pound bag of red for \$5.49, a 24-ounce bag of petite red for \$2.69, a ten-pound bag of white for \$3.49 and a 24-ounce bag of petite yellow for \$2.69.

Cut Fruit – BJ's stocked seven Del Monte cut fruit SKUs that included: a 24-ounce container of cantaloupe chunks for \$4.59, a 20-ounce container of pineapple cores for \$3.99, a 32-ounce seasonal fruit bowl for \$6.99, a 55-ounce luau bowl for \$12.99, 16-ounce container of mango spears for \$4.59 (29-cents per ounce), a 24-ounce variety package of melons (cantaloupe, watermelon and honey dew) for \$4.59, a 24-ounce container of pineapple spears for \$4.59 (19-cents per ounce) and a 24-ounce container of watermelon spears for \$4.59.

Sam's stocked two Del Monte cut fruit SKUs that included: a 32-ounce container of mango spears for \$7.97 (25-cents per ounce) and a 40-ounce container of pineapple spears for \$6.98 (17-cents per ounce). As can be seen, the larger sized cut fruit SKUs at Sam's Club provide a lower price per ounce compared to the smaller containers at BJ's.

Vegetables – Costco's vegetable assortment included: a 32-ounce container of Del Monte butternut squash cubes for \$5.99, a 24-ounce bag of greenhouse grown cocktail cucumbers from Mucci Farms for \$4.99, a 24-ounce bag of hothouse grown mini peppers from Sunset Grown for \$5.49 and a package of eight husked and trimmed sweet corn from Twin Gardner Sales for \$4.99.

Sam's vegetable assortment included: a 32-ounce container of Green Giant brussel sprouts for \$4.48, a 15-ounce container of Mann sugar snap peas for \$3.47 and a 32-ounce container of New World Farms French green beans for \$4.97. BJ's vegetable assortment included: a 32-ounce package of Green Giant peeled baby carrots for \$1.99, a 2.5-ounce container of Herb Thyme Italian parsley for \$2.99 and a 32-ounce package of Southern Select gourmet baby carrots for \$6.99.

Softlines, HBA, Sporting Goods and Office (May, 2014 – Massachusetts, Texas, New Hampshire)

End Caps – The following are end cap observations from each club.

BJ's – The average retail price for BJ's ten end caps decreased from \$70.99 in 2013 to \$54.39 in 2014. BJ's end cap assortment included: a 150-quart Coleman marine cooler for \$69.99, a case of Michelob ultra beer (bottles) for \$14.99, a 40-quart bag of Miracle Gro garden soil for \$6.99, a 20-sheet cross cut shredder from Royal for \$159.99 and a Scott's mini broadcast spreader for \$32.99.

Costco – The average retail price for Costco's ten end caps increased from \$52.99 in 2013 to \$94.97 in 2014. Costco's end cap assortment included: a Callaway xtreme 11-club golf set for \$549.99, a package of four 8.4-ounce cans of Gillette comfort advantage shaving cream for \$8.99, an 8.5-pound container of Pennigton smart blend grass seed with fertilizer for \$19.99 and a Thomasville true innovations leather executive chair for \$239.99.

Sam's Club – The average retail price for Sam's ten end caps decreased from \$82.32 in 2013 to \$44.36 in 2014. Sam's end cap assortment included: a Kenneth Cole men's dress shirt for \$19.98, a Lifetime six-foot picnic table for \$119.76, a 1.5-liter bottle of Mezzacorona Italian pinot grigio for \$11.98, an 88-inch my first trampoline imported by Sam's Club West for \$139.98 and a four-piece Wolfgang Puck barbeque tool set for \$19.98.

HBA – Nature Made – All three clubs stocked Nature Made vitamins and supplements with BJ's and Costco offering a wider selection of this brand. Sam's Club stocked two Nature Made SKUs, Costco stocked 17 Nature Made products and BJ's stocked 28 Nature Made items.

All three clubs stocked 400-milligram tablets of SAM-e complete. BJ's and Costco each stocked a 60-count bottle for \$39.99 or 66.7-cents per tablet while Sam's Club stocked a 42-count bottle for \$29.88 or 71.1-cents per tablet. BJ's and Costco stocked a larger sized package that offered a lower cost per tablet but at a higher overall retail price. Sam's Club stocked a smaller sized package that offered a higher cost per tablet (almost 7% higher) but at a lower overall retail price.

Once a year, typically in October, the retail prices of branded products are compared at BJ's, Costco, Sam's Club, a grocery store and a Walmart supercenter that are all in the same market. Historically, when looking specifically at BJ's and Costco's overall market basket, BJ's non-food prices have been 3% to 4% higher than Costco.

However, there are six Nature Made SKUs where BJ's retail price, on the same item and package size, is between 5% and 16% higher than Costco's. These items include: a package of two 200-count bottles of 1,200-milligram fish oil pills (\$15.99 at Costco and \$16.99 at BJ's for a 6% difference), a 220-count bottle of adult gummy fish oil pills (\$15.99 at Costco and \$18.49 at BJ's for a 16% difference), a 300-count bottle of 65-milligram iron tablets (\$7.89 at Costco and \$8.89 at BJ's for a 13% difference), a 150-count bottle of 400-milligram magnesium softgel pills (\$12.39 at Costco and \$12.99 at BJ's for a 5% difference), a 460-count bottle of super-b complex tablets (\$14.99 at Costco and \$16.99 at BJ's for a 13% difference) and a 375-count bottle of 1,000-microgram vitamin b12 pills (\$18.99 at Costco and \$21.99 at BJ's for a 16% difference).

BJ's has historically generated higher merchandise gross margins on its overall assortment so that it is able to afford the additional costs of stocking more products compared to Costco and Sam's. The higher prices offered by BJ's on items like these six Nature Made SKUs may be part of its strategy to generate higher gross margins on less competitive items.

The danger that higher than normal merchandise gross margins pose to a club operator is that the member may question whether the membership fee is worth the cost when some club items may not offer a significant value compared to the same item at non club operators. The potential negative sales affect is one danger with the potential loss of membership revenue an even greater risk. Given that BJ's is a private company, visibility into its merchandise gross margins and renewal rates is non-existent but observations like these do provide a look at how BJ's may determine the retail price of your item and the potential effect of that strategy on an item's sales.

Brand	Item	Package	Retail	Count	Value	
Corona	Beer - Light - Bottles	24 12 oz	\$22.96	54	\$1,240	
Huggies	Snug and Dry - Size 4	1 176 ct	\$38.98	40	\$1,559	
Kenneth Cole	Dress Shirt - Men	1 1 ct	\$19.98	240	\$4,795	
Lifetime	Picnic Table - 6-foot	1 1 ct	\$119.76	14	\$1,677	
Mezzacorona	Wine - Pinot Grigio - Italian	1 1.5 liter	\$11.98	288	\$3,450	
Sam's Club West	My First Trampoline - 88-inch	1 1 ct	\$139.98	8	\$1,120	
Sam's Club West	Posh Pattern Throw	1 1 ct	\$14.98	96	\$1,438	
Serta	Side Sleeper Pillow - 17-inch by 23-inch	1 1 ct	\$24.98	56	\$1,399	
Summer Escape	Family Pool - 120-inch by 72-inch	1 1 ct	\$29.98	52	\$1,559	
Wolfgang Puck	BBQ Tool Set	1 4 ct	\$19.98	320	\$6,394	
2014 Average End Cap					\$44.36	\$2,463
2013 Average End Cap					\$82.32	\$2,113
2003 Average End Cap					\$61.83	\$1,539

Brand	Item	Package	Retail	Count	Value	
Austin's	Liquid Pool Shock	4 128 oz	\$13.99	60	\$839	
Coleman	Marine Cooler - 150 quart	1 1 ct	\$69.99	6	\$420	
Hewlett Packard	Office Jet Pro - 8600	1 1 ct	\$169.99	15	\$2,550	
Lifetime	Comfort Folding Chair - Ergonomic	1 1 ct	\$19.99	28	\$560	
Listerine	Mouthrinse - Fresh Burst	2 2 liter	\$9.99	240	\$2,398	
Michelob	Beer - Ultra - Bottles	18 12 oz	\$14.99	126	\$1,889	
Miracle Gro	Garden Soil	1 40 qt	\$6.99	60	\$419	
Pampers	Swaddlers - Size 3	1 162 ct	\$44.99	36	\$1,620	
Royal	Cross Cut Shredder - 20 sheet	1 1 ct	\$159.99	12	\$1,920	
Scott's	Mini Broadcast Spreader - Turfbuilder	1 1 ct	\$32.99	30	\$990	
2014 Average End Cap					\$54.39	\$1,360
2013 Average End Cap					\$70.99	\$2,350
2003 Average End Cap					\$49.68	\$2,113

Brand	Item	Package	Retail	Count	Value	
Allegra	Allergy - 24 hour - 180 mg	2 45 ct	\$34.79	600	\$20,874	
Callaway	Golf Set - Xtreme	1 11 ct	\$549.99	16	\$8,800	
General Electric	LED Lantern - 300 lumens	1 1 ct	\$19.99	150	\$2,999	
Gillette	Shaving Cream - Comfort Advantage	4 8.4 oz	\$8.99	480	\$4,315	
Listerine	Mouthrinse - Ultra Clean	2 1.5 liter	\$10.99	200	\$2,198	
Miracle Gro	Shake and Feed	1 8 lb	\$16.99	125	\$2,124	
Novaforn	Comfort Curve Pillow - Memory Foam	1 1 ct	\$24.99	70	\$1,749	
Pennigton	Grass Seed - Smart Blend - Fertilizer	1 8.5 lb	\$19.99	120	\$2,399	
Speedo	Ladies Water Shoe	1 1 pair	\$22.99	165	\$3,793	
Thomasville	True Innovations - Leather Chair - Executive	1 1 ct	\$239.99	6	\$1,440	
2014 Average End Cap					\$94.97	\$5,069
2013 Average End Cap					\$52.99	\$5,223
2003 Average End Cap					\$58.39	\$4,881

HBA – Toothpaste, Floss, Toothbrushes – Within the toothpaste, floss and toothbrush category, BJ's stocked 60 SKUs, Sam's Club stocked 25 items and Costco stocked 22 products. BJ's overall assortment is 2.4-times larger than Costco's and 2.7-times larger than Sam's Club. However, when looking just at toothpaste products, the gap between what BJ's stocked and what Costco and Sam's Club stocked is even larger. BJ's stocked 21 toothpaste SKUs which was 4.2-times larger than the five toothpaste items stocked by both Costco and Sam's Club.

Costco		SKU Count			Pallet per Item			Average Retail		
Dept.	Category	2003	2013	2014	2003	2013	2014	2003	2013	2014
HBA	HBA	425	395	372	0.5	0.4	0.4	\$12	\$19	\$20
Office, Books	Books, Movies, CDs	505	300	364	n/a	n/a	n/a	n/a	n/a	n/a
	Computer, Supplies, Software	160	59	49	0.4	0.5	0.4	\$116	\$308	\$307
	Office Equipment, Furniture, Phone	44	33	29	0.8	0.8	0.8	\$148	\$68	\$78
Seasonal, Sports	Office Supplies, School, Cartridges	126	80	79	0.4	0.5	0.5	\$22	\$35	\$36
	Non Food Seasonal	79	110	132	0.9	1.0	1.0	\$32	\$133	\$156
	Sports, Camping, Luggage	33	24	42	1.0	0.9	0.9	\$138	\$109	\$107
Softlines	Toys, Video Games	194	10	8	0.4	0.9	0.4	\$25	\$39	\$156
	Apparel	130	131	145	0.5	0.5	0.5	\$17	\$14	\$14
	Baby Food and Supplies	21	26	25	0.8	0.8	0.9	\$19	\$30	\$33
	Bed, Bath, Mattresses	59	59	54	0.7	0.8	0.8	\$37	\$126	\$83
Tobacco, Alcohol	Jewelry, Fragrances, Collectibles	438	278	331	n/a	n/a	n/a	n/a	n/a	n/a
	Tobacco	90	90	90	n/a	n/a	n/a	n/a	n/a	n/a
	Beer	12	16	13	1.0	0.9	1.0	\$18	\$22	\$21
	Champagne, Liquor, Mixes	49	9	10	0.4	0.7	0.5	\$23	\$18	\$33
	Wine	124	131	123	0.4	0.5	0.5	\$17	\$20	\$21
Total		2,489	1,751	1,866	0.5	0.6	0.6	\$37	\$57	\$59

WCF Research - 2003, 2013, 2014. Annual sales are estimated by WCF. *Sales based on typical winter holiday assortment.

BJ's Wholesale		SKU Count			Pallet per Item			Average Retail		
Dept.	Category	2003	2013	2014	2003	2013	2014	2003	2013	2014
HBA	HBA	550	621	615	0.4	0.3	0.4	\$13	\$17	\$17
Office, Books	Books, Movies, CDs	1210	591	649	n/a	n/a	n/a	n/a	n/a	n/a
	Computer, Supplies, Software	263	68	71	0.3	0.4	0.4	\$75	\$226	\$206
	Office Equipment, Furniture, Phone	50	43	49	0.6	0.5	0.6	\$99	\$96	\$100
Seasonal, Sports	Office Supplies, School, Cartridges	163	107	105	0.3	0.3	0.3	\$14	\$29	\$29
	Non Food Seasonal	106	244	297	0.6	0.5	0.6	\$24	\$94	\$86
	Sports, Camping, Luggage	29	26	45	0.7	0.5	0.6	\$90	\$84	\$61
Softlines	Toys, Video Games	356	163	59	0.4	0.3	0.3	\$29	\$31	\$26
	Apparel	280	255	372	0.3	0.3	0.3	\$16	\$14	\$14
	Baby Food and Supplies	94	122	141	0.5	0.6	0.5	\$20	\$25	\$31
	Bed, Bath, Mattresses	76	114	104	0.4	0.4	0.4	\$33	\$51	\$54
Tobacco, Alcohol	Jewelry, Fragrances, Collectibles	679	501	471	n/a	n/a	n/a	n/a	n/a	n/a
	Tobacco	60	75	80	n/a	n/a	n/a	n/a	n/a	n/a
	Beer	24	42	38	0.9	0.6	0.8	\$14	\$17	\$18
	Champagne, Liquor, Mixes	13	162	171	0.3	0.4	0.4	\$25	\$29	\$34
	Wine	133	315	270	0.3	0.4	0.4	\$13	\$17	\$12
Total		4,086	3,449	3,537	0.4	0.4	0.4	\$29	\$38	\$38

WCF Research - 2003, 2013, 2014. Annual sales are estimated by WCF. *Sales based on typical winter holiday assortment.

Sam's Club		SKU Count			Pallet per Item			Average Retail		
Dept.	Category	2003	2013	2014	2003	2013	2014	2003	2013	2014
HBA	HBA	220	369	385	0.5	0.4	0.4	\$14	\$18	\$18
Office, Books	Books, Movies, CDs	566	907	591	n/a	n/a	n/a	n/a	n/a	n/a
	Computer, Supplies, Software	194	122	115	0.3	0.4	0.4	\$115	\$166	\$187
	Office Equipment, Furniture, Phone	66	63	61	0.6	0.7	0.6	\$139	\$114	\$123
Seasonal, Sports	Office Supplies, School, Cartridges	184	205	252	0.4	0.4	0.4	\$14	\$31	\$31
	Non Food Seasonal	65	150	93	0.8	0.9	0.7	\$42	\$134	\$116
	Sports, Camping, Luggage	48	21	14	0.7	0.9	0.8	\$147	\$52	\$69
Softlines	Toys, Video Games	129	186	51	0.3	0.3	0.3	\$32	\$38	\$51
	Apparel	160	199	180	0.4	0.3	0.4	\$17	\$13	\$15
	Baby Food and Supplies	17	64	64	0.9	0.5	0.5	\$26	\$27	\$29
	Bed, Bath, Mattresses	101	131	128	0.5	0.5	0.4	\$45	\$75	\$79
Tobacco, Alcohol	Jewelry, Fragrances, Collectibles	573	492	619	n/a	n/a	n/a	n/a	n/a	n/a
	Tobacco	70	105	105	n/a	n/a	n/a	n/a	n/a	n/a
	Beer	24	73	71	0.9	0.4	0.4	\$16	\$13	\$13
	Champagne, Liquor, Mixes	43	10	10	0.5	0.4	0.4	\$22	\$14	\$13
	Wine	108	125	120	0.5	0.4	0.4	\$20	\$13	\$14
Total		2,568	3,222	2,859	0.5	0.4	0.4	\$46	\$50	\$49

WCF Research - 2003, 2013, 2014. Annual sales are estimated by WCF. *Sales based on typical winter holiday assortment.

Some of the toothpaste SKUs stocked by BJ's that were not observed at Costco and Sam's Club included: a package of three 7.2-ounce tubes of Arm & Hammer advanced white toothpaste for \$9.99, a package of five 8.2-ounce tubes of Colgate baking soda and tartar control toothpaste for \$9.99, a package of six 3.5-ounce tubes of Mentadent toothpaste with a bonus battery brush for \$12.79, a package of three 4.7-ounce tubes of Tom's natural toothpaste for \$9.99 and a package of three 6-ounce tubes of Colgate sensitive toothpaste for \$9.99.

Costco's assortment included the following SKUs not stocked at BJ's or Sam's Club: a package of six 7-ounce tubes of Aqua Fresh extreme clean toothpaste for \$10.99 and a Water Pik ultra water flosser with a separate travel unit for \$79.99. Sam's assortment included the following SKUs not stocked at BJ's or Costco: a package of two Arm & Hammer truly radiant spin brushes with four refills for \$21.99, a package of eight Colgate total whitening toothbrushes for \$9.98 and package of three 1-liter bottles of Scope mouth rinse for \$8.48 or 8.4-cents per ounce. BJ's did stock Scope mouth rinse but the package size was different. BJ's stocked a package of three 25.4-ounces for \$9.99 or 13.1-cents per ounce.

HBA – Men's Razors and Refill Blades – Costco stocked four razor and refill blade SKUs, all of which were from Gillette. Those items included: a package of 16 fusion proglide manual refill blades for \$44.99, a package of 14 fusion proglide power refill blades with a 2.5-ounce bottle of shaving gel for \$45.99, a package of 24 mach 3 turbo refill blades for \$49.99 and a package of 26 custom plus three disposable razors for \$24.99.

Sam's stocked five Gillette items and two Schick SKUs. Sam's selection included: a package of 52 custom plus disposable razors from Gillette for \$27.98, a package of 14 mach 3 disposable razors from Gillette for \$28.98, a package of 15 hydro 5 refill blades and a hydro 5 razor from Schick for \$28.98 and a package of 20 Schick xtreme 3 triple blade disposable razors for \$19.98.

BJ's stocked nine Gillette SKUs, two Berkley & Jensen private label items and two Schick products. BJ's selection included: a package of 21 triple blade disposable Berkley & Jensen private label razors for \$12.99, a package of 64 double blade disposable Berkley & Jensen razors for \$12.99, a package of six fusion proglide power refill blades, a fusion proglide power razor and a battery from Gillette for \$22.99 and a package of 11 mach 3 disposable razors from Gillette for \$23.99.

HBA – Pain, Fever, Cold and Flu – BJ's and Costco's product assortment in this category is comparable with BJ's at 50 items and Costco at 44 products. Sam's Club stocked 32 SKUs. All three clubs stocked a large selection of private label items in this sub-category. BJ's stocked 13 Berkley & Jensen SKUs, Costco stocked 12 Kirkland Signature items and Sam's Club stocked nine Simply Right products.

All three clubs stocked a private label version of Tylenol extra strength tablets. BJ's stocked a 500-count bottle for \$4.49 or 0.90-cents per tablet. Costco stocked a package of two 500-count bottles for \$8.59 or 0.86-cents per tablet and Sam's Club stocked a package of three 500-count bottles for \$12.98 or 0.87-cents per tablet.

HBA – BJ's health and beauty aid assortment included two Purell SKUs: a package of nine 2-ounce bottles of hand sanitizer for \$8.79 (this item is an interesting crossover item since it can be purchased for resale, purchased by a business for employees and purchased by consumers for their home) and a package of six Purell hand sanitizer bottles (a 12-ounce bottle of aloe, a two-ounce bottle of aloe, three 12-ounce bottles of gel and a two-ounce bottle of gel) for \$11.99.

Computers, Supplies, Software – Although Sam's Club had the largest computer, supply and software assortment with 115 items compared to BJ's with 71 products and Costco with 49 SKUs, the reason is due to its software selection. Sam's Club stocked 56 software items compared to BJ's with nine software SKUs and Costco with six software products. Excluding software, BJ's stocked 62 computer and supply SKUs, Sam's Club stocked 59 computer and supply items and Costco stocked 43 computer and supply products.

Office Equipment, Furniture, Phone – Sam's Club stocked a larger assortment of office equipment, furniture and phone products (61 items) compared to BJ's (49 products) and Costco (29 SKUs). Sam's assortment included: an Amano guardian time clock for \$199.98, a Hirsch four drawer vertical file cabinet for \$149.88, a Mesa depository safe for \$278.88, a Newon multi color LED open sign for \$162.47, a Renovo fabric task chair for \$79.86, a Royal Sovereign digital coin sorter for \$89.86 and a Royal Sovereign digital bill sorter for \$199.98.

BJ's selection included: a Broyhill big and tall brown bonded leather executive chair for \$169.99, a Lifetime six-foot fold-in-half table for \$49.99, a Night Owl four camera and four channel security system for \$219.99, a Royal Consumer cash counter with a counterfeit detector feature for \$149.99 and a Sentry 2.0-cubic foot safe for \$269.99.

Costco's selection included: a Casio 24-department cash register for \$87.99, a Samsung ten camera and 16 channel security system for \$699.99, an 80-liter Sensible eco living motion sensor trash can for \$53.99 and a Swingline 20-sheet capacity three hole punch for \$13.99.

Office Supplies, School, Cartridges – The office supply category is one that Sam's Club uses to better meet its business member needs by providing a wider assortment of merchandise. Excluding printing cartridges (34 SKUs at Costco, 40 items at BJ's and 129 products at Sam's Club), the following are the total number of office and school supply SKUs at each club: 45 at Costco, 65 at BJ's and 123 at Sam's Club.

Each club stocked a case of ten 500-sheet reams of 92-bright 20-pound 8.5-inch by 11-inch copy paper. Costco's selection included an SKU from Georgia Pacific for \$29.99 and an unbranded SKU for \$27.88. Sam's Club stocked an SKU from Georgia Pacific for \$32.24 and an SKU under its private label Member's Mark brand for \$29.88. BJ's stocked an SKU from Georgia Pacific for \$29.99. BJ's also stocked a case of five 500-sheet reams of the same product from Hewlett Packard for \$18.49.

Other items within the paper sub-category at Sam's Club included: a 250-sheet package of 110-pound 8.5-inch by 11-inch image plus card stock from Georgia Pacific for \$7.36, a 500-sheet package of 24-pound 8.5-inch by 11-inch image plus colored paper (straight packages of either red, orange, yellow or blue) from Georgia Pacific for \$8.32 and case of three 500-sheet reams of image plus 92-bright 24-pound 8.5-inch by 11-inch copy paper from Georgia Pacific for \$10.46. Costco stocked a case of ten 500-sheet reams of 92-bright 20-pound 8.5-inch by 14-inch copy paper from Georgia Pacific for \$39.97 and an 800-sheet package of 96-bright 24-pound 8.5-inch by 11-inch copy paper from Xerox for \$6.99.



BJ's – Crayola Crayons

BJ's office and school supply assortment included: a 25-count box of Berkley & Jensen clear sheet protectors for \$9.99, a bucket of 200 Crayola crayons for \$11.99 (see picture on the left), a 400-sheet package of white drawing paper from Roselle for \$9.99 and a 50-sheet package of 22-inch by 28-inch white poster board from Roselle for \$9.99.

Sports, Camping, Luggage – Within the luggage sub-category, Sam's Club stocked four SKUs, Costco stocked seven items and BJ's stocked eight products. Sam's luggage assortment included: a 30-inch rolling duffel bag from High Sierra for \$69.98, a set of two pieces of spinner luggage from Kenneth Cole (a 20-inch piece and a 26-inch piece) for \$109.98 and a 28-inch Samsonite hardside spinner for \$109.98.

Costco's luggage assortment included: a set of three pieces of hardside spinner luggage from Ricardo Beverly Hills (a 20-inch piece, a 24-inch piece and a 28-inch piece) for \$159.99 and a set of two pieces of spinner luggage from Samsonite (a 27-inch piece and a 21-inch piece) for \$149.99.

BJ's luggage assortment included: a three piece spinner set from Atlantic Charcoal in red or blue (a 20-inch piece, a 24-inch piece and a 28-inch piece) for \$99.99, a three piece spinner road tested set from Samsonite (a 21-inch piece, a 27-inch piece and a toiletry bag) for \$159.99, a 28-inch upright spinner from Swiss Gear for \$89.99 and a set of two pieces of hardside spinner luggage from Travel Pro (a 20-inch piece and a 28-inch piece) for \$169.99.

In the camping sub-category, BJ's stocked three oasis tent SKUs from Coleman: a four person nine-foot by seven-foot tent for \$49.99, a six person 12-foot by 10-foot tent for \$89.99 and an eight person 17-foot by 10-foot tent for \$119.99. Costco stocked two tent products from Coleman: a ten person weathermaster 16-foot by 10-foot tent for \$169.99 and a four person evanston nine-foot by seven-foot tent for \$64.99.

In the sporting goods category, Costco stocked six Callaway golf products that included: a standing golf bag for \$99.99, a case of twenty-four hex control white golf balls for \$29.99, a seven-piece junior golf club set for \$199.99, a nine-piece ladies golf club set for \$499.99 and a set of three golf gloves for \$16.99.

Baby Food, Supplies – Costco stocked Huggies snug and dry diapers (six SKUs) and Kirkland Signature diapers (four SKUs). The interesting observation regarding the four Kirkland Signature diapers and four of the snug and dry diapers is that Costco and Huggies stock the same size diaper in the same quantity for the same price. Both stock a case of 210 size three diapers for \$38.99, a case of 180 size four diapers for \$38.99, a case of 162 size five diapers for \$38.99 and a case of 135 size six diapers for \$38.99.

Costco is focused on the quality of its private label items. If it believes a particular Kirkland Signature private label item is of a higher quality than the competing national brand, Costco is not concerned about offering that item at the same/similar retail price as the competition. In cases like this, Costco believes the value it is offering is on the product quality side rather than the pricing side. Given this diaper example, it can be assumed that through testing, Costco believes its Kirkland Signature diapers are a higher quality diaper than Huggies snug and dry.

Costco also stocked a case of 102 size three diapers and 144 baby wipes from The Honest Company for \$39.99, a case of 87 size four diapers and 144 baby wipes from The Honest Company for \$39.99 and a case of 75 size five diapers and 144 baby wipes from The Honest Company for \$39.99.

Dry Grocery n Candy *(June, 2014 - Massachusetts)*

End Cap – The following are end cap observations from each club.

Average Retail Price – There are two observations regarding the average end cap retail price. First, the chart on the right compares the average retail price for all dry grocery and candy items (the overall column) to the average end cap retail price for the ten randomly selected dry grocery and candy items (the end cap column). As can be seen in the percentage difference column (% change), in 2005, 2013 and 2014, BJ's average end cap retail price is less than its overall average retail price while the average end cap retail prices at Costco and Sam's are higher than their respective overall average retail prices.

Average Retail Price - Dry Grocery, Candy				
	Club	Overall	End Cap	% Change
2005	BJ's	\$7.18	\$6.87	-4%
	Costco	\$7.37	\$9.32	26%
	Sam's Club	\$7.42	\$8.13	10%
2013	BJ's	\$9.08	\$6.93	-24%
	Costco	\$10.54	\$11.97	14%
	Sam's Club	\$10.35	\$13.07	26%
2014	BJ's	\$9.31	\$7.93	-15%
	Costco	\$10.89	\$14.02	29%
	Sam's Club	\$10.59	\$12.79	21%

Second, there is a large difference between the average end cap retail prices for BJ's compared to Costco and Sam's Club. For example, in 2014, Costco's average end cap retail price is \$14.02 and Sam's average end cap retail price is \$12.79 while BJ's average end cap retail price is \$7.93 (77% less than Costco and 61% less than Sam's Club).

One of the strategies the clubs follow to improve their operations and grow their business is to increase an item's retail price. Specifically, higher retail prices lead to a higher average customer transaction which helps make front end operations more efficient and increases comparable sales. However, this retail price growth does not occur by raising gross margins. Rather, that retail price growth occurs by increasing an item's package size, stocking higher quality items or including additional items/features in a package (at less than the cost of those additions).

Dry grocery and candy items that have those qualities (larger package, higher quality and/or more features) as well as a higher than normal average retail price are more likely to be placed on end cap at Costco and Sam's Club. For the most part, BJ's focus on the consumer member, which differentiates itself from its two club competitors, causes it to stock more items that have retail prices below \$10. These lower priced items are more appealing to consumer members and comprise a larger percentage of BJ's end caps.

BJ's – The end cap assortment at BJ's included: a package of two 40-ounce bottles of Sweet Baby Ray's barbeque sauce for \$5.49, a 40-ounce tub of Snyder's mini pretzels for \$5.49, a package of three 44-ounce bottles of Heinz ketchup for \$6.99, an 82.5-ounce container of Country Time pink lemonade mix for \$6.99, an 18-ounce bag of Cape Cod waffle cut potato chips for \$5.29 and a case of fifteen 18.5-ounce bottles of Pure Leaf brewed iced tea for \$11.99.

Costco – The end cap assortment at Costco included: a box of two 25.5-ounce bags of Kashi go lean crunch cereal for \$8.29, a 48-ounce bag of Kirkland Signature private label walnuts for \$18.99, a 32-ounce bag of Nature's Intent organic chia seeds for \$13.99, a 48.7-ounce container of Nesquik chocolate flavored mix for \$6.99, a 40-ounce bag of Starbucks whole bean French roast coffee for \$19.99 and a 48-ounce bag of Sunsweet dried apricots for \$7.99.

Sam's Club – The end cap assortment at Sam's Club included: a case of 54 Lipton iced tea K-cups for \$24.98, a 33.5-ounce bottle of Daily Chef private label whole artichoke hearts for \$6.38, a case of forty-eight 1.69-ounce bags of M&M milk chocolate candy for \$25.40, an 80-ounce bottle of Sue Bee white clover honey for \$15.48, a case of thirty-six 1.5-ounce bags of Sunshine cheez-it crackers for \$8.40 and a 54-ounce container of organic coconut oil from Tresomega Nutrition for \$15.88.

Consumer Items – The targeted end user data for BJ's, Costco and Sam's Club clearly shows that in the dry grocery and candy departments, the clubs are stocking more items for consumer members.

The percentage of consumer items at BJ's increased from 39% in 2005 to 52% in 2013 to 54% in 2014. The percentage of consumer items at Costco increased from 24% in 2005 to 44% in 2013 to 46% in 2014 and the percentage of consumer items at Sam's Club increased from 17% in 2005 to 32% in 2013 and 31% in 2014. As can be seen from these percentages, Sam's differentiates itself from BJ's and Costco by stocking fewer consumer items with more items targeted to business members.

Retail Prices – As you would expect with inflation, the average retail price for a dry grocery and candy item increased for each club: BJ's went from \$7.18 in 2005 to an average of \$9.20 in 2013 and 2014, Costco went from \$7.37 in 2005 to an average of \$10.72 in 2013 and 2014 and Sam's Club went from \$7.42 in 2005 to an average of \$10.47 in 2013 and 2014.

Back in 2005, at least from an average price perspective, all three clubs were within 24-cents of each other indicating that there was a similar strategy in terms of package size, product quality and additional features. However, by 2013 and 2014, BJ's strategy appears to have changed. Compared to 2005, BJ's 2013 and 2014 average retail price increased 28% while Costco's increased 45% and Sam's increased 41%.

BJ's focus on the consumer member is evident as buyers are most likely not increasing the package sizes of products or adding bonus features/items as frequently as Costco and Sam's Club. Conversely, this data shows that Costco and Sam's Club are more willing to increase an item's package size or add bonus products and are amenable to the higher retail prices that ensue.

Chocolate – These products are chocolate based, they are typically not resold and tend to be consumer oriented. BJ's stocked six private label chocolate items that included: a 16.25-ounce container of Earth's Pride peppermint patties for \$5.99, a 16.5-ounce container of Earth's Pride milk chocolate covered caramel with sea salt for \$5.99, a 16.5-ounce container of Earth's Pride dark chocolate covered caramel with sea salt for \$5.99, a 48-ounce container of Lyndon Reede chocolate covered raisins for \$9.99, a 45-ounce container of Lyndon Reede dark chocolate covered almonds for \$11.99 and a 44-ounce container of Lyndon Reede milk chocolate covered cashews for \$12.99.

Other items at BJ's included: a 22-ounce bag of Hershey mini kit kats for \$6.29, a 50-ounce bag of M&M peanut butter candy for \$9.99, a 48-ounce bag of Hershey reese's pieces candy for \$8.99 and a 15.01-ounce bag of assorted Ghirardelli chocolate squares (60% cacao squares, 72% cacao squares and sea salt/almond squares) for \$8.99. Sam's Club stocked a 48-ounce container of Sun-Maid chocolate covered raisins for \$7.98.

Chocolate Vending – These chocolate-based products can be resold and are commonly purchased by convenience stores and vending trucks. Sam's Club stocked the most items in this category at 73 compared to BJ's with 40 products and Costco with 14 SKUs. BJ's stocked two Klondike candy SKUs: a case of 16 chocolate covered caramel candy bars for \$9.99 and a case of 16 chocolate covered mint chocolate chip bars for \$9.99. BJ's also stocked a case of thirty 0.8-ounce bags of Brookside dark chocolate covered fruit (15 dark chocolate acai and 15 dark chocolate pomegranate) for \$8.99. Sam's Club stocked a case of thirty-six 1.6-ounce packages of Cadbury caramello bars for \$19.88.

Non Chocolate – The non-chocolate assortment at Sam's Club included two SKUs from Just Born: a 72-ounce bag of mike and ike candy for \$7.47 and a 72-ounce bag of hot tamales for \$7.47. BJ's stocked a 54-ounce bag of Wrigley skittles candy for \$6.59 and a 54-ounce bag of Wrigley starburst candy for \$6.49.

Sam's Club End Cap Analysis						
June, 2014						
Brand	Item	Package	Retail	Count	Value	
Country Time	Half Lemonade, Half Ice Tea Mix	1 82.5 oz	\$7.48	324	\$2,424	
Daily Chef	Whole Artichoke Hearts	1 33.5 oz	\$6.38	648	\$4,134	
Fla-Vor-Ice	Ice Pops - Variety	1 200 ct	\$7.98	112	\$894	
Lipton	K-cups - Ice Tea	1 54 ct	\$24.98	180	\$4,496	
M&M	Milk Chocolate	48 1.69 oz	\$25.40	252	\$6,401	
Nutella	Hazelnut Spread	1 35.3 oz	\$6.98	864	\$6,031	
Quaker	Chewy Granola Bars - Assorted	48 0.84 oz	\$8.98	264	\$2,371	
Sue Bee	White Clover Honey	1 80 oz	\$15.48	270	\$4,180	
Sunshine	Cheez It Crackers	36 1.5 oz	\$8.40	98	\$823	
Tresomega Nutrition	Coconut Oil - Organic	1 54 oz	\$15.88	576	\$9,147	
2014 Average End Cap					\$12.79	\$4,090
2013 Average End Cap					\$13.07	\$3,056
2005 Average End Cap					\$8.13	\$1,547

BJ's Wholesale End Cap Analysis						
June, 2014						
Brand	Item	Package	Retail	Count	Value	
Bush's	Baked Beans	6 16.5 oz	\$6.49	288	\$1,869	
Cape Cod	Waffle Cut Chips	1 18 oz	\$5.29	160	\$846	
Coca Cola	Cola	32 12 oz	\$9.99	112	\$1,119	
Country Time	Pink Lemonade	1 82.5 oz	\$6.99	378	\$2,642	
Heinz	Ketchup	3 44 oz	\$6.99	300	\$2,097	
Peppergarden Farm	Goldfish	1 58 oz	\$8.59	180	\$1,546	
Pure Leaf	Brewed Tea	15 18.5 oz	\$11.99	126	\$1,511	
Snyders	Mini Pretzel Tub	1 40 oz	\$5.99	150	\$899	
Sweet Baby Ray's	BBQ Sauce	2 40 oz	\$5.49	270	\$1,482	
Topps	Ring Pops	1 40 ct	\$11.49	210	\$2,413	
2014 Average End Cap					\$7.93	\$1,642
2013 Average End Cap					\$6.93	\$1,994
2005 Average End Cap					\$6.87	\$1,483

Costco End Cap Analysis						
June, 2014						
Brand	Item	Package	Retail	Count	Value	
Classico	Tomato Basil Pasta Sauce	3 32 oz	\$6.99	360	\$2,516	
Kashi	Go Lean Crunch	2 25.5 oz	\$8.29	252	\$2,089	
Kirkland Signature	Walnuts	1 48 oz	\$18.99	324	\$6,153	
Kirkland Signature/Keurig	K-cups - Pacific Bold	1 100 ct	\$37.99	128	\$4,863	
Kraft	Velveeta Shells and Cheese	5 12 oz	\$9.99	220	\$2,198	
Lipton	Tea Bags	1 312 ct	\$8.99	288	\$2,589	
Nature's Intent	Chia Seeds - Organic	1 32 oz	\$13.99	560	\$7,834	
Nesquick	Chocolate Flavored Mix	1 48.7 oz	\$6.99	336	\$2,349	
Starbucks	Coffee - Whole Bean - French Roast	1 40 oz	\$19.99	384	\$7,776	
Sunsweet	Dried Apricots	1 48 oz	\$7.99	400	\$3,196	
2014 Average End Cap					\$14.02	\$4,146
2013 Average End Cap					\$11.97	\$3,453
2005 Average End Cap					\$9.32	\$3,288

BJ's stocked: a case of ten 5-ounce cans of Bumble Bee chunk light tuna in oil for \$8.99, a case of ten 5-ounce cans of Bumble Bee chunk light tuna in water for \$8.99, a case of eight 5-ounce cans of Bumble Bee chunk white tuna in water for \$9.99, a case of eight 5-ounce cans of Bumble Bee solid white albacore tuna in water for \$11.29, a case of six 5-ounce cans of Bumble Bee solid white prime fillet tuna in water for \$10.99, a case of ten 5-ounce cans of Starkist chunk light tuna in water for \$8.29, a case of eight 5-ounce cans of Starkist solid white albacore tuna in water for \$9.99 and a case of four 5-ounce cans of Wild Planet albacore tuna for \$11.99.

Cereal, Breakfast, Peanut Butter – Both BJ's and Costco stock organic cereal SKUs. BJ's assortment included: a box of two 24.25-ounce bags of Cascadia Farms oats and honey granola for \$7.99, a 32-pack case of Nature's Path instant oatmeal (eight apple, eight blueberry, eight flax and eight maple) for \$9.99 and a box of two 13.25-ounce bags of Nature's Path sunrise vanilla for \$7.49. Costco stocked a 28-ounce box of Kashi indigo morning for \$7.39, a box of two 17.6-ounce bags of co-branded Kirkland Signature and Nature's Path ancient grains granola for \$7.39, a 35.3-ounce box of Nature's Path pumpkin flax plus granola for \$7.89 and a 22.9-ounce box of Nature's Path qi'a superfood for \$14.69.

Nutella hazelnut spread, which is stocked by all three clubs, provides a good example of Costco's buying strategy to purchase, where appropriate, larger sized packages. BJ's stocked a 35.3-ounce jar for \$6.99 (19.8-cents per ounce) and Sam's Club stocked a 35.3-ounce jar for \$6.98 (19.8-cents per ounce). Costco stocked a package of two 35.3-ounce jars for \$11.99 (17.0-cents per ounce). By stocking a larger sized package, Costco is able to purchase the product at a lower cost of goods and offer its members a lower retail price per unit. In addition, the higher retail price increases the company's average transaction and gross margin dollars, making its front end operations more efficient. Studies have also shown that larger packages tend to increase product usage making repeat purchases more frequent and likely.

Skippy creamy peanut butter, which is stocked by all three clubs, provides an example of Sam's strategy to downsize some items to better appeal to consumer members at the expense of a higher retail price per unit. BJ's and Costco both stocked a package of two 48-ounce bottles for \$9.99 (10.4-cents per ounce). Sam's Club stocked a smaller package of two 40-ounce bottles for \$8.98 (11.2-cents per ounce). Sam's Club stocked this smaller package to reach that lower price point but its overall cost per ounce is higher than the larger packaged item stocked at BJ's and Costco.

BJ's stocked a number of peanut butter and jelly SKUs that were not stocked at Costco and Sam's Club. Those items included: a 16-ounce bottle of Barney Butter almond butter for \$7.99, a 26-ounce bottle of Earth's Pride organic creamy peanut butter for \$5.99, a case of three 15.25-ounce bottles of Polaner all fruit fiber preserve/jelly (a bottle of strawberry, a bottle of raspberry and a bottle of blackberry) for \$7.99, a package of two 40-ounce bottles of Skippy reduced fat peanut butter for \$9.99 and a package of two 26.5-ounce bottles of Skippy dark chocolate natural peanut butter for \$6.99.

Coffee, Tea, Hot Chocolate – The number of single serve products in this category (K-cups, tea bags and coffee packets) was analyzed in July, 2012 and in June, 2014. While the number of tea bag and coffee packet products has remained fairly consistent from 2012 to 2014, the number of K-cup items has increased.

In July, 2012, BJ's stocked seven K-cup SKUs (12% of the category), Costco stocked five K-cup items (10% of the category) and Sam's Club stocked five K-cup products (11% of the category). The number of K-cups has increased. In June, 2014, BJ's stocked 12 K-cup SKUs (21% of the category), Costco stocked six K-cup items (21% of the category) and Sam's Club stocked 13 K-cup products (29% of the category).

Sam's Club stocked a number of coffee, tea and hot chocolate items that were not observed at BJ's or Costco. Those products included: a 128-ounce bottle of Autocrat coffee syrup for \$8.84, a 1.53-quart bottle of Coffee Mate liquid nondairy creamer for \$11.28, a case of forty-two 1.2-ounce Folgers coffee packets for \$19.48, a 192-count case of International Delight French vanilla portion creamers for \$8.88, a 192-count case of Land O'Lakes half and half portion cups for \$7.58 and a case of eight 22-ounce bottles of N'Joy sugar for \$9.13.

Condiments, Sauces, Dressings – The pickle assortment at each club provides an example of their different buying strategies. All three clubs stocked whole dill pickles: BJ's stocked a 46-ounce bottle from Vlasic for \$3.49 (7.6-cents per ounce), Costco stocked a 128-ounce bottle from Vlasic for \$3.99 (3.1-cents per ounce) and Sam's Club stocked a 128-ounce bottle from Vlasic for \$4.19 (3.3-cents per ounce). All three clubs stocked pickle spears: BJ's stocked a package of two 32-ounce bottles from Vlasic for \$4.49 (7.0-cents per ounce), Costco stocked a 62-ounce bottle of sea salt spears from Vlasic for \$3.59 (5.8-cents per ounce) and Sam's Club stocked a 128-ounce bottle from Vlasic for \$4.84 (3.8-cents per ounce).

Sam's Club and Costco stocked petite dill pickles from Wiejske Wyroby: Sam's Club stocked a 46-ounce bottle for \$3.46 (7.5-cents per ounce) and Costco stocked a package of two 46-ounce bottles for \$6.89 (7.5-cents per ounce). Other pickle items included: a 128-ounce bottle of Vlasic hamburger dill chips for \$4.84 (Sam's Club), a package of two 24-ounce bottles of Vlasic dill stackers for \$3.99 (BJ's), a package of two 24-ounce bottles of bread and butter pickles for \$2.99 (BJ's) and a 64-ounce bottle of Famous Dave's spicy pickle chips for \$5.49 (Costco).

Drink Mixes – Sam’s drink mix assortment included: a 74-ounce can of 4C green tea with antioxidants for \$4.98, an 82.5-ounce can of Country Time half lemonade and half iced tea mix for \$6.98 and an 82.5-ounce can of Country Time pink lemonade mix for \$6.98. BJ’s stocked a package of three 2.43-ounce bottles of Lipton tea and honey liquid iced tea mix for \$8.49.

Diet, Health Bars and Shakes – BJ’s stocked a case of twelve 2.1-ounce Atkins chocolate and peanut butter protein bars for \$18.49, a case of sixteen 1.6-ounce Atkins caramel nut rolls for \$18.99, a case of twelve 11-ounce Atkins chocolate ready-to-drink protein shakes for \$16.99 and a case of 18 Detour peanut lovers protein bars (nine caramel peanut and nine peanut butter cream) for \$17.99.

Ethnic – BJ’s stocked the most Ethnic items among the three clubs. BJ’s assortment included: a 26.4-ounce stand and stuff taco dinner kit from Old El Paso (ten taco shells, a sauce packet and a seasoning packet) for \$6.29, a 37.5-ounce soft taco dinner kit from Old El Paso (ten flour tortillas, a sauce packet and a seasoning packet) for \$6.29 and a hard and soft taco dinner kit from Old El Paso (six taco shells, six flour tortillas, a sauce packet and a seasoning packet) for \$6.29. Other ethnic items at BJ’s included: a package of two 16-ounce Goya canned hams for \$3.99 and a package of two 24-ounce boxes of Goya yellow rice for \$8.99.

Fruit, Dried Fruit, Vegetable, Pudding – A typical BJ’s location, which is 20,000 to 35,000 square feet smaller than a typical Costco or Sam’s Club, stocks approximately 6,900 SKUs compared to Costco with approximately 3,900 items and Sam’s Club with approximately 5,400 products.

To be able to fit the extra 1,500 to 3,000 products in a smaller footprint, BJ’ utilizes pallets that are approximately one-third to two-thirds the height of a traditional 52-inch high pallet. Those shorter pallets enable BJ’s to merchandise two to three SKUs in the same space a single SKU is typically stocked (see picture on the right of six vegetable SKUs from BJ’s). As can be seen in the picture, BJ’s still merchandised these items on pallets.



BJ’s – Vegetable Half Pallets

In a 2013 warehouse club industry survey, a large food vendor commented on a distribution strategy that helped it meet BJ’s need for smaller pallets while reducing costs. He said, “We ship BJ’s DCs 12-layer tall pallets which BJ’s breaks down into four 3-layer pallets and then ships to their clubs. They are able to do this more efficiently than our company and we share the cost savings, which is reinvested in their business.”

Costco stocked a few items that were not observed at BJ’s or Sam’s Club: a 20-ounce bag of Calbee snapea crisps for \$6.99, a case of twelve 3.5-ounce squeezable pouches of Mama Chia strawberry, banana and chia for \$11.99 and a case of twenty 3.2-ounce pouches of Materne go go squeeze squeezable applesauce for \$8.99.

Juice, Gatorade, Shelf Stable Milk – Sam’s Club stocked a package of two 96-ounce bottles of Member’s Mark organic lemonade for \$5.98. BJ’s stocked a multiple pallet SKU from Ocean Spray that included: a 64-ounce bottle of apple cranberry juice for \$1.59, a 64-ounce bottle of mango pineapple juice for \$1.59 and a 64-ounce bottle of berry medley for \$1.59. BJ’s also stocked a package of two 46-ounce bottles of Welch’s farmer’s pick blackberry juice for \$4.99 and a package of two 46-ounce bottles of Welch’s farmer’s pick mango juice for \$4.99.

Oils – Costco stocked a one-liter bottle of Chosen Foods avocado oil for \$10.49. BJ’s stocked a two-liter bottle of Pompeian Grapeseed oil for \$11.99, a 25.5-ounce bottle of Colavita champagne vinegar for \$3.99 and a 25.5-ounce bottle of Colavita chianti red wine vinegar for \$3.99.

Costco stocked six olive oil SKUs, all of which had retail prices at or above \$11.99. Costco stocked a one-liter bottle of Kirkland Signature Tuscan x-virgin for \$11.99, a two-liter bottle of Kirkland Signature organic x-virgin for \$13.89, a package of two 3-liter bottles of Kirkland Signature pure for \$23.79, a three-liter bottle of Filippo Berio x-light for \$16.79, a three-liter bottle of Filippo Berio x-virgin for \$18.59 and a five-liter bottle of Filippo Berio pure for \$20.99.

BJ’s stocked ten olive oil SKUs, four of which had retail price points below \$11.99. Those items included: a one-liter bottle of Carbonell x-virgin for \$7.99, a 25.5-ounce bottle of Colavita roasted garlic for \$6.99, a 34-ounce bottle of Colavita x-virgin for \$7.99 and a one-liter bottle of Rozzano x-virgin organic for \$9.99. Sam’s Club stocked seven olive oil SKUs, one of which had a retail price point below \$11.99: a one-liter bottle of Daily Chef organic x-virgin for \$6.88.

Snacks, Cookies Vending – Costco’s snack and cookie vending assortment included: a case of twenty-four 1-ounce boxes of Major League Baseball Cracker Jacks for \$5.99, a case of forty-eight 0.67-ounce containers of Pringles original potato chips for \$8.99 and a case of twenty-four 1.25-ounce Utz pretzels (eight sourdough, eight thin and eight wheels) for \$5.99.

Snacks, Cookies – Costco's snack and cookie SKUs included: a box of two 10-ounce bags of Blue Diamond artisan chia crackers for \$8.69, a 32-ounce bag of Kirkland Signature trek mix (chocolate chips, cranberries, cashews, chia clusters, almonds and pumpkin seeds) for \$7.99, a 16-ounce bag of co-branded Kirkland Signature and Sahale Snack cashew almond nut and fruit crisp mix for \$7.99, a 58-ounce box of whole grain Pepperidge Farm goldfish for \$8.59, a 28-ounce bag of RW Garcia liberty-colored (red, white and blue) organic tortilla chips for \$5.29 and a 34-ounce container of Utz gourmet pretzels (pumpnickel, sesame, butter and honey wheat) for \$5.99.

BJ's stocked a two SKU pallet from Nabisco that included: a 9.5-ounce bag of mint chips ahoy for \$2.49 and a 9.5-ounce bag of dulce de leche chips ahoy for \$2.49. BJ's also stocked a 23-ounce bag of Nabisco ritz sour cream and onion chips for \$5.39.

Soda, Water, Tea, Energy Drinks – To provide wholesale members with a variety, Sam's Club stocked four 16.9-ounce (one-half liter) bottles of water: a case of thirty-two 16.9-ounce bottles of Aquafina for \$3.98, a case of forty 16.9-ounce bottles of Member's Mark for \$3.98, a case of thirty-five 16.9-ounce bottles of Nestle pure life for \$3.98 and a case of thirty-five 16.9-ounce bottles of Poland Spring for \$4.38.

Soup – BJ's soup selection included: a case of six 18.8-ounce cans of Campbell's chunky New England clam chowder for \$8.49, a case of six 18.6-ounce cans of Campbell's chunky chicken noodle soup for \$9.99, a case of six 18.6-ounce cans of Campbell's chunky beef (four cans of sirloin burger and four cans of steak potato) for \$9.49, a case of six 18.5-ounce cans of Progresso clam chowder for \$10.99, a case of six 19-ounce cans of Progresso chicken noodle soup for \$9.99 and a case of six 14.5-ounce cans of Wolfgang Puck organic Tuscan style chicken for \$10.99.

Spices – In the spice category, both BJ's and Costco primarily stocked a line of private label spices as well as McCormick spices. Sam's Club primarily stocked Tone's and Weber spices but did not stock a private label brand. Costco's selection included: a 10.7-ounce bottle of Kirkland Signature ground Saigon cinnamon for \$2.59, an 18-ounce bottle of Kirkland Signature California granulated garlic for \$4.99, a 2.85-ounce bottle of McCormick organic basil for \$3.29 and a 2.5-ounce bottle of McCormick parsley flakes for \$3.99.

BJ's stocked a seven-ounce bottle of Earth's Pride organic Saigon cinnamon for \$3.99, a 12-ounce bottle of Earth's Pride natural California granulated garlic for \$4.99, a 1.4-ounce bottle of Earth's Pride organic parsley flakes for \$3.99, an 18-ounce bottle of McCormick ground cinnamon for \$4.99, a 26-ounce bottle of McCormick granulated garlic for \$6.29, a 2.7-ounce bottle of McCormick parsley flakes for \$4.79 and an 18-ounce bottle of McCormick ground black pepper for \$6.99.

Sam's Club stocked: a 2.7-ounce bottle of Tone's parsley flakes for \$3.88, a 26-ounce bottle of Tone's granulated garlic for \$6.38, a 7.25-pound bottle of Tone's granulated garlic for \$24.98, an 18-ounce bottle of Tone's ground black pepper for \$7.68, a five-pound bottle of Tone's black ground pepper for \$24.98, a 7.75-ounce bottle of Weber garlic and herb seasoning for \$3.98, an eight-ounce bottle of Weber gourmet burger seasoning for \$3.98 and a ten-ounce bottle of Weber BBQ rub for \$3.98.

Tomatoes, Olives – With nine SKUs, Costco stocked the most tomato products compared to BJ's with five items and Sam's Club with five products. Costco stocked: a 102-ounce can of Contadina diced tomatoes for \$2.89, a 106-ounce can of Contadina pureed tomatoes for \$2.99, a 111-ounce can of Contadina tomato paste for \$3.99, a 106-ounce can of Pastene peeled and crushed tomatoes for \$4.19, a 106-ounce can of Nina peeled tomatoes for \$3.99, a case of twelve 6-ounce cans of Kirkland Signature organic tomato paste for \$5.99 and a case of eight 14.5-ounce cans of Kirkland Signature organic diced tomatoes for \$5.99.

Sam's Club stocked a 102-ounce can of Angela Maria crushed tomatoes for \$3.22, a case of twelve 6-ounce cans of Hunt's tomato paste for \$5.18, a case of eight 14.5-ounce cans of Hunt's diced tomatoes for \$5.37 and a 106-ounce can of Pastene crushed tomatoes for \$4.28. Where Costco stocked five #10 can SKUs and Sam's Club stocked two #10 items, BJ's did not stock any of these wholesale products. BJ's stocked a case of six 14.5-ounce cans of Del Monte stewed tomatoes for \$4.99, a case of eight 14.5-ounce cans of Hunt's diced tomatoes for \$5.99, a case of four 28-ounce cans of Muir Glen whole peeled organic tomatoes for \$6.99 and a case of six 28-ounce cans of Tuttorosso crushed tomatoes for \$5.99.

Automotive, Home, Majors and Sundries *(September, 2014 – Massachusetts, Rhode Island)*

End Cap – The following are end cap observations from each club.

BJ's – The end cap assortment at BJ's included: an 85-count container of Berkley & Jensen private label automatic dishwasher pacs for \$9.99, a 94-inch by 118-inch Hampton Collection area rug for \$99.99, a 1,000-watt 1.0-cubic foot Oster microwave for \$69.99, a case of six 1-gallon bottles of Peak windshield washer fluid that works to temperatures of 20-degrees below zero for \$9.99 and a Samsung 75-inch 1080p LED high definition television for \$3,289.99.

Costco – The end cap assortment in these departments at Costco has historically generated the highest average retail price and the largest average inventory value among the three clubs. Some of the current end cap items included: an O’Cedar spin mop and bucket system with two refill mops for \$28.99, a package of three 17-ounce bags of Pedigree dentastix oral care treats for dogs (a bag of original, a bag of beef and a bag of fresh) for \$16.39, a set of three Sabatier cutting boards (an 8-inch by 10-inch board and a Samsung curved 55-inch television for \$2,179.99.

Sam’s Club – The end cap assortment at Sam’s Club included: a Belle triple pot slow cooker with lids and spoon rests for \$39.98, a 14-piece stainless steel cookware set from Cuisinart for \$149.98, a set of four Daily Chef private label fireside bowls (in red, blue or ivory) for \$16.78, a package of two 250-count boxes of Member’s Mark private label fabric softener sheets for \$8.98, a Yamaha 75-key piano style keyboard for \$199.98 and a Vizio 65-inch 1080p high definition LED television for \$1,448.00.

SKU Counts – Excluding the automotive category (the number of tire SKUs unduly influences the following analysis), since 2004 Costco followed a different strategy regarding its product assortment in home goods, majors and sundries compared to BJ’s and Sam’s Club. Costco’s assortment in 2014 at 541 SKUs is 5% BELOW its assortment of 570 items in 2004. However, BJ’s assortment in 2014 at 823 SKUs is 7% ABOVE its assortment of 772 products in 2004 and Sam’s assortment in 2014 at 680 products is 14% ABOVE its assortment of 594 SKUs in 2004.

Costco’s focus on item management was most evident in: hardware and tools (76 items in 2004 to 54 SKUs in 2014), home furnishings, lighting and plants (52 products in 2004 to 28 items in 2014), kitchen supplies (58 SKUs in 2004 to 44 products in 2014) and appliances (47 items in 2004 to 33 SKUs in 2014).

BJ’s focus on providing a wider selection of items was most evident in: home furnishings (20 items in 2004 to 34 SKUs in 2014), housewares, vacuums and fresheners (36 products in 2004 to 51 items in 2014), kitchen supplies (61 SKUs in 2004 to 82 products in 2014), paper products (93 items in 2004 to 108 SKUs in 2014), pet (96 products in 2004 to 107 items in 2014) and plastic items, trash bags and tin foil (92 SKUs in 2004 to 104 products in 2014).

Sam’s assortment increased even more dramatically than BJ’s and was most apparent in: kitchen supplies where it provides a large selection of foodservice SKUs (67 items in 2004 to 111 SKUs in 2014), electronics (72 products in 2004 to 102 items in 2014), detergents and cleaning supplies (85 SKUs in 2004 to 116 products in 2014), paper products (48 items in 2004 to 69 SKUs in 2014) and plastic items, trash bags and tin foil (59 products in 2004 to 72 items in 2014).

Wholesale Selection – Sam’s focus on business members is greater than BJ’s and Costco. In 2014, Sam’s stocked 343 wholesale items (39% of its total assortment) compared to 275 business products at BJ’s (29% of its total) and 218 wholesale SKUs at Costco (33% of its total).

Compared to 2004, all three clubs decreased the number of wholesale items it stocked in the automotive, home goods, majors and sundry departments. However, Sam’s decrease is much smaller than BJ’s and Costco. Sam’s decreased its business member assortment by 8% from 373 items in 2004 to 343 products in 2014. However, BJ’s decreased its wholesale selection by 11% from 310 items in 2004 to 275 SKUs in 2014 and Costco decreased its business member assortment by 20% from 275 products in 2004 to 218 items in 2014.

Shelf Hangars – In some categories, BJ’s merchandises consumer items on the steel. These items are called shelf hangars and they offer BJ’s a different method of promoting unique treasure hunt/impulse type products. Shelf hangar products enable BJ’s to add items to its assortment without a tremendous amount of labor. The program began around 2008. BJ’s buyers are constantly rotating shelf hangar products. Shelf hangar SKUs are not reserved for low retail price SKUs as items over \$20 have been observed in the past.

In the kitchen category, BJ’s stocked three California Innovation reusable and insulated sandwich bags for \$9.99, a five-inch Farberware santoku knife and blade cover for \$10.99 and a pair of pepper and salt grinders from Hoffritz for \$14.99. In the pet category, BJ’s stocked a 11.2-ounce bag of Purina party mix beachside crunch cat treats for \$4.99.

Sam's Club End Cap Analysis						
MA - September, 2014						
Brand	Item	Package	Retail	Count	Value	
Airwick	Scented Oils - Warmer, Six Refills	1 7 ct	\$9.98	480	\$4,790	
Bella	Triple Slow Cooker - Lid and Spoon Rests	1 1 ct	\$39.98	28	\$1,119	
Cuisinart	Cookware Set - Stainless Steel	1 14 ct	\$149.98	16	\$2,400	
Daily Chef	Fireside Bowls (red, blue or ivory)	1 4 ct	\$16.78	128	\$2,148	
Glade	Wax Melt Kit - Warmer, 24 Wax Melts	1 25 ct	\$18.98	126	\$2,391	
Member's Mark	Fabric Softener Sheets	2 250 ct	\$8.98	256	\$2,299	
Nutribullet	Food Extractor - 400-watt Motor	1 1 ct	\$79.98	80	\$6,398	
Traditional Living	Handscraped Oak Laminate Flooring - Seven Planks	1 11.48 sf	\$20.52	112	\$2,298	
Vizio	Television - 65-inch LED, 1080p, M-Series	1 1 ct	\$1,448.00	8	\$11,584	
Yamaha	Piano Style Keyboard - 76 Key	1 1 ct	\$199.98	14	\$2,800	
2014 Average End Cap					\$199.32	\$3,823
2013 Average End Cap					\$127.77	\$2,411
2004 Average End Cap					\$148.34	\$1,480

BJ's Wholesale End Cap Analysis						
MA - September, 2014						
Brand	Item	Package	Retail	Count	Value	
Berkley & Jensen	Automatic Dishwasher Pacs	1 85 ct	\$9.99	312	\$3,117	
Berkley & Jensen	Tufted Plush Pet Bed - 26-inch by 41-inch	1 1 ct	\$24.99	20	\$500	
Hampton Collection	Area Rug - 94-inch by 118-inch	1 1 ct	\$99.99	25	\$2,500	
Kleenex	Facial Tissue - 2 ply	10 160 ct	\$12.99	70	\$909	
Nerf	Dog Toys	1 3 ct	\$14.99	120	\$1,799	
Oster	Microwave - 1,000-watt - 1.0-cubic foot	1 1 ct	\$69.99	16	\$1,120	
Peak	Windshield Wash Fluid - 20-degrees F	6 1 gal	\$9.99	35	\$350	
Rubbermaid	Food Storage Set - Easy Find Lids	1 60 ct	\$27.99	36	\$1,008	
Samsung	Television - 75-inch - 1080p - LED	1 1 ct	\$3,289.99	4	\$13,160	
Smart Works	Drying Rack - Indoor/Outdoor	1 1 ct	\$39.99	20	\$800	
2014 Average End Cap					\$360.09	\$2,526
2013 Average End Cap					\$76.34	\$1,910
2004 Average End Cap					\$655.58	\$2,221

Costco Wholesale End Cap Analysis						
MA - September, 2014						
Brand	Item	Package	Retail	Count	Value	
Cannon	EOS 70D Camera - HDMI Cable, Battery, Bag, Lenses	1 1 ct	\$1,649.99	15	\$24,750	
Chinet	Dinner Plates - 10 3/8-inch	1 165 ct	\$16.99	96	\$1,631	
Electrolux	Ergorapido - Stick, Hand Vacuum - Brushroll Cleaner	1 1 ct	\$99.89	48	\$4,795	
O’Cedar	Spin Mop and Bucket - Two Refills	1 1 ct	\$28.99	48	\$1,392	
Pedigree	Dentastix - Original, Beef, Fresh	3 17 ct	\$16.39	175	\$2,868	
Sabatier	Cutting Boards - Nonslip - 8x10, 11x14, 12x18	1 3 ct	\$16.99	200	\$3,398	
Samsung	Television - 55-inch - Curved	1 1 ct	\$2,179.99	12	\$26,160	
Vizio	Soundbar with Wireless Subwoofer	1 1 ct	\$149.99	32	\$4,800	
Windex	Advanced Glass Surface Cleaner - 172-oz, 32-oz	1 204 oz	\$11.79	120	\$1,415	
Woodworth	Easton Leather Recliner	1 1 ct	\$399.99	2	\$800	
2014 Average End Cap					\$457.10	\$7,201
2013 Average End Cap					\$193.30	\$4,627
2004 Average End Cap					\$203.98	\$3,256

Kitchen Supplies – Sam's kitchen supply assortment included a larger number of consumer items (40 in 2014 compared to 24 in 2013). Some of those products included: a red or gray large capacity KitchenAid dish rack for \$29.98, a 12-piece Oxo soft works dry food pop-up lid storage set for \$79.98, an 18-inch acacia wood lazy susan with five serving dishes for \$29.76, a 13-inch pasta bowl set with four nine-inch bowls for \$29.86 and a package of six stackable refrigerator bins for \$19.86.

Sam's foodservice kitchen supply selection included: a package of eight 20-inch by 20-inch white Baker's & Chefs private label 55% cotton napkins for \$7.98, a package of three white Bakers & Chefs 35% cotton pocket aprons for \$11.54, a package of two white Bakers & Chefs 54-inch by 120-inch tablecloths for \$18.98, a package of twelve Daily Chef 16-inch by 28-inch kitchen towels (six solid colors and six stripes) for \$14.98, a package of two 7-gallon Rubbermaid bus boxes for \$12.86 and a package of two 6-quart Rubbermaid square food containers with lids for \$16.78.

Costco Wholesale		SKU			Pallet per Item			Average Retail			SKU					
Dept.	Category	2004	2013	2014	2004	2013	2014	2004	2013	2014	Wholesale			Retail		
Auto	Automotive	151	126	115	0.4	0.4	0.6	\$67	\$86	\$82	54	24	24	97	102	91
Home Goods	Furniture	11	38	16	1.0	1.0	1.0	\$316	\$447	\$371	n/a	n/a	n/a	11	38	16
	Hardware, Tools	76	35	54	0.7	0.9	0.9	\$86	\$114	\$100	45	14	25	31	21	29
	Home Furnishings, Lights, Plants	52	35	28	0.7	0.8	0.9	\$44	\$63	\$53	5	n/a	3	47	35	25
Majors	Housewares, Vacuums, Fresheners	21	40	28	0.9	0.9	1.0	\$83	\$111	\$84	1	7	3	20	33	25
	Kitchen Supplies	58	47	44	0.8	0.9	0.8	\$42	\$45	\$36	8	6	4	10	41	40
	Appliances	47	31	33	0.9	0.9	0.9	\$149	\$92	\$105	1	5	10	46	26	23
Sundries	Electronics - TV, DVD, Stereo, Mounts	101	73	109	0.7	0.9	0.8	\$390	\$651	\$651	11	n/a	n/a	90	73	109
	Film, Batteries, Camera, Tapes, Memory	35	39	27	0.4	0.5	0.8	\$159	\$295	\$322	11	10	8	24	29	19
	Detergents, Cleaning Supplies	55	67	69	0.8	1.0	1.0	\$10	\$12	\$13	41	45	45	14	22	24
Total	Paper Products	47	42	48	0.9	0.9	0.9	\$11	\$13	\$14	39	38	43	8	4	5
	Pet	24	41	41	1.0	0.9	0.8	\$14	\$25	\$26	18	17	16	6	24	25
	Plastic Items, Trash Bags, Tin Foil	43	46	44	0.8	0.8	0.8	\$9	\$13	\$13	41	39	37	2	7	7
Total		721	660	656	0.7	0.8	0.8	\$111	\$160	\$172	275	205	218	446	455	438

BJ's Wholesale		SKU			Pallet per Item			Average Retail			SKU					
Dept.	Category	2004	2013	2014	2004	2013	2014	2004	2013	2014	Wholesale			Retail		
Auto	Automotive	223	137	135	0.5	0.5	0.5	\$73	\$97	\$93	27	40	45	196	97	90
Home Goods	Furniture	26	14	11	0.6	0.6	1.0	\$247	\$151	\$182	n/a	n/a	n/a	26	14	11
	Hardware, Tools	28	23	23	0.5	0.6	0.7	\$65	\$90	\$105	3	9	6	25	14	17
	Home Furnishings, Lights, Plants	20	44	34	0.6	0.6	0.5	\$59	\$49	\$33	7	7	5	13	37	29
Majors	Housewares, Vacuums, Fresheners	36	48	57	0.6	0.5	0.5	\$85	\$63	\$50	n/a	1	n/a	36	47	57
	Kitchen Supplies	61	71	82	0.3	0.5	0.5	\$30	\$29	\$25	13	1	8	48	70	74
	Appliances	30	33	39	0.8	0.8	0.7	\$78	\$124	\$101	n/a	2	4	30	31	35
Sundries	Electronics - TV, DVD, Stereo, Mounts	107	131	107	0.6	0.5	0.6	\$391	\$463	\$434	4	n/a	n/a	103	131	107
	Film, Batteries, Camera, Tapes, Memory	63	36	46	0.3	0.3	0.3	\$113	\$296	\$199	12	n/a	4	51	36	42
	Detergents, Cleaning Supplies	120	111	105	0.7	0.7	0.7	\$9	\$12	\$12	68	42	51	52	69	54
Total	Paper Products	93	103	108	0.6	0.6	0.6	\$8	\$11	\$12	59	49	51	34	54	57
	Pet	96	108	107	0.7	0.6	0.6	\$14	\$16	\$18	46	37	36	50	71	71
	Plastic Items, Trash Bags, Tin Foil	92	101	104	0.7	0.6	0.7	\$8	\$11	\$12	71	61	65	21	40	39
Total		995	960	958	0.6	0.6	0.6	\$86	\$110	\$92	310	249	275	685	711	683

Sam's Club		SKU			Pallet per Item			Average Retail			SKU					
Dept.	Category	2004	2013	2014	2004	2013	2014	2004	2013	2014	Wholesale			Retail		
Auto	Automotive	227	202	191	0.4	0.4	0.5	\$67	\$81	\$84	65	37	23	162	165	168
Home Goods	Furniture	32	18	5	0.9	0.9	1.0	\$470	\$379	\$77	n/a	n/a	n/a	32	18	5
	Hardware, Tools	55	33	44	0.6	0.7	0.8	\$107	\$256	\$125	35	13	19	20	20	25
	Home Furnishings, Lights, Plants	26	20	19	0.7	0.5	0.6	\$53	\$27	\$17	7	2	n/a	19	18	19
Majors	Housewares, Vacuums, Fresheners	18	20	23	0.7	0.9	0.9	\$95	\$120	\$115	5	2	3	13	18	20
	Kitchen Supplies	67	79	111	0.6	0.5	0.5	\$25	\$21	\$21	38	55	71	29	24	40
	Appliances	42	32	30	0.8	0.8	0.9	\$214	\$124	\$131	4	8	12	38	24	18
Sundries	Electronics - TV, DVD, Stereo, Mounts	72	116	102	0.7	0.7	0.6	\$404	\$373	\$405	6	n/a	n/a	66	116	102
	Film, Batteries, Camera, Tapes, Memory	60	49	51	0.3	0.4	0.5	\$168	\$192	\$210	29	6	9	31	43	42
	Detergents, Cleaning Supplies	85	116	116	0.8	0.7	0.8	\$8	\$11	\$12	58	80	69	27	36	47
Total	Paper Products	48	63	69	0.9	0.8	0.7	\$11	\$14	\$15	47	58	60	1	5	9
	Pet	30	56	38	1.0	0.8	0.7	\$16	\$21	\$23	23	28	15	7	28	23
	Plastic Items, Trash Bags, Tin Foil	59	77	72	0.7	0.6	0.6	\$9	\$12	\$13	56	70	62	3	7	10
Total		821	881	871	0.6	0.6	0.6	\$111	\$110	\$100	373	359	343	448	522	528

Costco's kitchen supply selection included: a 13-piece Calphalon hard anodized cookware set for \$199.99, a Kirkland Signature 13-piece private label stainless steel cookware set for \$169.99, a Gourmet Selection 14-inch by 21-inch sliding kitchen cabinet tray with an installation template and hardware for \$25.99, a KitchenAid cookie press for \$19.99, a set of two Lodge cast iron skillet (10.25-inch and 12-inch) with two silicone handle holders for \$36.99 and an eight piece Pyrex mixing bowl set (four bowls and four lids) for \$13.99.

BJ's kitchen supply assortment included: a four-cup capacity gravy separator from Farberware for \$9.99, a commercial ice cream scoop from Farberware for \$6.99, a Farberware turkey gadget set that included two lifters, an injector and laces for \$14.99, a KitchenAid nut cracker for \$14.99 and a 16-piece Tabletops Avenue white porcelain dinnerware set that serves four people for \$24.99.

Automotive – Costco stocked a number of unique automotive SKUs: a package of three Auto Sunshade interior protection shades that cover the front window and two side windows for \$7.99, a Dellran battery tender four stage automotive charger and maintainer for \$39.99, a Bridgestone emergency kit that included lights, first aid supplies, tools, personal accessories, a poncho and batteries for \$29.99, a Powerstation jump starter and portable power source for \$74.99, a Winplus cool gel seat cushion for \$14.97 and a Winplus wetsuit seat cover for \$19.99.

Housewares, Vacuums, Fresheners – One of the considerations buyers look for in a club item is whether the item is purchased by other clubs or retailers. Stocking and promoting an item that is exclusive and can only be purchased at a particular club operator is important for the clubs. Sam's Club stocked a package of four 6.17-ounce cans of Air Wick freshmatic automatic spray for \$13.78. The item is promoted/package as exclusive to Sam's Club.

BJ's stocked a Bissell cleanview plus vacuum with onepass technology and an automatic cord rewind for \$99.99. The item is promoted as exclusive to BJ's and included an extension wand, a turbo brush tool and an extra febreze scented filter.

Film, Batteries, Cameras, Tapes, Memory – Sam's Duracell battery assortment included a number of items that can be resold. Those products included: six 2-count packs of 9V batteries for \$24.88, nine 4-count packs of AA batteries for \$16.48, nine 4-count packs of AAA batteries for \$17.88, six 2-count packs of C batteries for \$13.48 and a mixed SKU of eight 4-count packs of AA batteries and three 4-count packs of AAA batteries for \$20.98.

Paper Products – All three clubs stocked Dixie 3-ounce, 5-ounce and 9-ounce cold cup SKUs. Costco and Sam's Club stocked larger packages with a lower per cup prices compared to BJ's which stocked smaller packages with a higher per cup price but a lower overall retail price for two of the items.

For the 3-ounce SKU: Sam's Club stocked a 600-count package for \$6.68 or 1.1-cents per cup, Costco stocked a 600-count package for \$6.99 or 1.2-cents per cup and BJ's stocked a 498-count package for \$6.99 or 1.4-cents per cup. For the 5-ounce SKU: Sam's Club stocked a 450-count package for \$9.18 or 2.0-cents per cup, Costco stocked a 450-count package for \$9.59 or 2.1-cents per cup and BJ's stocked a 288-count package for \$6.99 or 2.4-cents per cup. For the 9-ounce SKU: Sam's Club stocked a 360-count package for \$9.76 or 2.7-cents per cup, Costco stocked a 360-count package for \$9.99 or 2.8-cents per cup and BJ's stocked a 204-count package for \$6.99 or 3.4-cents per cup.

Sam's stocked a Kleenex 28-count tissues-on-the-go case that included ten slim packs, twelve car wedge packs and sixteen go packs for \$9.98 and two Sam's exclusive items from Georgia Pacific: a case of forty-five 473-sheet rolls of resalable two ply POM bath tissue for \$19.98 and a case thirty 110-sheet rolls of resalable two ply POM paper towels for \$26.52 (see picture on the right).



Sam's – POM Paper Towels

BJ's assorted included a wide variety of Artstyle cups, napkins, plates and tablecloths using different themes, patterns and colors. For example, BJ's stocked six "All Wrapped Up" Artstyle-themed SKUs: a 40-count package of 12-ounce cups for \$6.99, a 120-count package of 13-inch napkins for \$6.99, a 40-count package of 10.25-inch plates for \$6.99, a 75-count package of 6.75-inch plates for \$6.99, a 35-count package of platters for \$6.99 and a package of two 54-inch by 108-inch tablecovers for \$6.99.

Appliances – Sam's Club stocked a 5-cubic foot 175-pound capacity chest freezer from Haier for \$169.98 and a 7.1-cubic foot 250-pound capacity chest freezer from Haier for \$199.98. Costco stocked a Brother computerized sewing machine with an extension table for \$169.99, an Oster 10-speed die cast blender for \$34.99 and a Jack Lalanne juice extractor and blender for \$89.99.

BJ's stocked a Haier compact portable clothes dryer for \$289.99, a Haier compact portable washing machine for \$199.99, a Kalorik combination griddle, coffee maker and oven cooking center appliance for \$59.99, a clear view two slice Living Home private label toaster for \$49.99, a Nostalgia retro hot dog toaster and bun warmer for \$27.99, a Nostalgia blue microwave for \$54.98, a Nostalgia blue mini refrigerator for \$149.99 and a Nuwave portable induction cooktop with a ceramic non-stick frying pan for \$79.99.

Detergents, Cleaning Supplies – Sam's Club stocked five laundry detergent pacs/pods: a 90-count container of Gain original scent for \$20.98, a 90-count container of Gain moonlight breeze scent for \$18.91, a 90-count container of Member's Mark for \$13.98, a 90-count container of Tide scent free for \$20.98 and a 90-count container of Tide spring meadow scent for \$19.28. Sam's Club also stocked a 170-ounce bottle of Tide total clean liquid laundry detergent (88 loads) for \$20.98 (a Sam's exclusive item according to the signage).

Costco stocked a case of four 51-ounce bottles of ultra Downy liquid fabric softener (60 loads for each bottle) for \$14.49. This item can be resold by convenience store or grocery store members. Costco also stocked a 200-ounce bottle of Green Shield organic free and clear liquid laundry detergent (132 loads) for \$13.99 and a 120-count container of Kirkland Signature laundry detergent pacs for \$16.99.

BJ's assortment included five Method cleaning supply SKUs (Method products are produced using naturally-derived components): a package of two 18-ounce bottles of dish detergent for \$5.49, a package of two 25-ounce bottles of floor cleaner for \$8.99, a package of glass cleaner (28-ounce bottle) and all purpose cleaner (28-ounce bottle) for \$5.99, a 15-ounce bottle of foaming hand wash for \$3.99 and an 18-ounce bottle of hand wash gel for \$3.99.

Plastic Items, Trash Bags, Tin Foil – All three clubs stocked Ziploc storage and freezer bags. The four SKUs that BJ's stocked were variety packages that are typically purchased for home use and not resold. Those items included: a 156-count freezer bag case (76 gallon and 80 quart) for \$12.49, a 204-count storage bag case (104 gallon and 100 quart) for \$12.49, a 140-count EZ zipper storage bag case (60 gallon and 80 quart) for \$11.49 and a 495-count storage bag case (120 snack and 375 sandwich) for \$11.49.

Three of Costco's five Ziploc SKUs were straight packages and all five of Sam's Ziploc SKUs were straight packages. Grocery store or convenience store members would be more likely to resell these SKUs. For example, Costco stocked a case of four 125-count boxes of sandwich bags for \$9.59 and a case of four 54-count boxes of quart-size freezer bags for \$11.29. Sam's Club stocked a case of four 38-count boxes of gallon-size freezer bags for \$12.48, a case of four 120-count boxes of snack bags for \$5.71 and a case of four 52-count boxes of gallon-size storage bags for \$12.48.

BJ's selection also included four Chinet SKUs: a 110-count package of 12-ounce white plastic bowls for \$6.99, a 60-count case of 10-inch white plastic plates for \$8.99, a 105-count case of 7-inch white plastic plates for \$6.99 and a 80-count case of 9-inch white plastic plates for \$8.99.

Organic Merchandise *(October, 2014 – Massachusetts and New Hampshire)*

Buying Strategy – Warehouse club focus on organic merchandise benefits the clubs in six ways:

1. Organic merchandise reinforces a member's perception of a club's focus on product quality.
2. Organic merchandise is more expensive to produce resulting in higher retail price points helping to increase a club's average transaction.
3. Non-club retailers who sell organic merchandise likely generate higher than normal margins on these items enabling the clubs to offer larger than normal savings on comparable products.
4. Organic merchandise adds to the treasure hunt club buying philosophy.
5. Organic merchandise supports a club's search for exclusive or hard to find products.
6. When the previous five qualities work correctly, organic merchandise generates the necessary sales dollars for club buyers to continue to purchase.

This last point cannot be emphasized enough. Club buyers are very focused on an item's sales productivity. If an item does not meet certain sales thresholds, it will be deleted. The simple fact that the clubs not only stock organic merchandise, but continue to rotate that selection means those items are generating sufficient sales.

Overall Assortment – The chart on the right shows the number of organic items stocked at each club in 2008, 2009, 2012, February, 2014 and October, 2014.

BJ's organic assortment increased when comparing the selections in 2012 at 102 products and October, 2014 at 108 items. The BJ's location that was visited in February, 2014 was an 85,000 square foot mini location and since BJ's full product assortment is not stocked in these smaller locations, the organic selection was also reduced.

Organic SKUs	BJ's				Costco				Sam's Club						
	2008	2009	2012	Feb 2014	Oct 2014	2008	2009	2012	Feb 2014	Oct 2014	2008	2009	2012	Feb 2014	Oct 2014
Apparel	0	1	0	0	0	1	1	2	1	0	0	3	0	0	0
Bakery	0	0	3	4	4	4	1	1	1	2	0	0	0	0	0
Bedding	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0
Candy, Snacks	1	0	2	1	8	0	0	0	7	16	0	0	0	0	0
Cooler	10	6	15	10	16	8	4	6	5	6	4	1	1	1	0
Deli	0	2	10	3	2	0	2	5	14	13	0	0	0	0	2
Freezer	2	2	7	8	9	7	1	3	9	10	0	0	0	0	0
Fresh	0	0	0	1	0	3	3	4	5	4	0	0	0	0	0
Grocery	10	9	41	34	46	37	25	27	45	69	15	3	4	7	13
HBA, Baby	0	1	5	1	3	2	0	0	0	5	0	0	0	0	2
Produce	7	6	18	17	20	8	4	2	9	7	5	2	3	5	5
Seasonal	0	2	1	0	0	0	1	0	0	0	0	0	0	0	0
Sundries	0	0	0	0	0	0	0	0	1	1	0	0	0	0	0
Total	30	30	102	79	108	70	42	50	97	133	24	9	8	13	22

WCF Research - 2008, 2009, 2012 and 2014 (B.J.'s - February - Mini Location)

Costco's organic assortment has not only grown dramatically since 2009 but it increased 37% from 97 items in February, 2014 to 133 products in October, 2014. Sam's organic selection has always been the smallest among the three clubs. However, the company has stated it would stock a wider variety of "good for you" food products and that does appear to be happening in the clubs. Sam's organic assortment increased from eight items in 2012 to 13 products in February, 2014 to 22 SKUs in October, 2014.

Packaging – All three clubs stocked organic coconut flour from different vendors with each using a different sized package. BJ's stocked a 2.25-pound bag of organic coconut flour from Better Body for \$5.99 or \$2.66 per pound. Costco stocked a four-pound bag of organic coconut flour from Nutiva for \$6.99 or \$1.74 per pound while Sam's Club stocked a five-pound bag of organic coconut flour from Tresomega Nutrition for \$7.98 or \$1.60 per pound.

BJ's – Three of BJ's private label brands are used to stock organic merchandise: Earth's Pride, Wellesley Farms and Rozzano. That assortment included: a three-pound bag of Earth's Pride organic yellow onions for \$3.99 (produce), a 59-ounce bottle of Wellesley Farms organic orange juice for \$3.99 (cooler), a 24-ounce box of Earth's Pride organic stevia for \$11.99 (dry grocery), a case of four 1.1-pound packages of Rozzano organic penne pasta for \$5.49 (dry grocery) and a 7.8-ounce jar of Earth's Pride organic cumin for \$5.49 (dry grocery).

The following are branded organic items stocked at BJ's. In produce, BJ's stocked a 59-ounce bottle of organic apple cider from Mayer Brothers for \$4.99. In the snack category, BJ's stocked a 48-count box of organic chocolate macaroons from Nature's Path for \$10.99 and a 32-ounce bag of RW Garcia organic tortilla chips for \$3.99. In the dry grocery department, BJ's stocked a box of two 24.25-ounce bags of Cascadian Farms organic oats and honey cereal for \$7.99, a package of two 44-ounce bottles of Heinz organic ketchup for \$7.99, a 36-ounce bag of Mariani organic figs for \$9.99 and a two-pound bag of Better Body organic chia seeds for \$12.99.

Costco – Costco's Kirkland Signature private label brand plays an important role in the company's organic selection. Costco stocked 22 Kirkland Signature organic items representing 17% of its overall organic assortment. Some of those Kirkland Signature items included: a package of two 28-ounce bottles of organic peanut butter for \$10.99 (dry grocery), a case of eight 14.5-ounce cans of organic diced tomatoes for \$5.99 (dry grocery) and a 14.5-ounce bottle of organic no salt seasoning for \$8.29 (dry grocery).

The following are branded organic items stocked at Costco. In the snack category, Costco stocked an 11-ounce bag of organic granny smith apple chips from Bare Fruit for \$6.89 and a 6.25-ounce bag of organic kale chips from Rhythm Foods for \$8.99. In the dry grocery department, Costco stocked a package of three 32-ounce bottles of Classico organic pasta sauce for \$8.99, a package of two 96-ounce bottles of Apple & Eve organic orange carrot juice for \$7.99, a 54-ounce container of Carrington Farms organic coconut oil for \$17.49 and a 2.85-ounce bottle of McCormick organic basil for \$3.29.

There are two dry grocery categories where Costco's organic selection represented between half and almost all of that category's assortment. Costco typically stocks between eight and 10 dried fruit products and between 23 and 25 pasta, rice and bean items. Costco stocked nine organic dried fruit SKUs and 12 organic pasta, rice and bean products.

Sam's Club – Sam's branded organic selection included: a package of four 0.25-ounce containers of EOS organic lip balm for \$8.98 (health and beauty aids), a package of two 16-ounce containers of organic guacamole from Yucatan for \$10.98 (deli), a 1.5-liter bottle of Omaggio organic extra virgin olive oil for \$9.98 (dry grocery) and a two-pound bag of Tresomega Nutrition organic chia seeds for \$13.98 (dry grocery).

BJs.com – The organic assortment at bjs.com included: a package of two 3-ounce bags of PetGuard organic beef jerky treats for \$16.99 (shipping included), a 6.5-pound variety package of organic grass fed beef (two 6-ounce filet mignons, two 10-ounce ribeye steaks, two 10-ounce New York strips, two 6-ounce top sirloins, four 4-ounce burgers, four 3-ounce beef hot dogs and four 3-ounce beef bratwurst) from Meadow Organic for \$249.99 (shipping included) and a case of 80 Newman's Own organic special blend coffee k-cups for \$44.99 (shipping included).

Costco.com – The organic assortment at costco.com included: a case of twenty 10-ounce grass fed organic boneless ribeye steaks from Sommers Organic for \$259.99 (shipping included), a case of six 8.46-ounce cans of organic freeze dried raspberries from Shelf Reliance for \$219.99 (shipping included), a case of six 3.75-pound cans of green unroasted organic Arabica coffee beans from Specialty Grade for \$109.99 (shipping included), a case of twelve 7.005-ounce boxes of assorted organic Belgian chocolate from Deavas for \$94.99 (shipping included), a L.A. Baby organic changing pad for \$44.99 (shipping included) and a package of fifteen 1.32-ounce Mighty Leaf whole leaf organic breakfast blend tea bags for \$7.99 (shipping included).

Samsclub.com – The organic assortment at samsclub.com included: a case of 160 organic green tea bags from Bigelow for \$7.98 (plus shipping), a case of twenty-four 8-ounce packages of organic 1% lowfat milk from Organic Valley for \$40.48 (shipping included), a 128-ounce bottle of OdoBan organic acid shower cleaner for \$9.33 (plus shipping), an American Sleep organic queen mattress for \$1,724.00 (plus shipping), a case of six 16-ounce bottles of organic tart cherry concentrate from Tart is Smart for \$74.98 (plus shipping) and a variety package of fifteen 1.23-ounce organic ancient grain bars (five chocolate chunk, five triple berry and five peanut butter chocolate) for \$18.39 (plus shipping).

Cooler and Freezer Analysis *(November, 2014 – Massachusetts and New Hampshire)*

Cooler – The eight cooler subcategories include: butter/cream products, cheese/cream cheese/cottage cheese, dips/appetizers/pasta/salad, juice, bacon/hot dogs/deli, milk/eggs, seafood and yogurt/pudding/fruit/rolls. The following are observations from the cooler and some of its categories:

Costco Assortment – For the ten years between 2003 and 2012, Costco averaged 69 cooler products. That assortment was reduced to 65 items in 2013 and 61 items in this current study. With 61 products in its cooler, Costco is very close to averaging a full door of merchandising space per item (the cooler in the location visited had 54 doors).

Costco has always been very focused on its overall SKU count in every category. It believes that a limited merchandise assortment allows it not only to maximize inventory turnover, lower product distribution costs and reduce labor costs but also provide greater merchandising visibility for each item. Additionally, by concentrating on top selling items and maximizing sales on those products, Costco's average sales per week per cooler SKU are 4.5-times greater than BJ's and 3.1-times greater than Sam's Club.

Sam's Assortment – The cooler assortment has been tracked at each club since 2000. For the seven years between 2000 and 2006, Sam's did not stock bacon, hot dog and deli SKUs in the cooler. That is the primary reason its assortment in 2004 at 56 items is so low compared to its current cooler selection of 108 products.

Average Retail Price – This observation is also relevant for the freezer department. The average retail price helps to illuminate the different buying strategies among the three clubs. Costco's average retail price the past two years in the cooler (\$9 per item) is the highest among the clubs. Sam's Club is second with an average cooler item retail price of \$8 and BJ's is third with an average cooler product retail price of \$7. However, BJ's lower average cooler retail price is due to the fact that its bacon, hot dog and deli meat SKUs are stocked in its deli case. These items are generally more expensive and not having them in the cooler, reduces that average retail price. If those items were included at BJ's, its average retail price would be more in line with Sam's Club.

Costco generates that higher average retail price by combining fewer items with the following strategies: larger packages, a larger percentage of organic merchandise and a larger percentage of bacon, hot dog and deli meat products which, in Costco's case, generate the highest average retail price among its eight cooler sub-categories. The benefits of a higher average retail price are important to Costco. Those include a higher average transaction and higher margin dollars.

The downside to that higher average retail price can include: retail member "sticker shock" and a package that is too large for some consumers to purchase. BJ's and Sam's Club buyers will tend to lean towards a smaller package and lower retail price, better meeting its retail member needs and potentially avoiding those two previous pitfalls.

Sam's Wholesale Selection – Sam's Club stocked the most cooler wholesale items among the three clubs with 66 SKUs compared to BJ's with 44 products and Costco with 41 items. Sam's focus on the wholesale member is a common theme throughout all its categories and is a key strategy for the company that sets it apart from BJ's and Costco.

For example, Sam's wholesale assortment included: a five-pound 120-slice loaf of New Yorker white American cheese for \$17.18, a case of fifty 1-ounce single serve cups of Kraft Philadelphia cream cheese for \$11.32, a ten-pound case of Smithfield restaurant style bacon for \$30.66, a 252-count case of Mid American Farms single serve cups of whipped butter for \$12.48, a 32-ounce carton of Byrne Dairy heavy cream for \$4.28 and a five-pound container of Daisy Brand sour cream for \$7.26.

Butter, Cream Products – BJ's stocked a number of products not observed at Costco and Sam's Club. Those included: a 30-ounce container of Brummel and Brown yogurt butter for \$3.29, a package of two 12-ounce bottles of I Can't Believe It's Not Butter spray for \$6.99, a package of three 7-ounce tubs of Land O'Lakes olive oil butter for \$5.99, a package of two 15-ounce tubs of Land O'Lakes light butter with canola oil for \$6.29 and a 32-ounce bottle of So Delicious coconut milk creamer for \$2.99.

Cheese, Cream Cheese, Cottage Cheese – The selection of this category at BJ's and Costco has decreased with BJ's assortment going from 62 items in 2004 to an average of 46 SKUs the past two years and Costco's assortment going from 21 products in 2004 to an average of 12 items the past two years.

BJ's selection included 15 Kraft branded cheese products (Cracker Barrel, Philadelphia and Kraft), 13 Wellesley Farms private label cheese SKUs and nine Sargento cheese items. Those items included: a 24-ounce bar of Cracker Barrel white Vermont cheddar for \$8.99, a package of two 16-ounce bags of Kraft shredded four cheese Mexican blend for \$7.49, a package of two 16-ounce tubs of Philadelphia light cream cheese for \$7.49, a package of two 12-ounce bags of Sargento reduced fat shredded Mexican blend for \$7.49, a package of twenty-four 0.75-ounce Sargento sharp cheddar snack sticks for \$5.99, a package of two 24-ounce bags of Wellesley Farms shredded mild cheddar for \$9.99 and a 32-ounce package of Wellesley Farms sliced Swiss for \$9.99.

	Costco			SKU			Doors			AVG Retail			SKU					
	2004	2013	2014	2004	2013	2014	2004	2013	2014	2004	2013	2014	Wholesale			Retail		
Cooler	Category/Department																	
	Butter, Cream Products																	
	Cheese, Cream Cheese, Cottage Cheese																	
	Dips, Appetizer, Pasta, Salad																	
	Juice																	
	Bacon, Hot Dogs, Deli																	
	Milk, Eggs																	
	Seafood																	
	Yogurt, Pudding, Fruit, Rolls																	
	COOLER Total																	
	Breakfast																	
	Chicken																	
	Entrée																	
	Finger Foods, Appetizer																	
Freezer	Fruit																	
	Ice Cream, Novelty																	
	Italian																	
	Juice																	
	Meat, Turkey																	
	Pizza																	
	Potato, Onions																	
	Seafood																	
	Shrimp																	
	Vegetables																	
	FREEZER Total																	
	Total																	

	BJ's Wholesale			SKU			Doors			AVG Retail			SKU					
	2004	2013	2014	2004	2013	2014	2004	2013	2014	2004	2013	2014	Wholesale			Retail		
Cooler	Category/Department																	
	Butter, Cream Products																	
	Cheese, Cream Cheese, Cottage Cheese																	
	Dips, Appetizer, Pasta, Salad																	
	Juice																	
	Bacon, Hot Dogs, Deli																	
	Milk, Eggs																	
	Seafood																	
	Yogurt, Pudding, Fruit, Rolls																	
	COOLER Total																	
	Breakfast																	
	Chicken																	
	Entrée																	
	Finger Foods, Appetizer																	
Freezer	Fruit																	
	Ice Cream, Novelty																	
	Italian																	
	Juice																	
	Meat, Turkey																	
	Pizza																	
	Potato, Onions																	
	Seafood																	
	Shrimp																	
	Vegetables																	
	FREEZER Total																	
	Total																	

	Sam's Club			SKU			Doors			AVG Retail			SKU					
	2004	2013	2014	2004	2013	2014	2004	2013	2014	2004	2013	2014	Wholesale			Retail		
Cooler	Category/Department																	
	Butter, Cream Products																	
	Cheese, Cream Cheese, Cottage Cheese																	
	Dips, Appetizer, Pasta, Salad																	
	Juice																	
	Bacon, Hot Dogs, Deli																	
	Milk, Eggs																	
	Seafood																	
	Yogurt, Pudding, Fruit, Rolls																	
	COOLER Total																	
	Breakfast																	
	Chicken																	
	Entrée																	
	Finger Foods, Appetizer																	
Freezer	Fruit																	
	Ice Cream, Novelty																	
	Italian																	
	Juice																	
	Meat, Turkey																	
	Pizza																	
	Potato, Onions																	
	Seafood																	
	Shrimp																	
	Vegetables																	
	FREEZER Total																	
	Total																	

Costco stocked: a five-pound bag of Kirkland Signature private label shredded part skim mozzarella for \$15.99, a 48-ounce loaf of Kraft Philadelphia cream cheese for \$8.39, a 48-ounce tub of Kraft Philadelphia cream cheese for \$8.89 and a five-pound 120-slice loaf of Schreiber white American cheese for \$14.89. Sam's assortment included: a five-pound bag of co-branded Bakers & Chefs private label and Stella whole milk shredded mozzarella for \$13.28, a 32-ounce package of Daily Chef private label white sharp cheddar for \$6.56, a package of forty-eight 1-ounce packages of Frigo string cheese for \$10.54 and a 24-ounce package of Kraft sliced Swiss for \$7.18.

Bacon, Hot Dogs, Deli – Sam's Club does not stock any private label items in this sub-category. Costco stocked seven Kirkland Signature SKUs that included: a package of fourteen 4.3-ounce beef dinner franks for \$12.99, three 14-ounce packages of sliced oven roasted turkey for \$9.99 and two 24-ounce packages of sliced ham for \$11.99. Other items at Costco included: four 12-ounce packages of Oscar Mayer turkey bacon for \$7.99 and a three-pound package of Tony Roma meaty BBQ ribs for \$14.99.

Sam's selection included: three 1-pound packages of Dak bacon for \$10.98, two 20-ounce packages of Dak sliced ham for \$8.92, a three-pound package of Hillshire kielbasa sausage for \$8.18, two 13-ounce packages of Hillshire sliced oven roasted turkey for \$7.50, a three-pound bag of Margherita sliced pepperoni for \$11.12 and two 20-ounce packages of Oscar Mayer sliced ham in its natural juices for \$7.98.

Dips, Appetizer, Pasta, Salad – Sam's Club stocked three pasta/salad SKUs: a five-pound container of Stonemill Kitchens Amish potato salad for \$5.46, a four-pound container of Stonemill Kitchens red potato salad for \$5.48 and a two-pound container of Sycamore Farms chicken salad for \$7.58.

Milk, Eggs – All three clubs stocked liquid egg whites. BJ's stocked a case of four 16-ounce cartons from Egglund's Best for \$8.99 or \$2.25 per carton. Costco stocked a case of six 16-ounce Kirkland Signature cartons for \$7.49 or \$1.25 per carton and Sam's Club stocked a case of four 16-ounce Daily Chef cartons for \$7.12 or \$1.78 per carton.

Yogurt, Pudding, Fruit, Rolls – BJ's and Sam's Club have dramatically increased their assortment in this category since 2004. BJ's selection increased from 22 items in 2004 to 38 products in 2013 to 41 SKUs in 2014 and Sam's assortment increased from 7 products in 2004 to 23 SKUs in 2013 to 25 items in 2014.

BJ's stocked: a 38-ounce tub of Chobani vanilla yogurt for \$4.89, a 64-ounce container of Del Monte red grapefruit for \$6.99, a case of eight 7-ounce cups of Del Monte mixed fruit for \$8.49, a case of eighteen 4-ounce cups of Kozy Shack cinnamon rice pudding for \$8.99, a five-pound container of Pillsbury ready-to-bake sugar cookie dough for \$7.99 and a case of eighteen 6-ounce cups of Yo Crunch yogurt mix-in (nine M&M and nine crushed Oreos) for \$10.69.

Sam's stocked: a case of twelve 5.3-ounce cups of Chobani gluten free flip top Greek yogurt (six almond and six nutty for banana) for \$11.58, a case of sixteen 5.3-ounce cups of Dannon non-fat Greek yogurt (eight blueberry and eight strawberry) for \$12.32, three 14-ounce packages of Pillsbury ready-to-bake double chocolate chip cookies (36 cookies in total) for \$6.98 and a 32-ounce container of Stonyfield organic French vanilla yogurt for \$3.18.

Freezer – The fourteen freezer subcategories include: breakfast, chicken, entrées, finger foods/appetizers, fruit, ice cream/novelty, Italian, juice, meat/turkey, pizza, potatoes/onions, seafood, shrimp and vegetables. The following are observations from some of the freezer categories:

Breakfast – BJ's and Sam's Club have increased their assortment in this category since 2004. BJ's selection increased from 10 items in 2004 to 13 products in 2013 to 18 SKUs in 2014 and Sam's assortment increased from 7 products in 2004 to 15 SKUs in 2013 to 19 items in 2014. By comparison, Costco stocked just four items in the frozen breakfast category.

BJ's assortment included: a case of forty 1.2-ounce Kellogg's eggo multigrain waffles for \$8.49, a case of six 5-ounce Good Food Made Simple turkey sausage breakfast burritos for \$8.99, a package of twenty-four 1-ounce Harvestland maple apple chicken sausages for \$7.99, a case of twenty-four 1.3-ounce breakfast vegetable patties from MorningStar Farms for \$11.99 and a 40-count variety case of Krustaez breakfast meals (12 pancakes, 20 waffles and eight French toast) for \$8.99.

Sam's selection included ten items from Jimmy Dean, all of which have some application for wholesale members. Those Jimmy Dean SKUs included: a case of twelve 3.6-ounce bacon, egg and cheese sandwiches on a biscuit for \$11.46, a case of twelve 4.5-ounce sausage, egg and cheese sandwiches on a biscuit for \$11.46, a case of twelve 4.8-ounce chicken sausage, egg white and cheese sandwiches on a croissant for \$12.48 and a case of twelve 4.5-ounce Canadian bacon, egg white and cheese on an English muffin sandwiches for \$12.48.

Pizza – Costco's pizza assortment at four items is the smallest among the three clubs. Of those four SKUs at Costco, two are under its Kirkland Signature brand: a package of four 16.95-ounce cheese pizzas for \$9.99 and a case of four 30.35-ounce pepperoni pizzas for \$13.99. The other two pizza items at Costco included a package of four 14.85-ounce thin margherita pizzas from Palermo's for \$13.99 and a variety package of twelve pizzas (six cheese and six pepperoni) from Sabatasso's for \$10.79.

Italian – BJ's Italian selection included a number of frozen prepared meals: a package of two 24-ounce bags of Bertolli chicken florentine for \$11.49, a package of two 24-ounce bags of Bertolli chicken marsala for \$11.49, a package of two 24-ounce bags of Bertolli shrimp, asparagus and penne pasta for \$11.49, a 30-ounce container of Michael Angelos chicken parmesan for \$10.99, a package of two 34-ounce containers of Michael Angelos eggplant parmesan for \$14.99 and a package of two 26-ounce bags of Uno's chicken, broccoli and penne for \$11.99. Other Italian items at BJ's included: a 3.5-pound bag of Cooked Perfect gluten free meatballs for \$11.99 and a 42-ounce package of Stuffed Foods spinach, kale and mozzarella ravioli for \$9.99.

Sam's assortment included a package of two 24-ounce bags of Bertolli marinara and meatballs for \$10.98, a six-pound bag of Casa Di Bertacchi one-ounce meatballs for \$15.98 and a six-pound bag of co-branded Daily Chef and Casa Di Bertacchi 5/8-ounce meatballs for \$15.98.

Ice Cream, Novelty – This category is the largest in the freezer at BJ's (54 items) and Sam's Club (36 products). The following are some of the unique ice cream and novelty items stocked at BJ's and Sam's Club. BJ's stocked: a package of two 48-ounce cartons of Friendly's mint chocolate chip ice cream for \$4.99, a package of two 48-ounce cartons of Friendly's vanilla, chocolate and strawberry ice cream for \$4.99, a 36-count variety package of Polar Express (16 ice cream sandwiches, eight ice cream cones and 12 ice cream bars) for \$8.99, a 32-ounce container of Talenti caramel apple pie gelato for \$7.49 and a 32-ounce container of Talenti peppermint bark gelato for \$7.49.

Sam's Club stocked: a package of thirty-five 0.42-ounce Chateau Blanc French macaroons (seven each of chocolate, vanilla, coffee, raspberry and pistachio) for \$14.98 (see picture on the right), a 60-ounce Daily Chef pumpkin cheesecake for \$12.48, a case of sixteen 2.75-ounce packages of Klondike ice cream bars (eight caramel peanut, four cookies and cream and four fudge) for \$9.98 and a 160-ounce tub of Polar Treats vanilla ice cream for \$5.98.



Sam's - Chateau Blanc French Macaroons

Finger Foods, Appetizers – BJ's and Sam's Club stocked a number of unique finger food and appetizer SKUs. BJ's stocked: a case of twenty 0.65-ounce Cheating Gourmet lobster crostinis for \$11.99, a 26-ounce package of BBQ pork bites from Farm Rich for \$8.99, a case of twenty 0.8-ounce bacon wrapped scallops for \$13.99 and a case of sixteen 1.03-ounce crispy shrimp rolls from The Perfect Bite for \$10.99.

Sam's Club stocked: a case of twelve 2.775-ounce Daily Chef chicken carbonara flatbread sticks with bacon, tomatoes and alfredo sauce for \$12.28, a 30-ounce case of spinach, kale cheese twists wrapped in wonton paper for \$11.98 and a case of thirty-six 0.91-ounce chicken pastry cups with green peppers in phyllo dough from Tyson for \$13.98.

Potato, Onions – BJ's frozen potato assortment included four items from Alexia: a 2.5-pound bag of onion rings for \$7.99, a four-pound bag of sweet potato fries for \$6.99, a four-pound bag of waffle fries for \$6.99 and a four-pound bag of organic Yukon gold fries for \$6.99. Sam's frozen potato assortment included an eight-pound bag of Ore-Ida crinkle cut fries for \$6.97 and a 30-pound case of Valley Select 3/8-inch regular cut fries for \$17.88.

Seafood – BJ's seafood assortment included a number of ready-to-cook meals: a case of twelve 3.44-ounce Gorton's pollack fillet sandwiches for \$9.99, a package of six 5-ounce pieces of honey jalapeno mahi mahi from Inland Market for \$16.99, an 18.72-ounce package of quick-steam lemon picata cod from Sea Cuisine for \$13.99 and a 20.8-ounce package of quick-steam smoky maple salmon from Sea Cuisine for \$14.99.

Of Costco's 12 seafood items, six are under its Kirkland Signature brand: a 40-ounce package of wild hake loins for \$13.99, a 48-ounce package of wild pacific mahi mahi for \$17.99, a 48-ounce package of Atlantic salmon for \$24.99, a 48-ounce package of wild Alaskan salmon for \$34.89, a 40-ounce package of farmed tilapia loins for \$14.99 and a 32-ounce package of wild Alaskan cod for \$14.99. Other items at Costco included a 32-ounce package of Phillips salt and pepper calamari for \$13.99, a 64-ounce package of Trident fish sticks for \$11.99 and a package of twelve 4-ounce salmon burgers from Trident for \$13.99.

Notes

Seasonal Analysis

Club seasonal programs are a significant and important part of their business. From a merchandising perspective, seasonal items reinforce the “treasure hunt” atmosphere in the clubs. From a vendor perspective, buyers are very creative when it comes to purchasing seasonal items and suppliers need to approach its product development and sales and marketing processes using the same imagination. This chapter includes two sections: seasonal buying strategies and the 2014 winter, holiday and toy programs.

Seasonal Buying Strategies

The following are guidelines that vendors should consider when preparing and presenting seasonal items to club buyers:

Club Seasons – In the warehouse club channel, there are two primary seasonal categories. Spring and summer merchandise is stocked between February and July and fall, winter, holiday and toy SKUs are stocked between September and December.

However, at the recent annual investor community meeting on October 15, 2014 for Walmart and Sam’s Club, Charles Redfield, executive vice president of merchandising at Sam’s Club, discussed the importance to Sam’s Club of sourcing, developing and merchandising a continuous stream of new items.

There are a number of strategies that Sam’s will use going forward to increase the flow of new products. One philosophy is a more detailed holiday calendar so that buyers can potentially source new items or better merchandise existing items for these micro or short term holidays. In addition to the spring/summer and winter/holiday/toy seasons, Sam’s buyers will potentially purchase and better merchandise items for Easter, Thanksgiving, Valentine’s Day, Mother’s Day, Father’s Day, Halloween and the Super Bowl.

Present Early – Vendors should prepare their strategies at least one year before a season and buyer meetings should begin at least eight to ten months prior to that season.

First In, First Out – Compared to other retail operators, the clubs want to stock seasonal merchandise early (so members see that merchandise first) and sell through that inventory early (avoiding markdowns).

Margins – Generally, merchandise margins at Costco and Sam’s will range from 12% to 14% on seasonal merchandise which is higher than traditional margins of 8% to 12%. BJ’s seasonal margins could range from 12% to 16% as they will generate higher returns on non-competitive merchandise.

Product Demonstrations – Product demonstrations (especially for food items) are an important part of a seasonal program and vendors need to include these in their programs. Vendors should plan to schedule seasonal product demonstrations as early as possible because certain days fill up quickly and competing vendors are more likely to demonstrate their merchandise.

Merchandise Guarantee/Markdowns – The clubs are very conscious of moving out of a season with as little inventory as possible. They may negotiate for a vendor to guarantee the sale of an item taking back any unsold merchandise or ask for markdown funds during or after the season if an item’s sales are below plan. This effort to be clean after a season is to create room for the upcoming season’s merchandise.

Exclusivity – The clubs pride themselves on discovering new and interesting items and want products sold exclusively to them. Having a member know he can only purchase an item at a particular club is important for the buyer. Club seasonal programs offer vendors tremendous opportunity to develop and sell exclusive products.

- **2014 Winter and Holiday Assortment** – Of the 432 different winter and holiday products that all three clubs, just eight items, with the same packaging configuration were stocked by multiple clubs on the day the club locations were visited.

Those items included: a case of 54 holiday blend Starbucks K-cups (\$35.99 at BJ’s, \$29.99 at Costco and \$29.98 at Sam’s Club), a 50-ounce bag of Hershey assorted holiday chocolate shapes (\$10.29 at BJ’s and \$10.48 at Sam’s Club), a 56-ounce bag of red and green plain M&Ms (\$9.59 at BJ’s and \$9.98 at Sam’s Club), a 24-ounce bag of French’s French fried onions (\$5.99 at Costco and \$5.98 at Sam’s Club), a case of six 14-ounce cans of Ocean Spray cranberry sauce (\$7.49 at BJ’s and \$7.48 at Sam’s Club), a case of forty-eight 0.4-ounce pieces of Ferrero roche chocolate (\$11.99 at BJ’s and Costco), an Ames True Temper 26-inch snow shovel (\$29.99 at BJ’s and \$29.98 at Sam’s Club) and a case of forty 4.5-ounce Durafume quick start fire logs (\$15.99 at BJ’s and \$13.96 at Sam’s Club).

Winter, Holiday and Toy Programs – 2013

This section analyzes the 2014 winter (see picture on the right from Costco of a Totum outdoor propane 36,000-btu patio heater for \$399.99), holiday and toy programs that are stocked in the club locations. In November and December, 2014, BJ's, Costco and Sam's Club locations in Kansas, Massachusetts, Missouri and New Hampshire to gather data for this section.

For the purposes of this analysis, winter, holiday and toy products are defined as items that are stocked primarily from September to December or that generate a majority of their yearly sales during that time period. Every effort was made to ensure that all appropriate products were included in the 2014 analysis. The information and data in this analysis should be used as a guide to planning, understanding and evaluating your club business. While extensive efforts have been used to assure the accuracy of the data, no guarantees can be made. The data found in this article is not endorsed by BJ's, Costco and Sam's Club.

Winter Non-Holiday – In 2014, BJ's stocked 26 winter SKUs, Costco stocked 25 winter items and Sam's Club stocked 16 winter products.

BJ's – The winter assortment at BJ's included: an Ames True Temper roof rake and bonus leaf brush for \$49.99, a 50-pound container of Berkley & Jensen private label calcium chloride pellets or ice melt for \$19.99, a package of two Berkley & Jensen snowbrushes (a 52-inch and a 25-inch) for \$19.99, a Chapin 70-pound capacity salt spreader with 10-inch rubber tires for \$89.99, a Pleasant Hearth pellet stove for \$1,549.99, a package of two 9.5-pound containers of Road Runner pet friendly ice melt for \$19.99, a Snow Joe 18-inch electric snow blower for \$199.99 and a Yard Machine 24-inch electric start snow thrower for \$599.99.



Costco – Totum Patio Heater

Costco – The winter assortment at Costco included: a bladeless heater and fan with a remote from Dyson for \$314.99, an Enzo Mantovani wool cashmere scarf for \$19.99, a Frostblocker windshield protector for \$18.99 (Costco also stocked this item in 2012 and 2013), a package of 40 Little Hottie hand warmers for \$12.99, a package of 30 Little Hottie toe warmers for \$13.99, a Rivers West 40-inch by 60-inch waterproof fleece blanket for \$19.99 and a 20-pound bag of Traeger hickory fuel pellets for \$14.79.

Sam's Club – The winter assortment at Sam's Club included: a case of six 6-pound Duraflame fire logs for \$18.98, a case of 36 Hot Hands hand warmers for \$12.97, a set of three Mallory snow removal items (a 52-inch brush, a 34-inch brush and a 10-inch scraper) for \$14.98, a 50-pound bag of Miracle Melt ice melt crystals for \$8.68, a Poulan 24-inch snow thrower for \$599.99 and a molded two-person 52-inch Snowslider snow sled for \$19.78.

Holiday Non-Food – BJ's stocked 117 items (consistent with its 2013 assortment of 116 SKU), Costco stocked 55 products (more than its 2013 assortment of 52 items but less than its 2012 selection of 64 SKUs) and Sam's Club stocked 42 products (more than its 2013 assortment of 35 SKUs but less than its 2012 selection of 46 items).

Private Label – Club private label items are a key component of each operator's non-food holiday assortment with Costco at 43 items (78% of its selection), Sam's Club at 31 SKUs (74% of its assortment) and BJ's at 46 products (39% of its selection).

BJ's – The non-food holiday assortment at BJ's included: an 18-ounce canine holiday-wrapped cookie tray from Claudia's for \$9.99, a package of three 175-square foot rolls of Living Home private label foil wrapping paper for \$9.99, a package of four-hundred 18-inch by 24-inch pieces of white tissue from Living Home for \$6.49 (BJ's used to stock a package of four-hundred 20-inch by 20-inch pieces for \$5.99 in 2010 and \$6.49 in 2011 and 2012), a Gemmy inflatable peanuts parade in a snow globe for \$169.99, a Lenox 2014 porcelain snowflake ornament for \$14.99, a 16-piece outdoor porcelain and fabric nativity scene from Living Home for \$149.99, a package of five 200-mm sized Living Home shatterproof ornaments for \$29.99, a Mr. Christmas porcelain music box for \$22.99, a Sylvania 7.5-foot artificial Christmas tree with 1,000 clear lights for \$199.99, a 150-count package of 13-inch silver poinsettia-themed napkins from Artsyle for \$6.99 and a 40-count package of 10.25-inch silver poinsettia-themed paper plates from Artstyle for \$6.99.

Costco – The non-food holiday assortment at Costco included: a package of 30 Burgoyne handmade Christmas cards for \$19.99, a package of 60 Kirkland Signature private label holiday gift tags for \$8.69, a package of four 45-square foot rolls of luxury Christmas wrapping paper under the co-branded Kirkland Signature and The Gift Wrap Company label for \$11.99, a 60-inch tall snowman with 300 lights under Costco's unbranded control label for \$99.99, a nine-foot garland from General Electric with 100 clear lights for \$36.99, the Swarovski 2014 Christmas tree ornament for \$54.99 and a holiday party package from Performa (fifty 6.75-inch plates, fifty 10.25-inch plates and 100 napkins) for \$11.89.

Sam's Club – The holiday non-food assortment at Sam's Club included: a 400-foot roll of reversible wrapping paper from Hallmark for \$9.98, a Santa wall décor with LED lights under Sam's unbranded control label for \$39.98, a six-foot hand painted nutcracker under Sam's unbranded control label for \$199.98, a package of eighty 10.25-inch bauble beauty-themed paper plates from Artstyle for \$7.96 and a package of forty 7-inch green plastic plates and ten-inch red plastic plates from Pactiv for \$8.94.

Toys – BJ's stocked the largest assortment of toy items at 143. In 2013, BJ's stocked a large selection of board game SKUs. That board game assortment was the primary reason for BJ's toy selection increase from an average of 132 SKUs in 2011 and 2012 to 198 products in 2013. The large assortment of board game items was not observed in the BJ's location visited for the 2014 analysis.

Costco's 2014 toy assortment is the second largest among the three clubs at 85 items. Sam's stocked 47 toys products in 2014, the smallest among the three clubs. The most likely reason that Sam's 2013 toy assortment at 23 products was so low compared to other years is that the selection was recorded on November 25, 2013 so it is possible that Sam's full holiday toy assortment was not present at the time.

Some of the interesting toy items included: a Crayola digital camera for \$19.99 (BJ's), a Dyson children's play vacuum for \$19.98 (Sam's Club), an ESPN-themed table tennis set for \$164.98 (Sam's Club), an 854-piece Lego police station for \$74.99 (Costco), an MD Sports 56-inch foosball table for \$299.98 (Sam's Club), a set of 32 collectible mini-NFL players from Teenymates for \$29.99 (BJ's), the 2014 holiday Barbie doll for \$36.99 (BJ's), the Hello Kitty 40th anniversary stuffed doll for \$27.99 (Costco), a 158-piece Art 101 emerging artist set for \$29.99 (Costco), a set of six Encyclopedia Britannica books for \$39.99 (Costco), the pocket version of Etch-A-Sketch for \$4.99 (a shelf hangar item at BJ's) and an Oregon Scientific infinity interactive smart globe for \$69.99 (Costco).

Holiday Food – BJ's stocked the most items at 66 compared to Sam's Club at 51 products and Costco at 43 SKUs. Frozen appetizers are not included in the analysis because these items are generally sold year round.

BJ's – The holiday food assortment at BJ's included: a 280-count container of Bob's mini candy canes for \$7.49, a 26-ounce package of Brown & Haley almond roca for \$9.99 (Costco stocked a 28-ounce package of the same item for \$8.99), a 16.07-ounce package of Ghirardelli peppermint bark for \$8.99, a 45-count bag of Lindt dark peppermint lindor balls for \$9.49, a 45-count bag of Lindt white chocolate peppermint lindor balls for \$9.49, a case of three 17.5-ounce packages of Betty Crocker sugar cookie mix for \$4.99 (Sam's Club stocked a case of five 17.5-ounce packages of the same item for \$6.98), a 64-ounce bottle of Hood refrigerated egg nog for \$4.49 and a package of three 11-ounce refrigerated tubes of Pillsbury ready-to-bake Christmas cookies for \$6.99.

Costco – The holiday food assortment at Costco included: a package of two 12-ounce containers of Hawaiian Host dark chocolate covered macadamia nuts for \$12.59, a 36-ounce package of Sander's salted caramels for \$8.99, a 34.7-ounce box of Biscuits a la Carte European cookies for \$13.99, an 80-ounce tin of Kelsen Danish butter cookies for \$12.99, a 32-ounce tin of Van's ginger snaps for \$9.99, a 27-ounce bag of Werther's baking caramels for \$5.99 and a 128-ounce bottle of Hays fresh pressed cider for \$3.99.

Costco - Non Food		SKU					Average Retail				
Season	Category	2004	2011	2012	2013	2014	2004	2011	2012	2013	2014
Winter, Non Holiday	Non-Food	n/a	25	30	31	25	n/a	\$80	\$62	\$53	\$73
	Total	n/a	25	30	31	25					
Christmas, Chanukkah	Kitchen, Bathroom	9	3	3	4	1	\$38	\$46	\$49	\$39	\$45
	Gift, Accessories	21	15	16	12	12					
	Decorations	48	31	45	36	42					
	Total	78	49	64	52	55					
	Private Label	43	27	35	25	43					
Toys	Dolls, Animals	33	17	27	31	27	\$58	\$32	\$36	\$38	\$32
	Action, Pretend	40	58	55	46	41					
	Games, Learning	27	20	20	12	17					
	Total	100	95	102	89	85					
	Private Label	n/a	n/a	n/a	n/a	n/a					

BJ's - Non Food		SKU					Average Retail				
Season	Category	2004	2011	2012	2013	2014	2004	2011	2012	2013	2014
Winter, Non Holiday	Non-Food	n/a	30	20	39	26	n/a	\$70	\$80	\$62	\$138
	Total	n/a	30	20	39	26					
Christmas, Chanukkah	Kitchen, Bathroom	31	17	12	19	22	\$25	\$41	\$42	\$32	\$38
	Gift, Accessories	22	19	17	23	23					
	Decorations	63	52	63	74	72					
	Total	116	88	92	116	117					
	Private Label	29	30	31	42	46					
Toys	Dolls, Animals	61	18	24	41	26	\$56	\$26	\$26	\$23	\$26
	Action, Pretend	80	79	74	93	95					
	Games, Learning	56	34	36	64	22					
	Total	197	131	134	198	143					
	Private Label	n/a	n/a	n/a	n/a	n/a					

Sam's Club - Non Food		SKU					Average Retail				
Season	Category	2004	2011	2012	2013	2014	2004	2011	2012	2013	2014
Winter, Non Holiday	Non-Food	n/a	27	32	27	16	n/a	\$90	\$47	\$94	\$122
	Total	n/a	27	32	27	16					
Christmas, Chanukkah	Kitchen, Bathroom	9	11	10	4	8	\$59	\$36	\$40	\$47	\$52
	Gift, Accessories	8	9	7	9	3					
	Decorations	33	28	29	22	31					
	Total	50	48	46	35	42					
	Private Label	14	30	33	28	31					
Toys	Dolls, Animals	13	12	9	6	11	\$112	\$37	\$56	\$81	\$49
	Action, Pretend	19	25	21	14	30					
	Games, Learning	15	6	10	3	6					
	Total	47	43	40	23	47					
	Private Label	n/a	n/a	n/a	n/a	n/a					

Costco - Food		SKU					Average Retail				
Season	Category	2004	2011	2012	2013	2014	2004	2011	2012	2013	2014
Winter, Christmas, Chanukkah	Grocery	16	12	14	17	14	\$15	\$16	\$17	\$15	\$19
	Cooler, Freezer	1	n/a	2	1	4					
	Candy	19	21	12	18	15					
	Gift Basket	13	10	8	7	10					
	Total	49	43	36	43	43					
Private Label	13	6	6	8	4	n/a	n/a	n/a	n/a	n/a	

BJ's - Food		SKU					Average Retail				
Season	Category	2004	2011	2012	2013	2014	2004	2011	2012	2013	2014
Winter, Christmas, Chanukkah	Grocery	27	17	18	20	16	\$11	\$15	\$13	\$13	\$14
	Cooler, Freezer	4	1	2	1	4					
	Candy	37	29	30	41	35					
	Gift Basket	16	14	8	9	11					
	Total	84	61	58	71	66					
Private Label	4	7	5	10	4	n/a	n/a	n/a	n/a	n/a	

Sam's Club - Food		SKU					Average Retail				
Season	Category	2004	2011	2012	2013	2014	2004	2011	2012	2013	2014
Winter, Christmas, Chanukkah	Grocery	18	13	18	14	17	\$15	\$15	\$13	\$15	\$19
	Cooler, Freezer	5	n/a	1	1	2					
	Candy	4	13	15	17	14					
	Gift Basket	10	16	14	21	18					
	Total	37	42	48	53	51					
Private Label	n/a	2	7	2	1	n/a	n/a	n/a	n/a	n/a	

Sam's Club – The holiday food assortment at Sam's Club included: a 42-ounce package of Brittle Brittle peanut brittle for \$9.98, a 37.6-ounce tin of Covington Manor fudge mint cookies for \$9.98, a 32-ounce box of Utz milk chocolate covered pretzels for \$9.98, a 24-ounce package of Bernice's povotica bread (cream cheese or English walnut) for \$7.52, a package of three 16-ounce Claxton fruit cakes for \$10.98, a 32-ounce 32-piece container of Kronos baklava for \$12.99, a package of four 14.1-ounce containers of Stockmeyer shortbread cookies for \$9.98, a 16-ounce package of Maxfield sea salt caramels for \$10.88, a 35-ounce Hillshire meat and cheese tray for \$19.94, a 25.36-ounce box of Disney's "Frozen"-themed baking kit that makes 24 cupcakes for \$9.98 and a 64-ounce tin of Jacobsen's Danish butter cookies for \$9.98.

Item Basket Comparison

From the perspective of BJ's, Costco and Sam's Club, the paid membership program is critical to their success. It not only enables the clubs to operate on lower gross margins but provides each club with a revenue source that in many years is equal to or above net income.

When deciding to join or renew a membership at BJ's, Costco and Sam's Club, members require one simple benefit. In return for the membership fee, a warehouse club member expects to save more money shopping at the club than the actual cost of membership. Without that savings, members would not join and the warehouse club business model would not exist.

When thinking about where potential members can shop for a wide variety of food and non-food items under one roof, grocery stores, supercenters and warehouse clubs are most likely the top three choices. Comparing a basket of items found at each of these three retail formats provides an objective example of how much money a club member can save by shopping at BJ's, Costco or Sam's Club instead of a grocery store or supercenter.

The purpose of the item basket analysis is to understand and track how well the clubs adhere to their low price message, not just against each other but against non-club retailers. The study analyzes the retail prices at the clubs, a grocery store and a supercenter/discount store where all five operators compete in the same market for the same customer. By choosing one market, where competition for a customer's wallet is high, the true gauge of the potential savings offered by the warehouse clubs in comparison to grocery stores and supercenters is most likely revealed. This chapter contains three sections: methodology, chart layout and results.

Methodology

The data for this 2014 analysis was gathered from a BJ's, a Costco, a Sam's Club, a Walmart supercenter and a Food Lion grocery store in the northern part of Raleigh, North Carolina. The locations were all within a five mile radius. Item description, package size and retail price data was recorded at each operator on September 14 and 15, 2014. The retail price data represents an item's listed cost and does not include instant coupons or rebates.

Consumer branded products are used exclusively for this analysis to make sure that each item being compared is exactly the same at each retail/club operator. However, package sizes will vary. Given that issue, the most logical method to compare a branded market basket of items at each retailer is to set up the package sizes at one retailer as the control group. The control group used (currently and historically) is Sam's Club.

The price-per-unit is calculated for each item at the other four retailers and multiplied by the package size of the control retailer, Sam's Club. This adjusted retail price is listed next to the actual retail price under the ADJ column in the charts on pages three (food products) and four (general merchandise items). It is our belief that comparing the adjusted retail prices for each of the four non-control retailers to the retail price of the control retailer provides the most accurate apples-to-apples market basket comparison.

The following is an example of how an adjusted retail price is calculated. Sam's Club stocked a package of two 86-ounce bottles of Mott's apple juice for \$4.98. Costco stocked a package of two 128-ounce bottles of the same product for \$7.39. Costco's price-per-unit (or per-ounce in this case) is calculated by dividing the retail price of \$7.39 by 256, the total number of ounces in the package. Costco's resultant price-per-ounce is 2.89-cents. Costco's price-per-ounce is then multiplied by the Mott's apple juice package size at Sam's Club (172-ounces) for a Costco adjusted retail price of \$4.97. This calculation was performed for each item at BJ's, Costco, Food Lion and the Walmart supercenter.

Chart Layout

The charts on the next two pages provide a list of all item basket SKUs along with the package size and pricing data. The totals for Sam's Club are calculated by adding up the retail price column while the totals for the other four retailers are calculated by adding up the adjusted retail price columns.

The bottom of the chart includes a food total, a general merchandise total and the overall food and general merchandise total. The percentage numbers to the right of the totals represent the percentage higher (if the number is positive) or lower (if the number is negative) compared to Sam's Club. For example, the adjusted food total of \$722.82 at the Walmart supercenter is 31% higher than Sam's food total of \$550.71.

Item Basket			Sam's Club			Costco			BJ's			Grocery			Walmart		
Year	Market	Items	Food	Non-Food	Total	Food	Non-Food	Total	Food	Non-Food	Total	Food	Non-Food	Total	Food	Non-Food	Total
2009	Duluth, GA	76	100	100	100	100	100	100	103	104	104	148	153	150	120	132	126
2010	Miami, FL	68	100	100	100	100	98	99	101	101	101	161	162	161	127	136	131
2011	Fort Myers, FL	77	100	100	100	100	100	100	104	104	104	159	163	161	129	131	130
2012	Nashua/Hudson, NH	82	100	100	100	99	100	100	103	103	103	159	159	159	129	128	128
2013	Jacksonville, FL	84	100	100	100	101	100	101	105	104	105	166	157	161	129	134	132
2014	Raleigh, NC	94	100	100	100	101	100	101	104	104	104	165	173	169	131	122	127

WCF Research- 2009, 2010, 2011, 2012, 2013 and 2014.

When looking at the historical pricing differentials between BJ's and Sam's Club, except for 2010, food, non-food and general merchandise prices at Sam's Club have ranged from 3% to 5% lower. There is no particular trend that appears in the historical data.

Care needs to be used when analyzing the historical pricing differentials between a grocery store and Sam's Club because the grocery store operator changes each year. However, over the past two years, the food pricing differential between Sam's Club and the grocery stores increased from an average of 156 from 2009 to 2012 to an average of 165 in 2013 and 2014. Additionally, the general merchandise pricing differential between Sam's Club and the grocery store in 2014 was the highest in the past six calendar years at 173.

When looking at the historical pricing differentials between the Walmart supercenter and Sam's Club, the food differential increased from 129 the past three calendar years to 131 in 2014. However, the non-food differential decreased dramatically from an average of 132 the past five calendar years to 122 in 2014.

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Understanding Club Buyers

The warehouse club industry is different from every other retail channel. The clubs offer low prices on a limited assortment of merchandise in a wide variety of categories. That philosophy causes buyers to approach purchasing decisions from a unique perspective. Successfully selling merchandise to the clubs requires an understanding of the strategies and philosophies buyers follow. This chapter is divided into two sections and provides all the key points necessary to understand the club buyer's point-of-view. The sections include: core philosophies and day-to-day strategies.

Core Philosophies

The warehouse club industry has existed for 39 years since The Price Club opened its first location in 1976 in San Diego, California. During that time, the industry has seen changes in operations, buying strategy and in the number of club operators. However, the one constant is a group of eight core philosophies that form the industry's foundation. These concepts, lowest cost, product quality, item merchants, broad assortment, national brands, treasure hunt, wholesale members and paid membership, are intertwined and work together so well that the absence of any single factor would cause the club industry to simply be not as successful.

In a 1983 article from *Chain Store Age*, Joseph Ellis, an analyst at Goldman Sachs, made the following comment about the importance of why all the core club philosophies need to exist. He said, "The temptations are everywhere. It wouldn't be difficult to increase the gross margin by a point or two. Prices would still be well below almost any retailer. But it would defeat the purpose. The same is true for opening membership to the public, or increasing SKUs to offer a broader selection, or using price-oriented advertising, or allowing the use of credit cards. Each element of the strategy—facilities, operating efficiency, disciplined assortment, systems and, most of all, pricing—must be in place, or the concept can easily fail."

Lowest Cost – First and foremost, the club industry is all about low retail prices. In 1985, nine years after the first Price Club was opened, Sol Price, who co-founded The Price Club with his son Robert, in an interview, said, "My 'secret' is so simple that I'm reluctant to speak openly about it for fear of appearing stupid. I sell things as cheaply as I can."

From a business perspective, low costs and subsequently low retail prices are sacrosanct in the club industry. Buyers negotiate for the lowest possible cost on an item. Without that low cost, the club's would not be able to offer the lowest retail price. Without the lowest everyday retail price, club members may question the membership fee and decide to either not join or not renew. When members begin to question the membership fee, the club operating model ceases to exist. The following five points reinforce this philosophy:

1. **Member Fiduciary** – Due to the fact that members are paying to shop, club buyers understand they have a responsibility to offer merchandise at the lowest possible price. In an interview with *Fortune* (November 14, 2003), Sol Price said, "The whole philosophy was: How do we sell stuff at the lowest markup rather than the deepest discount? I never allowed them to use superlatives or comparative pricing or to have sales. All those things were gimmicks. We tried to look at everything from the standpoint of, is it really being honest with the customer? If you recognize you're really a fiduciary for the customer, you shouldn't make too much money."
2. **2013 Survey** – In 2014, warehouse club buyers were asked to rank the most important program attributes to a club buyer. The chart on the right shows responses to the question from 2011, 2012, 2013 and 2014. An item's price/value was ranked first in 2011 and 2013 and was ranked as equally important to product quality in 2012 and just behind product quality in 2014.
3. **Lowest Bracket** – Club buyers are trained to purchase product at the best possible (lowest bracket) cost. It does not matter whether an item can be initially purchased at the quantity required for that cost. Club buyers believe if an item is priced correctly, volume will follow. Today, club buyers, especially with new items, will negotiate with vendors to purchase the correct quantity for inventory purposes while making sure they receive the lowest bracket cost.
4. **Downward Spiral** – Club retail prices are generally the lowest price that can be achieved on a particular SKU. The low prices help to increase sales, which increases inventory turnover and enables club buyers to further negotiate lower costs and further reduce prices.

Most Important Buyer Needs				
Response	2011	2012	2013	2014
Quality	28%	30%	13%	33%
Price, Value	35%	30%	38%	32%
Uniqueness, Exclusivity, Crossover	8%	8%	7%	8%
Program, Assortment	1%	4%	2%	8%
Member Needs, Insight	7%	11%	13%	6%
Brand, Right Item, Trend	2%	5%	11%	4%
Packaging	6%	0%	6%	3%
Six Rights of Merchandising	0%	2%	0%	3%
Service, Support, Logistics	2%	2%	5%	1%
Volume, Velocity	0%	0%	0%	1%
Availability	0%	1%	0%	1%
Other	2%	2%	4%	0%
Demos, End Caps, Coupons	0%	0%	1%	0%
Vendor Experience, Consistency	3%	2%	0%	0%
Sustainability	0%	2%	0%	0%
News, Competitive Information	5%	2%	0%	0%
Exit Strategy	1%	0%	0%	0%

WCF Research, 2014

A good example of this downward pricing situation is Costco's fresh salmon (*Forbes*, August, 1997). "Costco used to sell fresh salmon fillets much like what you'd get at the neighborhood grocery store: with skin, belly fat and some bones still to contend with. Price: \$5.99 a pound. Over a few years it pressed its suppliers to trim the fat, peel the skin and ditch the bones. The price, meanwhile, was driven down to \$4.99 a pound. Customers bought more, giving Costco the heft to purchase directly from suppliers in Canada and Chile and shave the price further to \$4.79, barely half what local fishmongers charge."

5. **Item Deletion** – For vendors who do not offer the lowest price to a club buyer, item(s) may be deleted. For example, in November, 2009, Costco stopped reordering Coca-Cola soda and beverage SKUs nationwide. The decision to stop reordering all Coca-Cola products was presumably in response to lower prices being offered to Walmart/Sam's Club. A Costco.com message at the time stated, "Costco is committed to carrying name brand merchandise at the best possible prices. At this time, Coca-Cola has not provided Costco with competitive pricing so that we may pass along the value our members deserve." Within a few weeks, the issue was resolved and Coca-Cola products were stocked by Costco.

Quality – Offering the lowest cost is very important, but when it is combined with product quality, a competitive advantage is created. The clubs are fully capable of offering the lowest price in the marketplace on ketchup by stocking a low quality brand. However, the value proposition is magnified when the clubs offer the lowest price on the top selling and highest quality brand of ketchup, like Heinz.

In a 1992 interview with the *Daily News Record*, Jim Sinegal, Costco's founder and former president and chief executive officer, explained how the lowest cost and product quality are intertwined. He said, "I don't think there is any secret about the fact that people shop with us because of our value. And I stress the word value as opposed to price. We are attractively priced on quality merchandise. That is our reason for being."

In a February, 1989 interview, Sol Price provided the following example on why product quality is important. Price said, "A drayman in a Russian village, barely made enough money to buy hay for his horse so he tried to cut costs by putting a little more straw in the horse's feed each week. After the eighth week the horse dies. The owner complains bitterly to a friend that just about the time he had the horse trained to eat straw, it died on him. And a lot of merchants will do something similar. They'll bring in merchandise that isn't quite as good as they used to offer, but which gives them a better margin and then they can't understand why their business died."

Item Merchants – Warehouse club buyers are "item merchants". Unlike grocery store and supercenter buyers who are focused on growing a category's sales by offering a wider selection of merchandise, club buyers are focused on the success of each item they purchase. Since the clubs stock a limited number of SKUs, buyers closely monitor the sales and competitive nature of each item. Each item not only needs to offer member's a value (otherwise those member's might question the need to pay for a membership) but each item must meet a buyer's sales threshold. If an item does not stand on its own in terms of value and sales goals, it will not last.

Additionally, by maximizing an item's sales, the clubs are able to increase the number of times a given item will "turn". Therefore, the actual amount of gross margin dollars on each item can be smaller, especially in comparison to non-club competitors, since it will be duplicated more times.

Walter Teninga founded a club operator called The Warehouse Club in 1982. Teninga, prior to The Warehouse Club, was an executive at The Price Club so he was familiar with the industry. By 1995, The Warehouse Club filed for bankruptcy. In a 1983 interview with *Chain Store Age*, Teninga commented on the importance of stocking a limited number of SKUs in a category. He said, "The temptation to add SKUs is one of the most terrifying aspects of this business. We must constantly remind ourselves that we are not in the full-line retail business."

2014 Calendar Year - Worldwide					
Club	Sales per Club		Sales per	Sales per SKU	
	Yearly (million)	Weekly (million)	Square Foot	Yearly/Chain (million)	Weekly/ Club
Costco	\$171	\$3.3	\$1,187	\$24.8	\$710
PriceSmart	\$74	\$1.4	\$1,058	\$1.2	\$628
Cost-U-Less	\$23	\$0.4	\$714	\$0.1	\$133
Sam's Club	\$94	\$1.8	\$704	\$12.2	\$278
BJ's	\$68	\$1.3	\$621	\$1.8	\$168

WCF research, estimates, club reports.

The chart on the left shows key industry calendar year data for BJ's, Costco, Cost-U-Less, PriceSmart and Sam's Club. The chart is based on 2013 calendar year merchandise sales and SKU counts as well as the average number of club locations at the end of the previous two calendar years. The chart includes yearly sales per club, weekly sales per club, sales per square foot, annual sales per item if it is stocked in every location and weekly sales per item for one location. Ancillary business sales results are not included in the sales per SKU columns.

Sales per square foot and sales per week per club are two data points that exemplify buyer focus on item sales productivity. In term of sales per square foot, Costco has the highest figure of \$1,187 followed by PriceSmart at \$1,058, Cost-U-Less at \$714, Sam's Club at \$704 and BJ's at \$621. In terms of the average sales per item per week per location, the average SKU at Costco generates \$710 followed by PriceSmart at \$628, Sam's Club at \$278, BJ's at \$168 and Cost-U-Less at \$133.

Broad Assortment – By limiting the number of items in a category or department, the warehouse clubs have the space to stock a broad assortment of merchandise categories (see picture on the right from Costco of a heavy duty headlight restoration kit from Meguiar's) maximizing the shopping appeal of the clubs for both business and consumer members.

In a 1990 interview with *The Business Journal of Greater Sacramento*, Bo Cheandle, a stock analyst with Montgomery Securities, commented on this strategy and the effect it has not only on club operators but on competitors. He said, "These guys take a little bit of business away from a lot of retailers."



Costco – Headlight Restoration Kit

National Brands – The club's focus on national brands is rooted in the 80/20 assumption in retail where 80% of a category's sales are generated from 20% of its inventory. The club limited assortment philosophy "cherry picks" the best of that 20% group. Those items are typically well known brand name products that are recognized by members, perceived to be of high quality and whose non-club retail prices are more commonly known making it easier for members to determine the value offered by the clubs.

By duplicating this formula throughout its wide variety of categories, the overall perception that the clubs stock high quality merchandise is assured. Nationally branded merchandise also enables the clubs to reduce operating costs by avoiding the need for product advertising and offering minimal sales help in each location.

Treasure Hunt – The clubs are market-driven retail organizations that are constantly focused on providing a rotating assortment of unique, popular or high-consumption products at a value. That market-driven focus enables and forces club buyers to be very creative in developing and selecting merchandise. From using leftover rotisserie chicken to create a chicken soup SKU and chicken burrito SKU to stocking toilets, caskets, a solar powered generator, shoe orthotics and caviar, club buyers believe that they can sell any product as long as they can offer a value.

This creativity also forces manufacturers to manage their entire supply chain (research and development, packaging, distribution, sales and marketing) in order to provide a stream of innovative or enhanced club products. Vendors should understand the speed of change is fast and competitive pressures arise quickly. The risk of incumbent products losing business always exists as buyers constantly seek to improve their assortments in an effort to exceed member satisfaction.

Wholesale Members – The continued importance of the business member to overall club industry success can't be understated. This member represents two revenue streams for the clubs: purchases for his business and purchases for his family. By better meeting this member's wholesale needs, the clubs are more likely to gain a larger percentage of his personal shopping needs.

In a 2003 interview with *Fortune*, Jeff Brotman, co-founder and chairman of the board of directors at Costco, said, "We understood that small-business owners, as a rule, are the wealthiest people in a community, so they would not only spend significant money on their businesses, they'd spend a lot on themselves if you gave them quality and value. Jim [Sinegal] saw that you had to be just as much a merchant as Saks Fifth Avenue. You couldn't entice a wholesale customer with 20-pound tins of mayonnaise; you had to romance him with consumer goods."

The clubs have nine key business member groups: convenience and retail stores, contractors, religious organizations, schools and day care facilities, beauty salons and barber shops, offices, vending operators, motels and bed and breakfast operators and restaurant and foodservice operators.

Paid Membership – The most important part of the paid membership program is it provides the clubs with a revenue stream that in most years is equal to or greater than its net income enabling the clubs to essentially allow merchandise gross margin dollars to "cover" operating costs. Paid membership also reinforces member loyalty, discourages the casual shopper and creates a form of commitment from the member adding an incentive to shop frequently.

Club buyers protect that membership fee by meeting member needs by adhering to its low margin philosophy and its every changing wide variety of products. Knowing a club buyer always has its member needs "in the back of their head" when they are negotiating a product program is something every supplier needs to understand.

In a 1990 interview, Sol Price said, "First, membership provides a way for us to pre-select the demographics of our customer base without having to do all the extensive research that would otherwise be required. Business owners and managers, licensed professionals and people who work for governments, utilities, hospitals or banks tend to be more stable than many others ... Second, dealing exclusively with selected groups makes it possible to communicate with your customers effectively ... Finally, someone who pays for a membership in an organization makes a form of commitment. They have a built-in reason to come back."

Day-to-Day Strategies

The following day-to-day club buyer strategies are not provided in order of importance. Please note, marketing programs like road shows and product demonstration, while very important to club buyers, are not listed in this section but are explained in detail in the Marketing Money and Product Demonstration chapter.

Crossover Items – Crossover items are targeted to businesses and consumers and they possess the greatest sales potential since they appeal to all members. A food vendor said, “Products should generally be cross-functional for both types of members. It’s not specifically mentioned at most calls but it is an added product attribute and can help sell the item.”

Regional Selection – The clubs are always trying to find local vendors/items. Regional manufacturers are attractive because members are familiar with the brand names and recognize the value the clubs offer. Club buyers are generally more willing to work with regional manufacturers as it helps to ingratiate them to the marketplace and differentiate the clubs from their competitors.

Regional manufacturers sometimes generate a large percentage of their business with the warehouse clubs. Buyers are aware of this situation and know that discontinuing an item from a regional vendor can sometimes mean placing a vendor in a negative financial situation or literally putting a manufacturer out of business. The manufacturer should consistently communicate its plans and club-related capital expenditures to his buyer so that any decision to add or discontinue products is not a surprise and can be reacted to without financial hardship or risk.

Patience – Manufacturers beginning to sell the clubs should understand that programs and profits need time to develop. There is a tremendous opportunity to grow a business quickly by selling the warehouse clubs. However, once the sale is made, the manufacturer must demonstrate a great deal of patience. For example, the clubs have strict SKU and delivery requirements as new items are ordered only when the items they are replacing run out.

Wait, Wait, Wait, Hurry Up – In many cases, “wait, wait, wait, hurry up” is the motto of the club industry. It can take buyers a long time to make decisions, but when they finally make a purchase decision, they will want the manufacturer to react quickly and efficiently. Manufacturers can gain competitive advantages if they are prepared for the speed necessary to supply this industry and can react quickly to opportunities.

Slow-Selling Items – When an item is not selling well, the buyer will look to the vendor for help in removing the item from inventory. Club buyers are quick to deal with slow selling items. It is helpful if a plan for moving slow items can be addressed at the time a program is being negotiated.

There are several ways to deal with slow-selling items: product demonstrations, markdowns or just removing the product from the warehouse. Vendors should stay on top of an item’s sales and the buyer’s opinion about the item. Address any concerns before he makes any permanent decisions. The following are examples of items whose sales started off slow but changes were made and the items became successful.

Belvita – A Costco dry grocery and candy buyer commented on the importance of getting a package size correct. He said, “Belvita - when it was a 15ct box. Sales were slow due to the pack size and too small for us! I discontinued it until they would make me a better valued item with a higher count. They FINALLY upsized it to a 25-ct at a value and now it's doing over \$1000/week/bldg.”

Marketing Support – A Sam’s Club operator said product support is important for an item’s success. He said, “Squeeze applesauce for kids in a tube. It did not succeed because there were few product demos and not enough advertising.”

Gross Margins – In 2014, vendors and stakeholders were asked the typical gross margin each club generates on their items. Respondents do not necessarily know the cost each club allocates for its cross dock and/or distribution center. Therefore, the merchandise gross margin results in the chart on the right may be slightly elevated. The chart includes data from 2004, 2012, 2013 and 2014.

Average Gross Margin				
Club	2004	2012	2013	2014
Costco	13%	13%	13%	13%
Sam's Club	13%	16%	16%	16%
BJ's	15%	18%	18%	17%
PriceSmart	n/a	17%	16%	18%

WCF Research, 2014

As can be seen, Costco’s merchandise gross margin philosophy remains consistent with vendors and stakeholders reporting an average of 13% in all four years of this study. Sam’s merchandise gross margins increased from 13% in 2004 to 16% in 2012, 2013 and 2014. BJ’s merchandise gross margins increased from 15% in 2004 to an average of 17.7% the last three years. PriceSmart’s merchandise gross margins the last three years ranged from 16% to 18%.

Buyer Gratuities – Some club operators, such as Costco, do not allow buyers to accept any gratuities. Before making a mistake, a vendor should check with the particular club buyer before sending any gifts.

Product Tests – One way for vendors to get their “feet in the door” is to offer to test items. A food vendor said, “Overall, we like in-and-out items, they work well for us and we find the buyers listen. I think the buyers like them too, as they get to test an item. If it blows out they know it is a winner and can consider it for longer term. It also takes the big mistakes out of the buying decision if you get to test a concept.” Manufacturers have a few options in proposing product tests. These include:

Guaranteed Sale – A vendor will guarantee the sale of the test SKU. This protects the club buyer from markdowns. If the product does not sell up to expectations, the supplier will either accept full product return or will fund a markdown.

Free Merchandise – A manufacturer can provide free goods for the buyer to test in a number of locations.

Inventory Purchase – A more aggressive approach is for a manufacturer to purchase the inventory of a competing product. The manufacturer is able to get their item stocked without the concern of a competitor’s item taking away sales. This provides a clear opportunity for the buyer to compare sales results.

Vendor Office – A vendor should make sure that his office staff knows who the buyers and reorder people are at each club. A vendor must be able to react to their questions quickly. A buyer needs to know that a vendor will provide prompt attention and immediate responses to his concerns. This is especially important when product supply issues are discussed. Due to the high volume and limited inventory nature of the club industry, out-of-stock situations can occur quickly.

Diverting Merchandise – As the club industry grew and developed, one of the problems buyers faced was unwillingness by many manufacturers to sell their merchandise in the club channel. Those apprehensive vendors were concerned that their products would not sell well due to lack of service and support and that the low margin philosophy of the clubs would disrupt existing supply channels.

When faced with manufacturers who refused to sell their merchandise to the clubs, buyers would often turn to diverters to acquire the items. The diverter, or third-party suppliers (typically an existing distributor or retailer), would purchase the products from the manufacturer and sell them to the clubs. Diverted merchandise still appears in the club channel today.

Closeouts – Club buyers are very interested in discontinued items, or inventory “close-outs.” The clubs like to purchase complete inventory of the discontinued or closed-out item in order to retain exclusivity on the product.

IRI/Nielsen – The importance of IRI/Nielsen data in sales meetings is mixed and can vary from buyer to buyer and club to club. A Sam’s Club buyer said IRI/Nielsen data does not always translate. He said, “[IRI/Nielsen should be used] only as a base to show how a brand or item is doing in the rest of the market. It is important to remember that just because an item does well in the general market does not mean it will be successful at Sam’s Club... it still has to be right for our members.”

However, IRI/Nielsen data does identify distribution gaps. A Sam’s Club buyer said, “[It can be used] to show where we have gaps in our distribution. [For example] item A is stocked in clubs 1, 3, 4 but the Nielsen data shows that the market area around club 2 is up 50% in the last 52 weeks. In this case I may give the supplier a chance in club 2 to see if it will sell because it indexed well in the market.”

Lastly, if IRI/Nielsen data is going to be included in a presentation, all the appropriate data points should be provided whether the information supports your product/brand or not. Buyers can tell when information is omitted. A Sam’s Club respondent said, “Sometimes the biggest mistake that suppliers make is data omission. I can usually tell what data points are being purposely omitted and know that those data points would be detrimental to their selling story.”

No “Laundry List” – A club buyer commented on the fact that vendors should present their top selling items only. Buyers do not want to see a “laundry list” of products. He 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.”

Location Visits – The importance of vendor visits to the locations cannot be overlooked. One of the best ways to develop new programs and product ideas is to visit the clubs and not only see what your buyer and competitors are doing but see what is happening in other categories. Club buyers, even today, still encounter salespeople who have never visited a location.

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.”

Plant Tours – Whether they accept the invitation or not, always encourage club buyers to take plant tours. Buyers see different manufacturing facilities and can be a good source of ideas and concepts that may be useful to reduce costs. However, the visit needs to be productive and interesting for the buyer and if a meal is planned during the visit, it is better to keep it low key. The clubs are conscious of cost reduction and taking the buyer out to a fancy restaurant may give him the wrong impression of your company.

A Sam's Club buyer said, "Working to understand every step of the supply chain makes us smarter buyers and helps understand the levers of cost and value we can adjust in the product and in supply chain to drive improvement and efficiency." Another Sam's Club buyer said, "They are VERY beneficial but we don't get to do them enough. It really allows the buyer to learn about the product in ways that they would not be able to do sitting in an office. You can also learn a lot about how well a supplier is running their business based on the way they run their plants and how satisfied the people on the lines are."

Club Channel Focus – One ongoing complaint from buyers and club executives is a lack of vendor organizational focus on the channel. Vendors whose organization is designed to consider the needs of its retail and grocery customers first are at a competitive disadvantage. Although club sales and marketing personnel understand the opportunities within the club channel, their superiors may still believe that the clubs are an "alternative" distribution channel and, therefore, do not dedicate company resources for club-specific product development.

Vendors who structure their organizations to provide the club channel with equal access to capital and resources for new and existing product development will have a competitive advantage versus manufacturers who do not. Telling a club buyer that a particular product is going to the club channel first or will not be going to the grocery stores at all can be a strong selling point.

Common Presentation Mistakes – Over the years, during our annual club industry survey, club buyers are asked about common mistakes vendors make in sales presentations. The following are some of those responses:

Member Type – A PriceSmart buyer said, "They assume that 90% of PriceSmart's members are housewives and base retail pricing on that and that is not correct."

Lack of Club Knowledge – A Sam's Club buyer said, "Lack of an understanding of the Sam's Club warehouse environment, unprepared to discuss a multichannel offering through Samsclub.com, constant comparisons to Walmart (we're a different retailer with a different model). Many new suppliers don't make an attempt to leverage our [coupon] program, major marketing publications nor our Samsclub.com assets. Many vendors also are not aware of Sam's Club's SKU discipline."

A BJ's buyer said, "[Suppliers] don't know enough about our business or worse didn't visit a club and study what we have." A Costco buyer said that common mistakes include "not offering us the right value, not knowing how many locations are in the region they are presenting to AND the worst is the vendor making incorrect assumptions."

Duplicating Presentations – One Sam's Club buyer described a common occurrence where a supplier will use a presentation created for Costco for their meeting. He said, "I have also seen (more times than you would believe) suppliers bring in presentations that were obviously created for Costco ... showing pallets on the 48-inch side including Costco item numbers and I have even seen them put Costco information in the deck they give us by mistake."

Quality First – The relationship between a product's price/cost and quality is interesting. A vendor may assume that the buyer wants to see the price/cost at the beginning of the presentation. A couple Sam's Club buyers said, "No". One Sam's Club buyer said, "Talking price first. Step one should be getting the quality where we want it and then back into the costs and retail. Another common pitfall is to start with final expected retail and back into the cost. I prefer to negotiate my costs based on the cost of the product, not on what the supplier perceives as an acceptable retail and margin."

Decision Making Ability – A BJ's buyer said that meeting with salespeople that do not have decision making ability is a potential impediment to authorizing an item or program.

A Focus on Competitors – A Costco buyer said one common mistake is a vendor "telling me why something I bought was bad quality instead of focusing on what is great about their item."

Partnerships are Important – Sam's Club buyers are much more focused on developing a partnership with their vendors. The Sam's Club buyer said, "They do not look at the total category. They focus on one item at a time or just their items. We are looking for partnerships that will grow total category, not just their business."

Too Attached to Own Items – A Sam's Club buyer commented on supplier's being too focused on their own products. One buyer said some vendors present "their items as the biggest and greatest diverting their attention from analyzing competitors. Then, they ending up in trash-talking their competition". Another Sam's Club buyer said suppliers are "too attached to their items and not willing to change and be open to criticism."

Organic – Over the past few years, the warehouse clubs have increased their focus on organic products (see picture on the right from Costco of a case of twelve 4-ounce cans of Giorgio organic sliced mushrooms). BJ's organic assortment increased from 102 products in 2012 to 108 items in 2014. Costco's assortment of organic merchandise increased from 50 items in 2012 to 133 items in 2014. Sam's organic assortment increased from 8 products in 2012 to 22 SKUs in 2014.

Warehouse club focus on organic merchandise benefits the clubs in six ways:

1. Organic merchandise reinforces a member's perception of a club's focus on product quality.
2. Organic merchandise is more expensive to produce resulting in higher retail price points helping to increase a club's average transaction.
3. Non-club retailers who sell organic merchandise likely generate higher than normal margins on these items enabling the clubs to offer larger than normal savings on comparable products.
4. Organic merchandise adds to the treasure hunt club buying philosophy.
5. Organic merchandise supports a club's search for exclusive or hard to find products.
6. When the previous five qualities work correctly, organic merchandise generates the necessary sales dollars for club buyers to continue to purchase.



Costco – Giorgio Organic Mushrooms

This last point cannot be emphasized enough. Club buyers are very focused on an item's sales productivity. If an item does not meet certain sales thresholds, it will be deleted. The simple fact that the clubs not only stock organic merchandise, but continue to rotate that selection means those items are generating sufficient sales.

Exclusivity – The clubs pride themselves on discovering new and interesting items and want products sold exclusively to them. Having a member know he can only purchase an item at a particular club is important for the buyer.

Notes

Pricing Concepts

The warehouse club strategy is based on providing members with the lowest possible merchandise price. Summing up his retail pricing philosophy, Sol Price, co-founder of Price Club and the warehouse club industry, said, "I sell things as cheaply as I can. We never advertised sales. We just always tried to carry honest merchandise at an honest price. I've always felt we had an obligation to our members to get them the best goods at the best price and not try to take an extra nickel out of them."

The club industry's focus on providing low prices is reinforced by Jim Sinegal, co-founder of Costco Wholesale and currently a member of its board of directors. In a July 17, 2005 article in *The New York Times*, Sinegal, said, "When I started, Sears, Roebuck was the Costco of the country, but they allowed someone else to come in under them [with lower prices]. We don't want to be one of the casualties. We don't want to turn around and say, 'We got so fancy, we've raised our prices,' and all of a sudden a new competitor comes in and beats our prices." This chapter provides background, insight and suggestions regarding warehouse club pricing strategies and concepts.

Cost is Top Concern

In the Fall, 2014, club buyers and vendors were asked to list the most important attributes for a warehouse club product. The chart on the right shows club buyers responses from 2011, 2012, 2013 and 2014. Product quality and an item's price/value have consistently been the two most important program attributes for club buyers and operators. An item's price/value was ranked first in 2011 and 2013 and was ranked as equally important to product quality in 2012. For the first time since club buyers and operators were included in our annual club industry survey, product quality was the top ranked program attribute cited by 33% of respondents.

Most Important Buyer Needs				
Response	2011	2012	2013	2014
Quality	28%	30%	13%	33%
Price, Value	35%	30%	38%	32%
Uniqueness, Exclusivity, Crossover	8%	8%	7%	8%
Program, Assortment	1%	4%	2%	8%
Member Needs, Insight	7%	11%	13%	6%
Brand, Right Item, Trend	2%	5%	11%	4%
Packaging	6%	0%	6%	3%
Six Rights of Merchandising	0%	2%	0%	3%
Service, Support, Logistics	2%	2%	5%	1%
Volume, Velocity	0%	0%	0%	1%
Availability	0%	1%	0%	1%
Other	2%	2%	4%	0%
Demos, End Caps, Coupons	0%	0%	1%	0%
Vendor Experience, Consistency	3%	2%	0%	0%
Sustainability	0%	2%	0%	0%
News, Competitive Information	5%	2%	0%	0%
Exit Strategy	1%	0%	0%	0%

WCF Research, 2014

Offering the lowest cost is very important, but when it is combined with product quality, a competitive advantage is created. For example, the clubs are fully capable of offering the lowest price in the marketplace on ketchup by stocking a low quality brand. However, the value proposition is magnified when the clubs offer the lowest price on the top selling and highest quality brand of ketchup, like Heinz.

Club vendors were asked what the most important program attribute is for a BJ's, Costco and Sam's Club buyer. Results for this question can be seen in the chart below includes data from 2004, 2013 and 2014.

BJ's – The importance of the price or cost of an item continues to be the most important program attribute to a BJ's buyer cited by 43% of respondents in 2004, 58% of respondents in 2013 and 49% of respondents in 2014.

Costco – While the cost of an item is most important to Costco buyer (cited by 38% of respondents), the importance and consistent need for product quality is a significantly greater program attribute than at BJ's and Sam's. Product quality was not cited as a key program attribute by respondents for BJ's and Sam's.

Sam's Club – The price of an item continues to be the most important program attribute for a Sam's Club buyer cited by 57% of respondents, the highest figure among the three clubs. However, this figure has decreased from 76% in 2004 to 67% in 2013 to 57% in 2014. The uniqueness or exclusivity of an item was not cited as important in 2004 but was cited by 7% of respondents and 2013 and 18% of respondents in 2014.

Most Important Program Attribute To A BJ's, Costco And Sam's Buyer												
BJ's				Costco				Sam's Club				
Response	2004	2013	2014	Response	2004	2013	2014	Response	2004	2013	2014	
Price, Value	43%	58%	49%	Price, Value	52%	29%	38%	Price, Value	76%	67%	57%	
BBM	0%	5%	11%	Quality	28%	45%	27%	Uniqueness, Exclusivity	0%	7%	18%	
Service, Support, Logistics	7%	0%	11%	Uniqueness, Exclusivity	10%	14%	19%	Coupons, Demos, End Caps	0%	7%	11%	
Volume, Velocity	0%	9%	11%	MVM, End Caps, Marketing	0%	0%	8%	Program, Assortment	0%	3%	7%	
Empty Nester Items	0%	0%	6%	Road Show/Demos	5%	3%	4%	What Costco Stocks	5%	0%	7%	
Program, Assortment	14%	0%	6%	Service, Support, Logistics	5%	0%	4%	Business Items	10%	0%	0%	
Uniqueness, Exclusivity	22%	5%	6%	Packaging	0%	3%	0%	Member Needs, Insight	0%	7%	0%	
Demos, End Caps, Coupons	7%	4%	0%	Partnership	0%	3%	0%	Other	4%	3%	0%	
Organic, Natural	0%	5%	0%	Volume, Velocity	0%	3%	0%	Packaging	5%	0%	0%	
Other	7%	4%	0%					Partnership	0%	3%	0%	
Packaging	0%	5%	0%					Quality	0%	3%	0%	
Quality	0%	5%	0%									

WCF Research, 2014

Pricing Items Correctly

Due to minimum order requirements and inventory control philosophies, club buyers were not always, and in some cases, are still not able to purchase an item at the best possible price. Sol Price believed that club buyers should set retail prices based on the best possible (lowest bracket) cost. It did not matter whether that item could be initially purchased in the quantity required for that cost.

Price believed if the item was offered at the best possible retail price, the club member would purchase the item in sufficient quantities allowing the buyer to place future orders at the lowest possible cost. To achieve this, Price trained his buyers to negotiate with the vendor to purchase at the lowest bracket cost while buying the correct quantity based on inventory turn goals. If the vendor refused, the buyer was faced with a decision of whether to accept lower gross margins or find another vendor or item.

Low Price Negotiations

Vendors selling BJ's, Costco and Sam's Club should expect buyer's to do two things when it comes to a product's costs. First, the buyer will constantly search for ways to reduce an item's cost. The buyer will generally pass these savings onto the member in the form of lower retail prices. The effect, in principle, is simple: low prices help to increase sales, which increases inventory turnover and enables the buyers to further negotiate lower costs and further reduce prices.

Secondly, club buyers are very sensitive about not receiving a vendor's best price. For example, Sinegal taught his buyers that they should expect manufacturers to always be offering their lowest prices to Costco. If they do not, Costco buyers were taught to not do business with companies who do not provide their lowest costs. Sinegal said, "We have to be competitive in the toughest marketplace in the world against the biggest competitor in the world. We cannot afford to be timid."

Average Gross Margin				
Club	2004	2012	2013	2014
Costco	13%	13%	13%	13%
Sam's Club	13%	16%	16%	16%
BJ's	15%	18%	18%	17%
PriceSmart	n/a	17%	16%	18%

WCF Research, 2014

Gross Margins

In the Fall, 2014, club vendors provided the merchandise gross margins generated on their products at each club. Respondents do not necessarily know the cost each club allocates for its cross dock and/or distribution center. Therefore, the merchandise gross margin results in the chart on the left may be slightly elevated. The chart includes data from 2004, 2012, 2013 and 2014.

As can be seen, Costco's merchandise gross margin philosophy remains consistent with vendors and stakeholders reporting an average of 13% in all four years of this study. Sam's merchandise gross margins increased from 13% in 2004 to 16% in 2012, 2013 and 2014. BJ's merchandise gross margins increased from 15% in 2004 to an average of 17.7% the last three years. PriceSmart's merchandise gross margins the last three years ranged from 16% to 18%.

Commodity Products

The best way to prevent potential confrontations with club buyers over increasing and decreasing commodity costs is to consistently provide commodity pricing information. Vendors and brokers should keep buyers abreast of the appropriate commodity market via weekly or biweekly market information. Club buyers are responsible for a wide variety of categories. Therefore, it is best to customize the information so that it is concise and will be read by the buyer. Any information to help the buyer understand the commodity market's effect on an item's cost will make it easier to explain changes.

Cost Increases

The clubs want to be the last retailer to increase its prices when costs are rising. Before accepting any cost increase, club buyers will attempt to negotiate a reduction in the cost increase, attempt to push off the cost increase for a period of time or will threaten item deletion if the cost increase must be accepted. Due to the fact that the clubs stock few items within each category, club buyers have backup purchasing items for many of their current products. Club buyers will not hesitate to change brands, especially if the competing brand does not have any cost increases planned.

However, if a club accepts the premise of a cost increase, they will require 30 days for the change to become effective. On non-perishable product, the clubs will more than likely "buy in" inventory at the lower cost before the increase goes into effect. The clubs will try to keep retail prices at the lowest level for as long as possible.

Cost Decrease

The clubs want to be the first retailer to reduce its prices when costs are decreasing. Clubs are aggressive when vendors present cost decreases. Manufacturers may be surprised to find that when the cost of an item is going to be reduced, the clubs will want to immediately reduce prices at its club locations.

To do this, the clubs will ask the manufacturer for inventory cost protection. To continue to generate normal merchandise gross margins based on the lower cost and the lower retail price, the acquisition cost of the existing inventory must be reduced. The club buyer will ask the vendor for a credit for the difference between the new and old cost of that existing inventory.

Payment Terms

In past club industry surveys, vendors were asked if their club buyer tried to negotiate better payment terms. Sixty-three percent of respondents in those surveys said that the clubs do try and negotiate better payment terms. For example, a medium sized food vendor said that their normal payment terms are 2% net 30 days but Costco negotiated 2% 35 days if the payment is made electronically.

A food manufacturer explained the importance of extended payment terms for in-and-out items. “We gave extended terms on a recently successful in-and-out item. The terms were critical, it allowed the club a chance to bring the product in, sell it, and then pay for it. Everyone was happy. We used 45 day terms and I think the last units sold within 60 days so just about all the purchases were sold at the club level before the club had to pay for the merchandise.”

PriceSmart – PriceSmart typically looks for payment terms of 60 days, especially from U.S. vendors. PriceSmart's supply chain begins at its distribution center in Florida. Product movement from that facility to its locations in Latin America and the Caribbean can take up to three weeks. Additionally, when an item passes through customs in each country, PriceSmart is required by law to pay the duty on the item, which can range from 1% to 25% of the item's cost. Before PriceSmart is able to sell an item, it has owned the product for up to three weeks and it has incurred import costs for that item.

Menu Pricing

One of the strategies club buyers use to negotiate the lowest price is to request menu pricing from vendors. When a buyer asks for this, he first wants to see the base cost of a single sell unit. Then, the buyer wants to see how much per sell unit the marketing programs (coupons, end caps, product demonstrations, etc) would cost. The buyer wants to see menu pricing because it allows him to build the program to his best advantage and it allows him to understand the cost structure of the product to be able to better negotiate costs out of the program.

Spoilage Allowance

Perishable buyers will negotiate an off-invoice spoilage allowance. In return for providing the spoilage allowance, manufacturers, generally, will not accept product returns. The clubs assume that manufacturers who do not provide spoilage allowances will accept returns. Whatever method is negotiated into the product program, make sure that the club buyer clearly understands what it can and cannot do with respect to damaged or spoiled product.

Notes

Product Development

This chapter provides a few key strategic concepts that club suppliers need to consider not only when developing new items for the channel but trying to further develop and grow a particular product or a company's overall club business. Those concepts include: a strategic plan, creating value, preparing for change, dealing with a mature club item, vendor profitability, international sales and joint business planning.

Strategic Plan

Howard Jackson is founder of HSA Consulting (www.hsaconsultinginc.com), a consulting company that offers strategy and implementation services to companies involved in the warehouse club industry. Jackson believes all clubs vendors need to have a strategic sales plan when preparing to sell BJ's, Costco, PriceSmart and Sam's Club. That preparation includes: a business plan, a proactive philosophy and an exit strategy.

Business Plan – Commenting on working with new vendors, Jackson said, "Our first task is to create a 24-month plan and determine whether our client has or could acquire the necessary resources such as finance, people and production capacity to supply the clubs. This sounds like a rather obvious step. However, this is where most clients fail. The ramp-up from a successful partial launch can be fast. We advise clients to minimize their initial investment by avoiding fixed costs wherever possible, often by sacrificing margin and program control. Investing ahead of revenue is something we encourage our clients to avoid."

Proactive Philosophy – One concept that is very important for vendors – is to have a proactive approach to the business after a sale is made. Jackson said, "The other thing that club vendors must recognize is when they sell a product to the clubs, it is their responsibility to manage the product and to understand what is happening with it. The key to a long and happy relationship with your club buyer is to avoid surprises and make them successful. You have to manage the inventory, know where it is selling and make recommendations to the buyer to resolve any problem before the buyer calls you. Buyers are not only looking for unique items, they want suppliers who understand the business and can provide a flow of unique, successful items. In the end, vendors need to do their best to make sure inventory is clean after an item is deleted."

Exit Strategy – Vendors who have an exit strategy for their club SKU have a better opportunity for a more profitable club business. Jackson said, "It is the end of the program where vendors lose their gross margins because they stay too long. From my experience, the companies that have been unsuccessful selling the clubs are the ones that fulfill an extra order because an in-and-out item is selling really well, but just starting to show signs of deterioration. Don't be greedy."

Creating Value

Club members pay to shop and expect products that they purchase at BJ's, Costco, PriceSmart and Sam's to offer them a value. Without that value, the channel would not exist because members would not pay to shop and profits, which are typically represented by membership revenues, would evaporate. Club product value is created in three ways: an item's cost can be lowered and the savings passed to the member in the form of lower prices, features or benefits can be added to a product without raising the cost and retail price and the item's package can be modified to lower the product's unit cost.

Cost – Club buyers are constantly trying to negotiate lower product costs. They are aware that they control tremendous volume from their vendors and are willing to work with them to better understand and improve the efficiency of the manufacturing and distribution processes.

Package – The other method buyers use to create value is to increase the package size of an item while reducing the unit cost. Large packages, in addition to the value, positively affect club operations in four ways:

1. Larger packages increase the club's average transaction reducing the front end payroll percentage of sales;
2. Studies have shown that consumers who purchase larger packages are likely to consume those items at a faster rate quickening the pace of repeat sales;
3. Larger packages yield a higher retail price increasing gross margin dollars;
4. Larger packages can improve distribution efficiency since a vendor is likely to be able to ship more product per truck reducing the freight cost per unit.

Features – Club buyers will try to get features or benefits added to products without increasing the overall cost. Manufacturers who develop and present products that are bundled with these cost-neutral added features, products or benefits increase the effectiveness of their presentations and the sales potential of their merchandise.

Prepare for Change

When it comes to merchandise assortment, the core philosophy in the club channel is constant change. The warehouse clubs are market-driven retail organizations that are constantly focused on providing a rotating assortment of unique, popular or high-consumption products at a value. This fact challenges manufacturers to constantly manage their entire supply chain, (research and development, packaging, distribution, sales and marketing) to provide a stream of innovative or enhanced club products.

The speed of change is so fast that competitive pressures arise quickly and the risk of incumbent products losing business always exists as the clubs constantly seek to improve their merchandise assortments in an effort to exceed membership satisfaction.

One area of constant change is packaging. In our 2013 warehouse club industry survey, club buyers were asked how fast vendors should respond to packaging ideas and concepts. Club buyers (as seen in the chart on the right) said the most important issue for a supplier when they are tasked with a new product package is to provide a development timeline very soon after a meeting. This should probably occur within a week. With that timeline in hand, the buyer and vendor can agree on the timing of when the prototype is delivered and when shipments can start.

How Fast Should Vendors Respond to Packaging Ideas?	
Club	Response
BJ's	Follow up with in a week with recap and samples within three weeks.
BJ's	Follow up within a week as to timing and produce deliverables as promised.
BJ's	Less than 2 weeks.
Cost-U-Less	30 days.
Sam's Club	Idea development within a week and prototype within a month.
Sam's Club	Needs to be quick. If they don't respond quickly then we will have issues with delivery and execution. So, we make this a part of proposals on the front end and eliminate potential issues before they can begin.
Sam's Club	Within a week, I would expect a follow up, not the completed revision. At that time, I would like to know the timeline they expect to have something back.

WCF Research, 2013

Vendors and stakeholders were asked this question as well. They echoed the buyer responses with respect to the quick turnaround regarding a development timeline. A number of respondents said that buyers are collaborative regarding this process. A large (annual sales exceeding \$500 million) non-food vendor said, “[We develop a] mutually agreed upon timeline. They tend to be very collaborative and willing to work with you on timing.”

Mature Item Sales Growth

One situation that is a challenge for any supplier with a successful club item is what to do if/when sales growth plateaus and the item becomes mature. Overall, respondents listed six strategies to increase sales on mature club items: incorporate natural/organic ingredients, update packaging, lower costs, participate in coupon programs, including bonus items and perform product demonstrations.

A food vendor said, “[We use] additional product demonstrations, magazine advertising [and started] to use television advertising.” Another food vendor mentioned advertising funds as well. He said, “Strategies vary by club customer based upon the club’s individual strategy and actual club traffic. Product demonstrations, end caps and coupons are used where there is enough club traffic and/or volume to justify.”

Packaging changes are another option but as one food vendor encountered, this type of change may not be that effective. He said, “We have improved package designs to try and make the items more attractive at the time of purchase. However, we have encountered only moderate success in this regard.” In addition to packaging changes, a non-food vendor also discussed removing the item. He said, “We analyze the sales and either replace the item with one that we feel will generate more sales, adjust the pack size upward or improve the packaging and displays.”

A medium food vendor offered a good strategy, in terms of timing, for dealing with any longstanding club item. He said, “We try to touch mature items every 2-3 years through either formula updates or packaging updates to refresh the item.”

Vendor Profitability

A key consideration for any club product is how profitable it will be for the vendor. In our 2013 warehouse club industry survey, club vendors and stakeholders were asked how they stabilize/grow the margins of the products they sell the clubs (see chart on the next page).

A club supplier said managing margin is a big challenge. He said, “This is becoming more difficult as the clubs are looking for cheaper pricing, but the profits of the club stores continue to grow, whereas the shippers have heavier costs which the clubs are refusing to understand!” A non-food vendor commented how his company’s strategy for BJ’s and Sam’s Club differs for Costco. He said, “Focus on BJ’s and Sam’s and use Costco for upside. BJ’s and Sam’s are willing to work with you longer to build and exit items than Costco is.”

A food vendor said, “Tough one...our margins tend to decline year after year with the hopes of increasing items and unit growth.” A non-food vendor takes a proactive approach to margin management. He said, “We maintain a gross margin task force which is a team of people from brand, supply, trade marketing and field sales to constantly evaluate potential savings.”

International

Selling Sam’s and Costco internationally can not only help a vendor grow its overall club business but it can help to reinforce existing relationships and programs with national buyers.

A food vendor said, “We started selling Costco international this year [2012]. I think it would be wise for vendors to focus some of their energies in this area. Because it is an area that Costco is very focused on, I think just the act of pursuing Costco international can help show your commitment to Costco overall. I would also advise vendors to be upfront with Costco as to what they can and cannot do in term of capabilities with packaging, product formulations, etc... I've found international buyers to be very willing to work with you if you show the willingness to work with them.”

Stabilize/Grow the Margins of Club Items?		
Company		Response
Small	Broker	Constant flow of new products.
Small	Broker	Continually work on reducing packaging costs.
Large	Food	Procurement and supply chain optimization initiatives.
Large	Food	Better shipping efficiencies.
Large	Food	Tough one...our margins tend to decline year after year with the hopes of increasing items and unit growth.
Large	Non-Food	We maintain a gross margin task force which is a team of people from brand, supply, trade marketing and field sales to constantly evaluate potential savings.
Large	Non-Food	Focus on BJ's and Sam's and use Costco for upside. BJ's and Sam's are willing to work with you longer to build and exit items than Costco is.
Large	Non-Food	Improving product quality and manufacturing efficiencies.
Large	Other	This is becoming more difficult as the clubs are looking for cheaper pricing, but the profits of the club stores continue to grow, whereas the shippers have heavier costs which the clubs are refusing to understand!

WCF Research, 2013

Costco United Kingdom – Russell Shaw worked for Costco in the United Kingdom for 17 years from 1993 through 2010. He started out as a buyer and left when he was assistant general merchandise manager in charge of candy, tobacco, sundries and alcohol. Russell was interviewed about Costco’s United Kingdom division.

United States Merchandise – Russell said that a key point of differentiation between Costco and its United Kingdom retail and wholesale competitors is its every changing variety of products from the United States. Russell said, “Prior to Costco’s entrance into the UK, no one had seen a 900 gram bag of chips before. Yoshida’s BBQ sauce is another item that jumps out as being a typical Costco import that has done very well with UK members. As the United States appears to be two to three years ahead of consumer trends in the UK, there is a demand from Costco UK members for quality United States imports.”

Packaging – Commenting on packaging issues facing United States suppliers, Russell said, “All items have to comply with European Union legislation in terms of ingredients and how it is packaged and labeled. As a basic rule of thumb, UK requirements are not too dissimilar to Canadian. It is mandatory to have weight declarations in grams first and nutritional information is given per 100 grams.”

Planning – Russell listed seven concepts for United States suppliers to consider when selling Costco United Kingdom:

1. Understand and research the United Kingdom market in relation to the item you plan to sell.
2. Are there similar items in the United Kingdom?
3. What are the retail prices of those competitive products?
4. Does the item in question have a unique selling proposition?
5. What would the net landed cost in the United Kingdom be taking into account packaging, levies, duties and transport?
6. Would that net landed United Kingdom cost create a prohibitive pricing situation compared to competing products?
7. Items that Costco already stocks in the United States do have a better chance of success in the United Kingdom due in part to its proven sales history.

Joint Business Planning

In March, 2010, Sam’s launched its Joint Business Planning (JBP) strategy whose goal is threefold: product and packaging innovation, improving supply chain efficiencies (with the savings reinvested to lower a product’s cost and retail price) and business investments to spur sales using instant savings, product marketing and advertising and product demonstrations.

In the April, 2012 issue of *Drug Store News*, Sam’s vice president of consumables said, “A lot of people ask us, ‘What does joint business planning mean? What does it look like?’ For us, it’s less about a process and more about a mindset. We don’t want it to be transactional. We want to develop a relationship with our suppliers. The secret is how do we unlock mutual growth together — not just in the short term, but [also] in the long term? It’s not unusual for us to work with our suppliers far in advance of a product launch — sometimes years in advance.”

In August, 2012, Charles Redfield, executive vice president of merchandising at Sam’s Club, spoke at the Grocery Manufacturers Association annual executive conference about JBP. The key to the program, according to Redfield, is trust. When Sam’s Club and its participating JBP vendor have an open dialogue where each side is able to challenge the other and each side is open to new and innovative ideas, joint business planning can be very productive. Redfield said, “Suppliers are not the enemy. We have plenty of competitors to compete with. When trust becomes broken [that] is when companies treat JBP as an exercise or piece of paper ... People can fall out of the process and they have.”

The program requires participation from high level executives and it should not be viewed as a short term program. The president of Georgia-Pacific's North American consumer business said, "JBP should not be about things that salespeople and buyers can do on an everyday basis. This is not your father's top-to-top meeting. There is a high level of senior management engagement and commitment required to make this work." The chief retail sales officer with Coca-Cola refreshments, said, "I give a lot of credit to Sam's because they really invested in the process. Prior to JBP, we had a plan for our business and they had a plan for the category, but they weren't always the same plan."

A food vendor said, "It helps to focus the supplier on a more strategic long term outlook and plans rather than short term, tactical initiatives." Another food vendor said, "It has allowed for clearer understanding of expectations." A non-food vendor said, "[There is] more longer term planning around ideas and concepts not necessarily packs." Another food vendor said, "It helped build a more collaborative relationship with them and encouraged more open dialogue."

Any supplier interested in JBP will need to consider aligning its organizational structure with Sam's Club so key stakeholders within each company (sales, manufacturing, packaging, distribution, finance, etc...) can communicate to identify opportunities for savings and/or growth. Sam's Club created an internal JBP team that reports to the chief merchandising officer and participates in meetings with interested vendors. Once it is determined that Sam's will work with a vendor using JBP, that internal team guides further action.

Club Observations

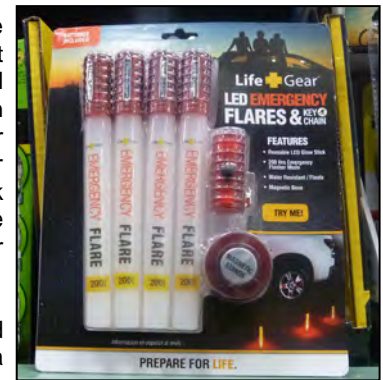
BJ's, Cost-U-Less, Costco, PriceSmart and Sam's Club locations nationally and internationally are constantly visited to search for information that provides vendors, brokers and stakeholders with insight into their buying and operating strategies. These visits (not every club is visited every year) enable readers to keep informed about current merchandising techniques, product changes and packaging. The observations also provide vendors with ideas and strategies that they can use to improve their business with clubs regionally, nationally and internationally. The following club observations from 2014 and 2015 are organized into three sections: BJ's Wholesale, Costco Wholesale and Sam's Club.

BJ's Wholesale

February, 2014 – Virginia (Falls Church)

Organic – BJ's organic assortment included: a 52-ounce bottle of refrigerated Bolthouse Farms organic carrot juice for \$4.99, a 48.5-ounce box of Cascadian Farms organic oats and honey cereal for \$7.99, a 60-count case of organic chamomile tea bags from Bigelow for \$5.99, a 24-ounce package of Earth's Pride private label organic stevia sweetener for \$11.99, a case of six 14.5-ounce cans of Muir Glen organic diced tomatoes for \$6.99 and a case of twenty-four 3-ounce Earth's Pride frozen organic juice tubes (eight apple grape, eight apple strawberry and eight apple cherry) for \$9.99.

General Merchandise – BJ's stocked a number of unique non-food items. In the appliance category, BJ's stocked a 1,500-watt ultimate blender from Ninja for \$229.99, a 1,500-watt mega kitchen blender from Ninja for \$159.99 and a 1,100-watt single serve professional blender from Ninja for \$99.99. In the automotive category, BJ's stocked a 4.75-gallon bucket of Jetcoat driveway filler and sealer for \$14.99 and a package of four Life + Gear 200-hour water resistant emergency flairs along with a key chain and magnetic stand for \$9.99 (see picture on the right). In the furnishing and lighting category, BJ's stocked a Duck Dynasty LED flashlight and an LED work light for 9.99 (a shelf hangar item). In the hardware category, BJ's stocked a 320-piece Project Partners surface protector set for \$9.99.



BJ's – Life + Gear Flares, Key Chain

In the kitchen supply category, BJ's stocked a set of eight nested food storage bowls and lids from Freshin for \$14.99, a KitchenAid digital instant read thermometer and probe (a shelf hangar item) that did not have a retail price and a set of six 16-ounce Tabletops Avenues decorative coffee mugs for \$16.99.

Food – In the deli, BJ's stocked four prepared food SKUs from Epicurean: beef fillet medallion with mushroom cabernet sauce (approximately 33.6-ounces) for \$5.99 per pound, chicken cordon bleu with cheese sauce (approximately 33.44-ounces) for \$6.29 per pound, lamb shank with mushroom shallot sauce (approximately 37.12-ounces) for \$6.59 per pound and a pot roast (approximately 40-ounces) for \$6.59 per pound. Also in the deli, BJ's stocked a whole mild cured ham from Smithfield (approximately 17.55-pounds) for \$2.99 per pound.

In the cooler, BJ's stocked a package of two 59-ounce bottles of Tropicana pomegranate blueberry juice for \$5.69. In the snack category, BJ's stocked a box of ten Glico Pocky chocolate cream covered biscuit sticks for \$11.29 and a case of twenty-four 2-ounce packages of Nature's Bakery fig bars (eight fig, eight raspberry and eight blueberry) for \$8.99. In the freezer, BJ's stocked a 32-ounce container of Maeda green tea ice cream for \$4.99 and a package of two 40-ounce containers of Stouffers macaroni and cheese for \$9.49.

In dry grocery, BJ's stocked a 59-ounce bottle of Tostitos medium salsa for \$5.99, Tostitos mild salsa for \$5.99, a six-ounce package of Calbee snowpea saya crisps for \$1.99, a 9.9-ounce package of Hapi wasabi green peas for \$3.99, a case of thirteen 3.2-ounce Mott's snack-and-go squeezable cinnamon applesauce pouches for \$5.99, a case of thirteen 3.2-ounce Mott's snack-and-go squeezable natural applesauce pouches for \$5.99 and a case of sixteen 3.2-ounce Mott's snack-and-go applesauce pouches for \$7.99.

July, 2014 – Connecticut (Southington, Waterbury)

Housewares – There are a number of philosophies BJ's buyers and operators utilize to better appeal to consumer members. One of those strategies is to stock a larger selection of merchandise. In the houseware category, BJ's stocked a wider variety of items for home use and many of those items were merchandised in the center aisle close to the registers.

Some of those items included: a 66-inch heavy duty stainless steel drying rack from Smart Works for \$39.99, a five-shelf carousel organizer from Smart Works that can spin 360-degrees and included 20 shoe pockets and five purse holders for \$19.99, a Metro Design nine-inch folding step stool that can support up to 200-pounds for \$8.99, an EZ Do four-tier revolving shoe rack for \$24.99, a package of two scarf hangars from Sheffield Home for \$9.99, a 48-quart collapsible crate from Clever Crates for \$18.99, a 36-piece organization kit from Velcro for \$9.99, a Better Living easy grip extendable squeegee for \$19.99, an 18-inch by 24-inch anti-bacterial doormat from Dr. Doormat for \$10.99 and two acrylic stackable makeup drawers from Interdesign for \$19.99.

Goya – BJ's stocked a selection of Goya dry grocery and frozen food products. In the dry grocery department, BJ's stocked a case of six 15.5-ounce cans of black beans for \$4.99, a case of six 15.5-ounce cans of pink beans for \$4.99, a four-pound bag of dry lentil beans for \$4.49, a ten-pound bag of dry roman beans for \$17.59, a case of six 11.8-ounce cans of coconut water for \$5.99, a 20-pound bag of medium grain rice for \$15.99 and a package of two 24-ounce boxes of yellow rice for \$8.99. In the freezer, BJ's stocked a 40-ounce package of fried plantains for \$4.99, an 80-ounce bag of yuca for \$5.89, a 40-ounce package of ripe plantains for \$4.99 and a 28-ounce package of sofrito for \$3.99.

Food – In the bread and bakery category, BJ's stocked: a 21-ounce container of individually wrapped 100-calorie blueberry Greek yogurt cakes from Yogo for \$6.69, a 21-ounce package of individually wrapped 100-calorie cinnamon Greek yogurt cakes from Yogo for \$6.69 and a line of sugar free cakes and cookies from Hill & Valley. The Hill & Valley assortment included: a package of ten 1.5-ounce chocolate chunk cookies for \$3.69, a 16-ounce container of lemon sliced cream cake for \$3.69 and a container of eight 1.87-ounce mini angel food cakes for \$5.99.



BJ's – Krusteaz Chocolate Cake Mix

In the dry grocery baking category, BJ's stocked a 15-ounce container of Betty Body natural peanut butter powder for \$5.49, a 73.2-ounce box of Betty Crocker classic brownie mix for \$4.99, a 45-ounce box of Krusteaz chocolate cake with frosting for \$5.79 (see picture on the left) and a 34.6-ounce box of Hershey special dark chocolate s'mores bar mix for \$5.99.

In the cooler, BJ's stocked a 38-ounce container of Chobani natural yogurt for \$5.09, a 15.1-ounce variety package of cheese from Sargento (fiesta pepper jack, medium asiago, Wisconsin cheddar and Vermont white cheddar) for \$7.99 and a case of eighteen 6-ounce containers of Yo Crunch yogurt (nine with M&M toppings and nine with crushed oreo toppings) for \$10.69.

BJ's freezer assortment included: a package of six 5-ounce southwest egg white breakfast burritos from Good Food Made Simple for \$8.99, a package of six 5-ounce turkey sausage breakfast burritos from Good Food Made Simple for \$8.99, a package of ten 3.4-ounce Special K egg and cheese flatbread sandwiches for \$9.99, a package of ten 4.1-ounce Special K sausage, egg and cheese flatbread sandwiches for \$9.99 and a 48-ounce bag of Wyman's strawberries, blueberries, kale and cherries for \$8.49.

Other frozen items included: a package of six 5.3-ounce brisket and chuck hamburger patties from Certified Angus Beef for \$10.99, a package of six 5.3-ounce bacon and cheddar filled beef patties from Certified Angus Beef for \$10.99, a package of two 8.1-ounce pesto and goat cheese flatbread pizzas from Cooking Light for \$7.99 and a case of six 12-ounce steamable bags of Birds Eye broccoli, carrots, peas and water chestnuts for \$9.99 or \$1.67 per bag (BJ's used to stock a case of four 12-ounce steamable bags of the same item for \$6.99 or \$1.75 per bag).

Shelf Hangars – In some areas around its club locations, BJ's merchandises consumer items on the steel. WCF calls these items shelf hangars and they offer BJ's a different method of promoting unique treasure hunt/impulse purchase products. Shelf hangar products enable BJ's to add items to its assortment without a tremendous amount of labor. The program began around 2008. BJ's buyers are constantly rotating shelf hangar products. Shelf hangar SKUs are not reserved for low retail price SKUs as items over \$20 have been observed in the past.

The following are some of the shelf hangar products observed at BJ's: a package of six pairs of lady's shoe liners with a non-slip heel from Legale for \$5.99 (apparel), a set of two Munchkin click lock snack bowls for \$7.99 (baby), a package of 26 Foodsaver vacuum zipped quart sized bags for \$9.99 (kitchen), a package of six Glade automobile hanging air fresheners for \$4.99 (automotive), a package of three reusable sandwich bags from Arctic Zone for \$8.99 and a Disney Cinderella magiclip figure for \$4.49.

General Merchandise – In apparel, BJ's stocked Lanesboro private label sunglasses for \$24.99. In the appliance category, BJ's stocked a Waring cotton candy maker for \$39.99, a Waring hot dog maker for \$59.99 and a Waring snow cone machine for \$59.99. In the baby category, BJ's stocked a two unit Baby Brezza formula maker and sterilizing and drying machine for \$179.99, a Disney inflatable bathtub for an infant or toddler for \$12.99 and a deluxe contour changing pad from Summer Infant for \$17.99.

In the bedding category, BJ's stocked a package of two Bed Bug Blocker standard or queen sized pillow cases for \$11.99, a Bed Bug Blocker full size zippered mattress cover for \$24.99 and a Bed Bug Blocker king size zippered mattress cover for \$34.99. In the electronics category, BJ's stocked a 2,300-watt giga stereo system from Samsung for \$849.99, a 1,200-watt giga stereo system from Samsung for \$299.99 and a four-gigabyte dual core smart watch from Samsung for \$289.99.

In the houseware category, BJ's stocked a 46-inch by 52.5-inch Teach Me educational rug for \$19.99. In the furniture category, BJ's stocked a Kid Kraft farmhouse style child-sized table and four chairs for \$99.99, a Kid Kraft bookshelf for \$39.99 and a Kid Kraft toy box for \$99.99. In the kitchen category, BJ's stocked an eight-piece true seal glass food storage set from Anchor Hocking for \$14.99, a 14-piece Pyrex glass food storage set with colored lids for \$19.99, a 20-piece Towle stainless steel flatware set for \$16.99, a package of six 17-ounce white porcelain mugs from Tabletops Avenue for \$14.99, an 18-piece premier stain resistant food storage set from Rubbermaid for \$19.99 and a 60-piece Rubbermaid food storage set with easy find lids for \$27.99.

In the office supply category, BJ's stocked a 1,000-count package of 3-inch by 5-inch ruled index cards from Fine Line for \$4.99, a package of four 10-yard rolls of Scotch 1.88-inch wide colored duct tape for \$9.99 and a package of six 20-yard rolls of Scotch 0.94-inch wide colored masking tape for \$9.99. In the toy category, BJ's (which is the only club to stock toys year round) stocked: a deluxe spirograph set from Hasbro for \$18.99, a Marvel Spiderman 2 figure that makes 25 sounds or phrases for \$16.99, a package of two Minecraft figures for \$15.99, a Lego duplo multi-SKU pallet that included two types of creative learning sets or a learning-to-count set for \$16.99 and a Junior Racers radio controlled multi-SKU pallet that included a dump truck, school bus or fire truck for \$14.99.

October, 2014 – North Carolina (Raleigh) and Massachusetts (Dedham)

Baby Products – BJ's stocked a number of baby items that have not been observed before. Those included: a four piece Baby Bjorn easy scoop eating set that included two plates and two spoons for \$24.99, an Erin Carle shopping cart and high chair cover for \$19.99, an Evenflo exersaucer baby door jumper for \$17.99, a Fisher Price discovery and grow kick and play piano gym for \$39.99, a Munchkin diaper changing travel kit for \$12.99, a set of two Munchkin fresh food feeders for \$5.99 (shelf hangar product), a ten-piece Munchkin dining set with two bowls, two lids, two cups and four spoons for \$11.99, a package of four 272-count Nursery Fresh seven-layer diaper pail refill bags for \$18.99, a Sesame Street inflatable safety bathtub for children between one and two years old for \$12.99 and a Summer Infant contour changing pad with a bonus changing pad cover for \$19.99.

Deli and Prepared – BJ's stocked a number of interesting deli and prepared food SKUs that included: a package of two 5.2-ounce boxes of Applegate half time snack boxes that included sliced turkey, American cheese, Annie's crackers, Annie's fruit snacks and Stonyfield squeezable yogurt for \$7.49, an 30-ounce container of Cedar garlic hummus for \$4.99, a 24-ounce container of Eat Well Embrace Life black bean hummus for \$5.99, a 30-ounce container of Good Foods spinach vegetable dip for \$7.49, a 36-ounce container of Wellesley Farms private label macaroni and cheese for \$7.99, a 32-ounce container of Wellesley Farms chicken soup for \$5.99, a Berkley & Jensen private label 2.01-pound prepared meal container of pork chops with apples and cinnamon for \$5.49 per pound and a Berkley & Jensen 1.75-pound prepared meal container of chicken breast and asparagus wrapped in bacon for \$6.99 per pound.

Snacks and Cookies – BJ's snack and cookie assortment included: a case of twenty-four 2-ounce individually wrapped chocolate double decker Moon Pies for \$8.99, a case of forty-eight 1-ounce mini Moon Pies (12 vanilla, 12 banana and 24 chocolate) for \$8.99, a case of 30 Pepperidge Farm goldfish (12 extra cheddar, 10 colors and eight vanilla cupcake grahams) for \$8.99, a case of five cans of Pringles tortilla chips (a six-ounce can of original, two 6.42-ounce cans of ranch and two 6.42-ounce cans of nacho cheese) for \$6.69 and a 15-ounce bag of Wise cheese puff doodles for \$2.99.

General Merchandise – In the automotive category, BJ's stocked two shelf hangar SKUs: a package of six Glade car air fresheners for \$4.99 and a Yankee Candle mini candle air freshener for \$4.99. In the bed and bath category, BJ's stocked a Health O Meter weight loss system and scale with Bluetooth that automatically updates a free downloadable weight loss app for \$59.99. In the health and beauty aid category, BJ's stocked a package of nine 1-ounce Purell on-the-go bottles (four of which have a jelly wrap) for \$8.99, a package of two 2.25-ounce bottles of Tom's of Maine naturally dry deodorant for \$6.99 and a package of two 2.25-ounce bottles of Tom's of Maine long lasting deodorant for \$6.99.

In the electronics category, BJ's stocked a General Electric surge protector with a USB port for \$22.99. In the office supply category, BJ's stocked three shelf hangar SKUs: a set of two BIC "for her" pens for \$2.99, a package of 280 post-it flags and 48 arrow flags from 3M for \$5.99 and a package of eight Sharpie fine point indelible markers (assorted colors) for \$4.99. In the plastic product category, BJ's stocked a case of sixteen 6-ounce plastic wine glasses from Artstyle for \$6.99.

Organic – In the candy department, BJ's stocked a case of twenty-four 0.7-ounce bags of Yum Earth organic banana, cherry, peach and strawberry fruit snacks for \$8.69 and a case of twenty-four 0.8-ounce bags of Annie's organic fruit snacks (six citrus, six berry, six tropical and six strawberry) for \$10.29.

In the dry grocery department, BJ's stocked a package of six 8.5-ounce microwavable bags of Seeds of Change organic brown basmati rice for \$11.49 and a 10.8-ounce bottle of Olde Thompson organic ground Saigon cinnamon for \$4.99. In the baby category, BJ's stocked a case of nine 3.5-ounce squeezable pouches of Gerber organic baby food (three carrots, apples and mangoes, three apples, blueberries and spinach and three pears, peaches and strawberries) for \$10.99.

Packaging – For the past three years, in the bread and bakery category, BJ's stocked a variety package of yellow soft sugar cookies and orange soft sugar cookies from Create A Treat. The package size increased in each of those years and the average retail price per cookie, with the larger package sizes, decreased each year. In September, 2012, BJ's stocked a package of sixteen 1.5-ounce cookies for \$4.99 or 31.1-cents per cookie. In September, 2013, BJ's stocked a package of eighteen 1.5-ounce cookies for \$5.49 or 30.5-cents per cookie and in September, 2014, BJ's stocked a package of twenty-four 1.5-ounce cookies for \$5.99 or 25.0-cents per cookie.

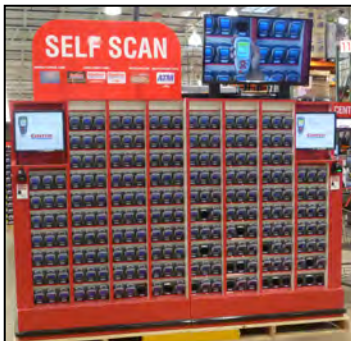
Food – In the freezer, BJ's stocked a case of eighteen 2-ounce Smuckers peanut butter and strawberry jam uncrustable sandwiches for \$9.99, a case of thirteen 4.5-ounce turkey bacon and cheese sandwiches on pretzel bread for \$11.99, a 46-ounce Marie Callender's apple pie for \$5.49, a 28-ounce package of Pictsweet breaded okra for \$2.49, a 140-count case of Old El Paso bold taco style appetizer rolls for \$9.99, a case of four 10-ounce Old El Paso rice and honey chipotle chicken bowls for \$10.99, an 18.72-ounce quick steam package of Sea Cuisine lemon picata cod for \$13.99 and a 20.8-ounce quick steam package of Sea Cuisine smoky maple salmon for \$14.99.

Costco Wholesale

February, 2014 – Virginia (Pentagon City, Sterling and Chantilly)

Organic – Costco's perishable organic assortment included: a package of two 28-ounce loaves of Kirkland Signature private label organic ancient grains multigrain bread for \$6.99, a package of two 24-ounce containers of Blount organic chicken, penne and kale soup for \$11.69, a 22-ounce bottle of Cibo organic red pepper pesto for \$7.39, a case of sixteen 2-ounce packages of Hannah organic hummus containers for \$5.99, a package of four 8.8-ounce fully cooked organic beets from Love Beets for \$7.99, a 24-ounce wedge of organic colby jack cheese from Organic Creamery for \$8.99 and a four-pound bag of Nature's Touch frozen organic sweet cherries for \$13.99.

Costco's organic dry grocery and snack assortment included: a 28-ounce container of organic ancient grain pretzels from Hanover Foods for \$5.99, a 24-ounce bag of Late July organic tortilla chips for \$6.99, a 28-ounce box of Kashi simply maize organic cereal for \$6.99 and a 12-pound bag of Della long grain organic brown rice for \$13.99.



Costco – Self Scan System

Self Scan – Costco's location in Sterling, Virginia offers members a self scan system (see picture on the left).

Furniture – Typically, Costco stocks a large selection of furniture SKUs twice a year for approximately six weeks. It stocks furniture in January and February as it exits the Christmas and winter season and in July and August as it exits the spring and summer season.

Costco's furniture assortment included: a Bayside Furnishings seven-piece dining set for \$789.99, a Universal Furniture "Midland Park" king size bed for \$699.99, a Universal Furniture "Midland Park" lingerie chest for \$299.99, a Universal Furniture "Midland Park" nightstand for \$249.99 and a Pulaski "Chelsea" bookcase with sliding glass doors for \$589.99.

General Merchandise – A wide variety of unique non-food items were observed at Costco. In the electronics category, Costco stocked an Insteon home monitoring and control kit enabling the user to control their home from a smartphone for \$199.99, a package of eScreen no drip and no streak electronic spray cleaner that included a 16-ounce bottle, an 8-ounce bottle, two 2-ounce bottles and two cloths for \$14.99, a portable, wireless and Bluetooth-enabled speaker from Panasonic for \$69.99, a 2,560-watt Samsung component audio system that is Bluetooth-enabled for \$1,299.99 and the Slingbox television streaming device for \$269.99.

In the appliance category, Costco stocked a rapid extraction juicer with a recipe book from Fusion for \$89.99, a Ninja 3-in-1 cooking system for \$119.99 and a Salton induction cooker for \$59.99. In the automotive category, Costco stocked a 1080p high definition automobile video recorder that sits on a car's dashboard from Astak for \$189.99 and a 7.5-foot by 17-foot diamond tread 0.075-inch thick garage floor cover and protector from Better Life Technology for \$169.99.

In the HBA category, Costco stocked a BellaLite professional pulsed light hair removal system for \$189.99, a 10-ounce bottle of argan restoring treatment hair mask from Orlando Pita for \$28.99, a package of two 5-ounce bottles of revive instant boost dry shampoo from Orlando Pita for \$16.99 and a set of 12 assorted nail polish colors from Jenna Hipp for \$14.99.

In the hardware category, Costco stocked an Ove tempered glass rolling tub door for \$299.99, a package of eight 2-foot by 2-foot grey floor tiles from Best Step for \$13.99, a package of two wire mesh storage bins for \$21.99, a Delta Breez ventilation fan with humidity sensor for \$79.99, a Dickie's 18-inch tool bag and a 42-pocket bucket organizer for \$28.99, a package of five 1-foot by 1-foot quartz mosaic tiles from Golden Select for \$27.79, a set of 30 reciprocating saw blades from Maxbilt for \$18.99, a Royal touchless kitchen faucet for \$189.99, a stainless steel sink from Ukinok for \$229.99, an 8,500-watt portable generator from Westinghouse for \$599.99, a five-tier 45-inch wide by 40.7-inch high Whalen bin rack with 22 bins for \$99.99 and a Worx semiautomatic ion driver for \$36.99.

In the housewares and lighting category, Costco stocked a Conair handheld dual heat fabric steamer for \$27.99, a package of two 500-lumens high intensity LED flashlights from Duracell for \$24.99, a package of three 250-lumens high intensity LED flashlights from Duracell for \$19.89, a package of two 125-lumens LED under cabinet wireless lights from Duracell for \$19.99, a Lights of America 14-inch LED dimmable 28-watt (100-watt incandescent equivalent) ceiling light for \$29.99, a 13-watt Lights of America LED wall light for \$19.99 and a Polder made-in-Italy ironing board with iron rest for \$69.99.

In the kitchen supply category, Costco stocked a package of twenty-five 38-ounce storage containers with lids from Snap Pack for \$8.99, a 20-piece "Soho Lounge" dinnerware set from Gibson for \$47.99, a pasta roller and fettuccine cutter from KitchenAid for \$99.99, a 20-piece Luminarc drink ware set for \$19.99, a 12-piece Luminarc glass jug set with lids, ice tubes and infusing tubes for \$19.99, a 20-piece "Daymon" dinnerware set from Mikasa for \$49.99, a Nordic Ware 14-inch aluminum wok for \$24.99 and a 16-piece Sophie Conran dinnerware set for \$119.99.

Multiple SKU Pallets – Costco stocked a two SKU pallet of Excedrin that included: a 300-count bottle of migraine caplets for \$15.09 and a 300-count bottle of extra strength headache caplets for \$13.99.

Perishable Food – In the deli, Costco stocked a line of products from As-Salaam that included: a 32-ounce package of halal beef franks for \$8.59, a 20-ounce package of halal sliced beef salami for \$7.49, a 20-ounce package of halal sliced pastrami for \$8.99, a 20-ounce package of halal sliced smoked turkey breast for \$7.79, a 24-ounce bottle of Betts cheddar horseradish spread for \$7.99, a 48-ounce package of Gertler's pork thai red curry wurst for \$13.99, a 48-ounce package of Gertler's smoked pork and cheddar wurst for \$13.99, a 23-ounce container of Willow Tree Farm buffalo dip for \$9.99 and a package of eight 4.85-ounce Stonefire tandoor naans for \$5.59.

In its fresh prepared department, Costco stocked a 16-piece container of Kirkland Signature California rolls with dungeness crab for \$11.99 and a container of Kirkland Signature pork taquitos (approximately 1.89-pounds) with salsa for \$4.59 per pound. In the bakery department, Costco stocked a container of six white or chocolate drizzled Kirkland Signature pastry horns filled with Bavarian cream for \$9.99.

In the freezer, Costco stocked a 54-ounce container of Ajinomoto chicken fried rice for \$11.99, a package of fifteen 2.3-ounce Monica's muffaletta sandwiches (ham, genoa salami, provolone cheese and olive salad on a sesame seed bun) for \$14.99, a five-pound package of Snapps breaded mozzarella sticks for \$11.99, a 28-ounce Himalaya Fresh milk cake for \$9.99, a 54-ounce nine-inch blackberry crisp cheesecake from Pamarama for \$12.59 and whole halal lamb from The Lamb Cooperative (approximately 30.67-pounds) that included two bone-in legs, two bon-in loins, two bone-in five ribs and two bone-in flaps for \$3.59 per pound.

Dry Grocery, Candy and Snacks – Costco stocked a wide variety of unique dry grocery, candy and snack items. In the candy department, Costco stocked a 60-ounce bag of Hershey spring-themed classic chocolate mix (chocolate bar, dark chocolate bar, Kit Kat, chocolate kisses, Mr. Goodbar, Rolo, Krackel and Reese's peanut butter cups) for \$11.99, an 18.2-ounce box of Gudrun Belgian chocolate for \$12.99, a 16-ounce box of Kirkland Signature Belgian chocolate truffles for \$11.99, a 36-ounce container of Klein's Natural dark chocolate covered almonds for \$9.99 and a case of twelve 1.34-ounce pouches of Meiji Chocorooms (milk and dark chocolate covered mini-shaped cracker mushrooms) for \$8.99.

In the snack category, Costco stocked a line of Krave turkey jerky that included: a 16-ounce package of basil citrus turkey jerky for \$11.99, a 16-ounce package of cherry pork turkey jerky for \$11.99, a 16-ounce package of lemon garlic turkey jerky for \$11.99 and a 16-ounce package of teriyaki turkey jerky for \$11.99. Costco also stocked a case of 24 variety bags of Utz pretzels (eight sourdough, eight thin and eight wagon wheel) for \$5.99.

In the soda and water category, Costco stocked a case of twenty-four 12-ounce bottles of pure cane Sprite for \$17.99, a case of twenty-four 12-ounce bottles of Dasani sparkling water (12 lime and 12 berry) for \$6.99 and a case of twenty-four 16.9-ounce bottles of Perrier sparkling water (12 citron and 12 grapefruit) for \$16.99.

In the dry grocery category, Costco stocked a 32-ounce bag of chopped walnuts from Mariani for \$12.59, a 32-ounce bag of sliced almonds from Mariani for \$9.79, a five-pound bag of gluten free bread flour from Namaste for \$9.49, an 8.5-ounce bottle of a limited edition balsamic vinegar from Fini for \$28.99, a 58-ounce variety package of French's mustard (two bottles of yellow mustard and one bottle of brown mustard) for \$4.79, an eight-ounce bottle of Urgani white truffle oil for \$14.49 and a case of four 14-ounce chicken and quinoa soup pouches from Campbell's for \$7.99.

April, 2014 – Texas (Houston and Dallas)

Ancient Grains and Super Foods – Costco continues to stock a changing assortment of organic and non-organic ancient grain and super food SKUs. In the cooler, Costco stocked a case of eight 6-ounce Chia Pod containers (four vanilla and four banana) for \$16.99. Each container included three ingredients: ripened chia seeds, coconut milk and real fruit. In the candy and snack category, Costco stocked a 20-ounce bag of Boulder Canyon ancient grain chips made of quinoa, millet, chia, amaranth, brown rice, brown teff and sorghum for \$5.39.

In the dry grocery department, Costco stocked a case of twelve 3.5-ounce squeezable pouches of Mamma Chia organic strawberry, banana and chia squeeze for \$11.99, a 24-ounce bottle of organic hemp oil from Nutiva for \$9.99, a 2.2-pound bag of organic quinoa penne from Ancient Harvest for \$6.89, a 32-ounce bag of organic chia seeds from Nutiva for \$13.99 and a 24-ounce bag of organic shelled hemp seed from Nutiva for \$15.99. In the freezer, Costco stocked a package of five 10-ounce bags of Path of Life organic quinoa and kale for \$11.79.

Gift Cards – Costco's 20%-off gift card and ski package program included: \$100 worth of gift cards for Texas Entertainment attractions (Tower of the Americas in San Antonio, Pleasure Pier in Galveston, the Houston Aquarium and the Kemah Boardwalk) for \$79.99, \$100 worth of gift cards to My Fit Foods for \$79.99, a package of five lift tickets as well as rental and ski school discounts at the Park City Mountain Resort for \$349.99 (savings up to 34%) and a package of five adult lift tickets, a 20% lodging voucher and a 20% snowboard rental voucher for \$284.99 (savings up to 26%).

Kitchen Supplies – Costco's kitchen supply selection included: a nine-piece Chef N baking set with four mixing spoons, four measuring cups and a spatula for \$14.99, a set of three Cuisinart stainless steel tongs for \$19.99, a package of two 20-ounce Ello glass water bottles with easy grip silicone sleeves for \$14.99 and a set of four Simplemente Delicioso tortilla warmers with lids for \$17.99 (see picture on the right).



Costco – Tortilla Warmers

Freezer – Costco's freezer selection included: a 32-ounce package of High Liner hush puppy shrimp for \$16.99, a case of six 6.25-ounce Kinder's tri tip steak sandwiches for \$11.99, a case of eight 4-ounce Black Valley angus steak kabobs for \$16.49, a case of six 9.5-ounce Amy's individual vegetable lasagnas for \$15.59, a case of twelve 1.6-ounce Kaurina's Indian kulfi ice cream bars (four mango, four pistachio almond and four malai) for \$9.59 and a case of eight 6-ounce egg and green chile burritos from Evol for \$10.99.

Organic – In addition to the organic items listed in the ancient grain and super food section, Costco stocked the following organic SKUs: a 16-ounce bag of Go Raw organic pumpkin seeds for \$9.79 (candy and snack category), a case of eighteen 0.85-ounce organic crispy rice bars (nine original and nine chocolate) from Rickland Organics for \$8.99 (candy and snack category), a 48-ounce bag of Made in Nature organic apricots for \$9.69 (dry grocery department), a 40-ounce bag of Made in Nature organic calmyrna figs for \$10.99 (dry grocery department) and a 24-ounce bag of Made in Nature organic fusion blend for \$14.99 (dry grocery department).

Costco also stocked: a case of twelve 12.3-ounce boxes of organic silken firm tofu from Morinaga for \$14.99 (dry grocery department), a case of eight 6-ounce organic low fat skinny chicken burritos from PJ's Organics for \$11.99 (freezer), a 48-ounce bag of organic mango chunks from Sunrise Growers for \$7.99 (freezer) and a 42-ounce bag of organic cheese ravioli from Pasta Prima for \$13.59 (freezer).

Snacks and Cookies – Costco stocked a number of interesting salty snack food SKUs: a 38-ounce bag of Blue Diamond smokehouse almonds for \$13.69, a 35-ounce bag of Fisher glazed pecans for \$14.49, a case of three 32-ounce Rudy's round tortilla chips for \$6.99, a 22-ounce bag of Boudin garlic asiago sourdough crisps for \$7.99, a 52-ounce container of San Francisco Pretzel sourdough pretzels for \$6.69, a case of three 7-ounce bags of Texas Firecrackers baked cayenne ranch snack crackers for \$7.86 and a 24-ounce package of Zapps voodoo potato chips for \$4.99.

General Merchandise – In the appliance category, Costco stocked a 140-bottle wine cooler from Vinotemp for \$999.99 and a 34-bottle wine cooler from Vinotemp for \$249.99. In the automotive category, Costco stocked a ten-piece Meguiar's headlight sanding, polishing and restoration kit for \$27.99 and a Black Magic and Rain-X clean and shine automobile kit (one Black Magic tire cleaner bottle, one Black Magic wheel cleaner bottle and one Rain-X glass cleaner bottle) for \$11.99.

In the furniture category, Costco stocked a case of two Universal Furniture Shelton bar stools for \$199.99. In the hardware category, Costco stocked two DeWALT levels (a 48-inch level and a nine-inch level) for \$59.99, a Yale Security touchscreen electronic door lock with a lever handle and four batteries for \$169.99 and a Baldwin Locks Prestige-series satin nickel door handle set and lock for \$129.99. In the electronics category, Costco stocked a Goal Zero portable charging and solar power kit for \$99.99.

Perishable – Costco's deli assortment included: a package of six 7-ounce Don Miguel egg, sausage, cheese and hashbrown breakfast burritos for \$9.99, a package of six 8-ounce Frankly Fresh vegetable, pepper, brown rice, edamame and hummus wraps for \$11.29, a package of three 15-ounce containers of Maya Kaimal Indian simmer sauces (vindaloo, coconut curry and tikka masala) for \$12.99, a kosher oven roasted brisket from Meal Mart for \$8.99 per pound, a kosher pot roast from Meal Mart for \$6.59, a 40-ounce kosher stuffed turkey breast from Meal Mart for \$12.99, a 20-ounce package of Glatt kosher smoked turkey breast from NY Deli for \$9.99, a 24-ounce package of Pete's Seafood tuna burgers for \$11.99 and two 13-ounce packages of Giovanni Rana Maine lobster ravioli for \$12.99.

In the cooler, Costco stocked a package of three 16.9-ounce bottles of Biotta 100% beet juice for \$13.69 and a five-pound container of Stonehill Kitchen Texas-style natural potato salad for \$6.39.

Dry Grocery – Costco stocked the following unique dry grocery SKUs: a five-pound bag of gluten free flour from Namaste for \$9.89, a 25.39-ounce bottle of Biscoff European nut-free creamy cookie butter/spread for \$5.59 and a 13-pouch case of Mountain House freeze dried food that included three breakfast skillet, three beef stroganoffs, three rice and chicken meals, three spaghetti and meat sauce meals and one apple crisp (totaling 34 servings) for \$59.99.

December, July, 2014 – Connecticut (Enfield and Waterbury)

Organic – Costco's focus on organic food merchandise has grown over the past few years due to five benefits it accrues from these items: organic merchandise reinforces a member's perception of Costco's focus on product quality, organic merchandise is more expensive to produce resulting in higher retail price points helping to increase Costco's average transaction, organic merchandise adds to the treasure hunt club buying philosophy, organic merchandise supports Costco's search for exclusive or hard to find products and when the previous four qualities work correctly, organic merchandise generates the necessary sales dollars for Costco buyers to continue to purchase.

This last point cannot be emphasized enough. Costco buyers are very focused on an item's sales productivity. If an item does not meet certain sales thresholds, it will be deleted. The simple fact that Costco not only stocks organic merchandise, but continues to rotate that selection means those items are generating sufficient sales.

Some of the organic merchandise observed at Costco included: a package of two 24-ounce loaves of Alpine Valley organic multigrain bread for \$8.99 (bread and bakery), a case of thirty-six 0.8-ounce packages of Tasty Brands organic mixed fruit snacks for \$13.99 (candy), a container of four 8.8-ounce packages of Love Beets organic fully cooked Kosher beets for \$7.99 (deli), a case of eighteen 8.25-ounce containers of Orgain organic chocolate nutritional shake for kids for \$27.99 (health bars and shakes), a 24-ounce package of Late July organic blue tortilla chips for \$6.99 (snacks, cookies), a 6.25-ounce package of organic kale chips from Rhythm Foods for \$8.99 (snacks, cookies), a 32-ounce bottle of Culinary Treasurers organic raspberry spread for \$5.49 (condiments), a 20-ounce bag of organic dried banana slices from Made in Nature for \$9.99 (dried fruit), a case of ten 4-ounce squeezable pouches of organic spinach, peas and pears from Plum for \$9.79 (baby), a 41-ounce package of three organic ciabatta flatbread pizzas and three organic sauce packets from Rustic Crust for \$9.99 (dry grocery), a 32-ounce package of Bibigo fully cooked organic potstickers for \$8.99 (freezer) and a package of two 15.25-ounce organic four cheese pizzas from Bold Organic for \$10.99 (freezer).

Private Label – A few new Kirkland Signature private label items were observed at Costco. Those items included: a case of twelve 11.1-ounce cans of coconut water for \$9.89 (soda, water), a case of forty-eight 5-ounce aseptic packages of fruit and vegetable juice (24 apple pear and 24 fruit punch) for \$9.99 (juice), a case of twenty-four 17-ounce bottles of sparkling water (eight black raspberry, eight orange mango and eight kiwi strawberry) for \$9.59 and a 42-inch wide by 63.3-inch high rolling tool chest made of heavy duty steel for \$599.99.

In the health and beauty aid category, Costco increased the package size of its Kirkland Signature private label Motrin IB SKU. It used to stock a 750-count white bottle for \$6.49 or 86.5-cents per 100 pills. It recently introduced a package of two 500-count clear bottles for 8.79 or 87.9-cents per 100 pills.

Packaging, Merchandising – In apparel, Costco stocked a pallet of Kenneth Cole men's reversible leather belts for \$17.99. The pallet display included two belt samples that members could touch as well as a colored coded list of belt sizes offered on the pallet. Also in the apparel category, Costco stocked a pair of Hello Kitty girl's rain boots for \$17.99 and a pair of Batman boy's rain boots for \$17.99 (see pallet display on the right).



Costco – Children's Rain Boots

Gluten Free – In the snack and cookie category, Costco stocked a 14-ounce bag of Glutino gluten free basil chips for \$6.49 and a 20-count package of Mrs. Crumbles gluten free chocolate macaroons for \$9.79. In the pasta category, Costco stocked a 32-ounce package of organic and gluten free black bean spaghetti for \$8.99. In the freezer, Costco stocked a 40-ounce package of Nature Raised Farms gluten free grilled chicken breast strips for \$12.79 and a package of two 17.6-ounce gluten free four cheese pizzas from Sabatasso's for \$11.89.

Batteries – Within the past year, Sam's Club switched its battery supplier from Energizer to Duracell. For the most part, after this switch occurred, all three clubs primarily stocked a private label battery brand and Duracell batteries. Apparently, Energizer has made a push to gain a stronger foothold in the club industry as evidenced by two battery SKUs (a AA item and a AAA product) stocked at Costco.

With those two new items, Costco stocked three AA battery brands and three AAA battery brands. The three AA battery SKUs included: a 40-count package from Duracell for \$14.99 or 37.5-cents per battery, a 44-count package from Energizer for \$13.99 for 31.8-cents per battery and a 48-count package from Kirkland Signature for \$12.99 for 27.1-cents per battery. The three AAA battery SKUs included: a 32-count package from Duracell for \$14.99 or 46.8-cents per battery, a 36-count package from Energizer for \$13.99 for 38.9-cents per battery and a 48-count package from Kirkland Signature for \$15.49 for 32.2-cents per battery.

Perishable Food – Costco stocked a number of unique perishable food SKUs. In the deli, Costco stocked a package of three 12-ounce vegetable, brown rice, quinoa and roasted garlic hummus bowls from Cedarlane for \$8.99, a 44-ounce container of Golden Taste cole slaw for \$5.99, a package of eight 4-ounce Good Foods cranberry almond chicken salad containers for \$9.99, a 32-ounce package of kosher shredded Mexican cheese from Natural & Kosher for \$9.69, a 20-ounce package of glatt kosher sliced corned beef from NY Deli for \$9.99, a 32-ounce package of Sabatino's chicken, quinoa and kale burgers for \$10.99 and a package of twelve 2.5-ounce containers of Tableside Greek yogurt guacamole for \$9.49.

In the freezer, Costco stocked a 55-ounce package of World Chef creamy chicken poblano for \$8.89, a package of ten 4-ounce Auntie Anne's all beef hot dogs wrapped in a pretzel shell for \$10.39, a package of six 6.15-ounce Raybern pastrami sandwiches with cheese and mustard on a pretzel bun for \$13.99 and a case of thirty-six 3.5-ounce ice cream s'mores sandwiches from Kemp's for \$10.49.

October, 2014 – North Carolina (Raleigh) and Massachusetts (Dedham)

Kitchen Supplies – Costco stocked a 30 SKU line of Tramontina's pro line brand of kitchen products in Raleigh. While not observed in every Costco location over the years, this expanded assortment of Tramontina SKUs has been observed in other Costco locations. The current assortment included: a nine-quart stainless steel chafing dish for \$99.99, a 15-inch by 20-inch polyethylene cutting board for \$8.99, a set of 36 stainless steel dinner knives for \$12.99, a set of two stainless steel half food pans for \$15.99, a 13-quart stainless steel mixing bowl for \$8.79, a package of two 17-inch aluminum pizza pans for \$9.49, a set of 12 porterhouse steak knives for \$27.99, a 24-quart stock pot and lid for \$36.99 and a set of four stainless steel tongs for \$5.69. Costco also stocked a set of six Robert Mondavi by Waterford lead crystal cabernet sauvignon red wine glasses for \$49.99.

Snacks and Cookies – All three clubs stocked a number of unique snack and cookie items. Costco stocked a 28.5-ounce package of Keebler town house pita crackers for \$6.99, a 17.6-ounce box of Kirkland Signature private label chocolate chunk cookies dipped in dark chocolate for \$7.49, a case of thirty six 1.5-ounce bags of Snyder's pretzels (nine honey mustard nibblers, nine sticks, nine sourdough nibblers and nine mini pretzels) for \$8.49, a 20-ounce package of Milton's gluten free everything crackers for \$7.89, a 24-ounce package of Wild Chips kale and chia chips for \$5.79 and a 14-ounce bag of Glutino gluten free bagel chips for \$6.49.

General Merchandise – In the automotive category, Costco stocked a BACtrack keychain alcohol detector that estimates a person's alcohol level for \$23.99. In the kitchen category, Costco stocked an Oxo digital thermometer and magnetic timer set for \$19.99. Costco's high end beauty aid assortment included: a package of two 1.5-ounce bottles of Hydroxatone anti aging cream for \$38.99, a package of two 25-count pouches of oil free acne wipes and a 6.7-ounce bottle of oil free acne wash from Neutrogena for \$16.99 and a package of two 1.7-ounce bottles of Olay regenerist luminous tone perfecting cream for \$38.99.

In the health and beauty aid category, Costco also stocked a package of three 4.25-ounce bottles of Arm & Hammer simple saline nasal mist for \$12.99. In the paper product category, Costco stocked a North Carolina Tar Heel-themed collegiate party package that included fifty 6.75-ounce paper plates, fifty 10.25-ounce paper plates and one-hundred 13-inch by 13-inch three ply napkins for \$13.99

Organic - Costco's snack assortment included a wide variety of organic items: a 21-ounce bag of Boulder Canyon organic kettle chips for \$5.49, a 16-ounce bag of Go Raw organic pumpkin seeds for \$9.49, a 24-ounce package of Late July sublime multigrain organic tortilla chips for \$6.99, a 26-ounce bag of New York Style organic pita chips for \$6.99 and a case of twenty-four 0.53-ounce bags of Organicasaurus organic baked corn snacks (12 sea salt and 12 cheddar cheese) for \$10.99.

In the bread and bakery category, Costco stocked a package of two 27-ounce loaves of Dave's 21 whole grain organic bread for \$6.99 and a package of three 17.3-ounce loaves of Essential Baking organic French bread that is vacuum sealed with an expiration date of January 14, 2015 for \$7.99. In the freezer, Costco stocked a 32-ounce box of Green Chopsticks organic bite size chicken dumplings for \$11.69 and a package of five 10-ounce steamer bags of organic kale and quinoa from Path of Life for \$12.49.

In the dry grocery department, Costco stocked a 24-ounce container of Brad's organic almond butter for \$13.69, a 42-ounce jar of Walls Berry Farm organic mango passion fruit spread for \$5.99, a package of four 12.5-ounce cans of Harves Creek organic chicken breast for \$19.99, a 30-ounce package of Kashi raisin and chia granola for \$8.99, a 32-ounce bottle of Culinary Treasures organic white balsamic citrus basil dressing for \$5.49, a case of twelve 4-ounce cans of Giorgio organic sliced mushrooms for \$9.99, a case of thirty-two 6.75-ounce Apple & Eve quencher organic juice boxes (16 fruit punch, eight apple and eight lemonade) for \$8.99 and a package of six 8.5-ounce microwavable bags of Seeds of Change organic seven whole grain rice for \$11.49.

In the baby category, Costco stocked a package of four 1.6-ounce bags of Earth's Best organic vegetable pop snax for \$10.89, a case of twelve 4-ounce squeezable pouches of Earth's Best organic butternut squash and pear for \$13.99, a case of twelve 4-ounce squeezable pouches of Earth's Best organic banana and blueberry for \$13.99, a case of twelve 4-ounce jars of Earth's Best organic fruit and vegetable baby food for \$8.99, a case of six 1.4-ounce packages of Happy Munchies organic rice cakes for \$11.59 and a case of four 1-ounce packages of Happy Munchies organic fruit yogurt snacks for \$8.99.

Food – In the bread and bakery category, Costco stocked a package of eight 3-ounce gluten free chocolate muffins from Udi's for \$7.89 and a package of two 15-ounce loaves of Udi's gluten free whole grain bread for \$6.99. In the freezer, Costco stocked a case of 144 mini pancakes from Krustaez for \$5.99, a 65-ounce bag of gluten free chicken nuggets from Golden Platter for \$12.99, a 40-ounce bag of gluten free grilled chicken breast strips from Nature Raised for \$12.79, a 48-ounce bag of Orca Bay boneless skinless flounder fillets for \$13.99, a 32-ounce bag of Cox's Seafood east coast wild caught raw shell-on 26/30-count white shrimp for \$22.99 and a 32-ounce bag of Cox's Seafood east coast wild caught raw 21/25-count white shrimp for \$23.79.

In the dry grocery category, Costco stocked two new Kirkland Signature items: a case of twelve 7-ounce cans of chunk light skipjack tuna for \$15.99 and a case of twenty 4-ounce cups of diced peaches for \$9.69. Other dry grocery items included: a case of four 8-ounce containers of Golden Harvest stuffed grape leaves for \$9.49, a case of twenty-one 8-ounce aseptic boxes of Hershey chocolate milk for \$9.99, a two-liter bottle of non-GMO (genetically modified organism) canola oil from Solio for \$5.89, a three-ounce package of dried porcini mushrooms from Urbani for \$9.89 and a 16-ounce bottle of Spice Lab Himalayan salt with a grinder for \$4.79.

November, 2014 – Missouri (Independence) and Kansas (Lenexa)

Automotive – Costco stocked three unique automotive products: a set of three First Alert emergency roadside beacons with a carrying case and Duracell AA batteries for \$19.99, a set of two Motor Trend safety tools (a 12-volt rechargeable flashlight with a magnetic base and USB ports and a combination tire gauge, window breaker and seat belt cutter) for \$19.99 and a Yada backup camera with a five-inch dashboard monitor for \$199.99. Sam's Club stocked two unique automotive products: a Snap-on table and stool set with one table and two stools for \$129.98 and a Beltronics radar detector whose features included digital voice alerts for \$99.88.

Packaging, Merchandising – Costco stocked two SKUs using unique pallet displays. In the jewelry, collectible and accessory department, Costco stocked a 100-inch freshwater cultured pearl necklace (each pearl being 5.5 to 7 millimeters) from Endless Options for \$159.99. The pallet display included a sample necklace inside a container in the middle of the pallet as well as eye catching graphics. Members who want to purchase this product bring a display card to the registers and retrieve the product after it is purchased.

Also in the jewelry, collectible and accessory category, Costco stocked a Jessica McClintock mesh clutch/purse for \$19.99. The pallet display included a hollowed-out area in the middle where a sample clutch/purse is secured and available to be touched/handled by the member. The pallet display also included eye catching graphics and the actual product merchandised in cases.

In the health and beauty aid category, Costco stocked a package of eight Colgate 360 optic white toothbrushes for \$13.99. As can be seen from the picture on the right, each brush is individually packaged which means it can be used by a hotel/motel business member to provide to their customers and can be resold by a grocery/convenience store member.



Costco – Colgate Toothbrushes

In the spice category, Costco stocked two SKUs in trapped blistercard packages (a plastic blister shell that holds the product is sandwiched between a blistercard and a corrugated backer). Costco stocked a package of three 4-ounce bottles of Urban Accents seasoned sea salt (a bottle of chateau province, a bottle of Spanish smoked and a bottle of Isle of Capri) for \$11.99 and a Spice Islands mulling spice kit that included an 8.7-ounce bottle of spices and four spice infusion bags for \$6.99.

Organic – Costco's location in Lenexa had an organic sign next to the bakery where a large selection of organic items were merchandised. Costco Lenexa did not stock a larger assortment of organic items. Rather, some items were merchandised in two locations—within its respective category and in this special organic section.

Some of the unique organic merchandise stocked by Costco throughout the building included: a 2.25-pound package of Don Lee Farms organic veggie patties for \$12.69 (deli), a 64-ounce carton of Horizon organic half and half for \$4.99 (cooler), a package of twenty-four 1-ounce organic mozzarella string cheese sticks from Organic Valley for \$9.99 (cooler), a 21-ounce bag of Shearer's organic potato chips for \$4.99 (snacks), a 10-pound bag of organic unbleached flour from Great River for \$7.99 (dry grocery) and a six-pound bag of organic Fair Trade light brown sugar from Wholesome Sweeteners for \$7.99 (dry grocery).

Other organic items at Costco included: a package of six 1.1-pound bags of organic pasta from Garofalo (two penne, two gemelli and two casarecce) for \$8.99 (dry grocery), a four-pound bag of organic red quinoa from Earthly Delight for \$15.99 (dry grocery), a case of eight 15-ounce cans of organic black beans from S&W for \$6.59 (dry grocery), a case of eight 15-ounce cans of organic garbanzo beans from S&W for \$6.59 (dry grocery), a case of eight 15-ounce cans of organic kidney beans from S&W for \$6.59 (dry grocery), a case of six 32-ounce aseptic containers of Pacific Foods organic butternut squash soup for \$12.99 (dry grocery) and a case of twenty-four 1-ounce bags of organic animal crackers from Back to Nature (eight chocolate, eight vanilla and eight oatmeal) for \$9.99 (snacks).

General Merchandise – Costco's non-food assortment included a variety of interesting products. In the kitchen category, Costco stocked a Cuisinart four-piece kitchen tool set (a jumbo turner, a slotted turner, a solid spoon and a slotted spoon) that is heat resistant up to 400-degree Fahrenheit and safe for nonstick cookware for \$19.99 and a KitchenAid three speed hand blender with a pan guard, whisk and blending jar for \$39.99. In the lighting category, Costco stocked a Feit 48-foot long indoor and outdoor string light that included 25 sockets and 36 bulbs for \$59.99.

In the hardware category, Costco stocked a 41-piece Bonaire ratchet set for \$16.99, a Snap-on 2000-lumens LED work light for \$34.99, a Swiss Tech three-piece stainless steel tool set (a t-rex with pliers, a knife, a screwdriver and a wire cutter, a 22-function micro-max xtreme and an all-purpose multi-tool with a flashlight, a knife, a screwdriver and a bottle opener) for \$19.99 and a Trinity wood tool box with eight felt lined drawers for \$99.99.

In the housewares category, Costco stocked a set of three Capstone wireless plug-in outlets with two remote controls for \$13.99, a Dyson hand held cordless vacuum for \$139.99 and a set of two Samsonite over the door hanging racks for \$9.99. In the kitchen category, Costco stocked a set of six 16-ounce Mikasa vintage red stoneware mugs for \$14.99, a Misto oil sprayer and salad dressing shaker for \$17.99 and a PUR faucet mounted water filter that included two filters for \$34.99.

Cooler – Costco's cooler assortment included: a case of eight 11-ounce containers of Coffee Mate non dairy creamer for \$9.59. While BJ's, Costco and Sam's Club have stocked different flavors and packages of Coffee Mate non dairy creamer, this foodservice and resalable package had not been observed previously.

Other cooler items at Costco included: a 48-ounce container of Fage fruyo yogurt for \$6.49, a 48-ounce container of Fage Greek non-fat yogurt for \$6.49, a 48-ounce container of Land O Lakes cottage cheese for \$4.49, a case of fifty-four 1.5-ounce ready-to-bake chocolate chip cookie dough pucks from Lockhart Baking for \$7.99, a 64-ounce container of Mountain High plain low fat vanilla yogurt for \$3.99, an 80-ounce container of Zarda Foods classic baked beans for \$8.69 and a 48-ounce container of Zarda Foods potato salad for \$5.49.

Costco's deli selection included: two 14-ounce containers of Amylu's cranberry chicken meatballs with raspberry chipotle sauce for \$11.79, a container of grilled chicken taco filling with green chili and onions from Frontera for \$6.79 per pound, a package of three 4.7-ounce Spanish cheese tapas from Garcia Baquero (manchego, tipsy goat and iberico) for \$8.89, a package of two 30-ounce containers of Harry's turkey gravy for \$7.99, a 16-ounce package of Hilton's fresh x-small oysters for \$7.99, a package of two 16-ounce containers of Jack Stack Barbeque pulled chicken breast for \$7.99, a 36-ounce package of chicken patties stuffed with spinach and three cheeses from Jacks Grilled for \$11.99, a package of two 32-ounce containers of Main Street Bistro all natural mashed potatoes for \$6.79, a 32-ounce package of Myron's smoked barbeque beef brisket for \$13.99 and a package of Vicky's Kitchen roasted stuffed turkey breast for \$6.39 per pound.

Dry Grocery – Costco's dry grocery selection included: a 25-ounce container of Rodelle Dutch baking cocoa for \$6.99, a four-pound container of McCann's steel cut oatmeal for \$7.59, a package of two 25.5-ounce bottles of Dave's Gourmet butternut squash sauce for \$6.99, a 21-ounce container of McCormick tuscan herb panko breaded crumbs for \$5.99, a 2.2-pound bag of Nature's Choice quinoa penne pasta for \$6.79, a case of ten 4.3-ounce cartons of Splendid Starter mashed potatoes for \$9.99, a package of two 36-ounce bottles of Jack Stack Barbeque barbeque sauce for \$7.49, a 28-ounce bottle of Jack Stack Barbeque meat and poultry rub for \$7.99 and an eight-ounce bottle of Rodelle pure almond extract for \$5.89.

January, 2015 – Indiana (Castleton)

Dry Grocery, Candy and Alcohol – In the beer category, Costco stocked a case of forty-eight 12-ounce cans of Kirkland Signature light beer for \$21.99. In candy, Costco stocked a bag of fifty-one 0.4-ounce spring-themed Lindt truffles for \$10.79 and a 19-ounce bag of Wolfgang assorted 60% cacao dark chocolate (a Dominican Republic blend, a Venezuelan blend and a Tanzanian blend) for \$9.99.



Costco – Mrs. Thinster's Cookies

In the snack and cookie category, Costco stocked a 26-ounce bag of bloody mary kettle chips from Barrel O'Fun for \$4.99, a 24-ounce box of flatbread crackers with garden vegetables from Butcher & Baker for \$5.99, a 20-ounce box of petite chocolate wafer bites with a cream filling from Dolcetto for \$7.99, a 19-ounce bag of Goodie Girl crunchy chaos cookies for \$7.89, a case of sixteen 1.5-ounce bags of Mrs. Thinster's cookie thins (eight chocolate chip and eight cake batter) for \$10.99 (see picture on the left), a 21.16-ounce box of Pierre Biscuiterie pure butter cookies that is made with French butter for \$7.99 and a case of fifty 0.88-ounce Kellogg's Special K snack bars (25 berry and 25 salted chocolate pretzel) for \$13.99.

In the dry grocery department, Costco stocked a package of three 14-ounce bags of Among Friends chocolate cranberry cookie mix for \$9.89, a package of two 10-pound bags of ultra grain flour from Eagle Mills for \$7.79, a four-pound bag of McCann's steel cut oatmeal for \$7.59 and a case of fifty 1.18-ounce packets of Nestle premium hot cocoa mix for \$9.99.

Other dry grocery items included: a case of ten 4.5-ounce bags of Grandma Hoerner's sliced dried apples that are kettle cooked (five natural and five cinnamon) for \$12.99, a case of three 26-ounce bottles of Grandma Hoerner's applesauce for \$9.99, a case of twenty-four 3.17-ounce cups of Kirkland Signature applesauce for \$7.89 and a case of eight 17.3-ounce cartons of co-branded Kirkland Signature and Campbell's classic chicken noodle soup for \$10.89.

Hardware – Costco's hardware assortment included a number of unique items: a Schlage wireless door lock and a touchscreen access pad with a built-in alarm for \$249.99, a package of two First Alert Atom micro-designed smoke and fire alarms with a Duracell battery for each for \$32.99, a First Alert Onelink wireless connected thermostat for \$199.99, a Water Ridge one-piece white elongated toilet for \$149.99, a Water Ridge two-piece white elongated dual flush toilet for \$84.99, a Water Ridge pull down kitchen faucet for \$79.99, a Hansgrohe Talis C style pull down kitchen faucet for \$259.99 and a Hansgrohe chrome Metris style lavatory faucet for \$99.99.

Kitchen Supplies – The kitchen supply assortment at Costco included: a Capresso 48-ounce cordless fast boil water kettle with heat resistant glass and a concealed heating element for \$39.99, a set of four 20-ounce CorningWare microwavable and oven safe mugs with vented plastic covers for \$18.99, a J.A. Henckels 12-piece dishwasher safe stainless steel cookware set for \$199.99, a Mossy Oak 20-piece microwavable and dishwasher safe dinnerware set for \$48.99, a set of three Neoflam nonslip antibacterial cutting boards for \$14.99, a Polder stainless steel digital kitchen scale for \$19.99 and a set of four Sabatier kitchen shears with stainless steel blades for \$14.99.

Organic – In the candy department, Costco stocked a case of seventy 0.65-ounce packages of Florida's Natural organic fruit snack nuggets for \$11.59. In the cooler, Costco stocked a package of twenty-four 1-ounce Organic Valley organic cheese sticks for \$9.99 and a package of twenty-four 1-ounce Organic Valley organic mozzarella sticks for \$9.99. In the freezer, Costco stocked a 40-ounce container of Milton's organic vegetable lasagna for \$9.99.

In the deli, Costco stocked a 36-ounce package of Don Lee Farms organic vegetable patties for \$12.69, an 18-ounce package of duBreton organic cooked sliced ham for \$9.89, a package of two 30-ounce containers of Harry's organic tomato basil soup for \$9.69, a package of two 30-ounce containers of Harry's organic minestrone soup for \$9.99, a 38-ounce package of Monterey Pasta organic fresh spinach and cheese pasta for \$10.99, a 36-ounce package of Pasta Prima organic spinach and cheese lasagna for \$12.99, a 32-ounce package of Pasta Prima organic spaghetti for \$7.99, a container of four 8-ounce packs of Pita Pal organic hummus (cilantro jalapeno, basil sun dried tomato, original and spicy roasted red pepper) for \$6.99 and a case of twelve 2.1-ounce organic protein bars from Wella Bar (four peanut, four cranberry crunch and four almond) for \$16.89.

In the dry grocery department, Costco stocked a package of two 24-ounce bottles of organic tomato vinaigrette dressing from Organicville for \$7.99, a case of twelve 3.17-ounce pouches of Kirkland Signature organic chocolate pudding for \$9.99, a package of two 42.3-ounce bottles of Kirkland Signature organic coconut oil for \$26.99, a case of six 17-ounce containers of Campbell's organic vegetable soup for \$12.49 and a case of six 32-ounce containers of Pacific Foods organic butternut squash soup for \$12.99.

Sam's Club

February, 2014 – Virginia (Woodbridge and Sterling)

Perishable Food – In the deli, Sam's Club stocked: a package of two 24-ounce containers of Harry's three bean chili for \$10.98, two 16-ounce packages of Monterey Pasta spinach ravioli for \$10.98, two 15-ounce packages of Nuovo heart shaped ravioli for \$10.98, two 13.5-ounce packages of Pasta Prima shrimp and lobster ravioli for \$12.98 and two 13.5-ounce packages of Pasta Prima wild mushroom ravioli for \$10.98.

In the cooler, Sam's Club stocked: a box of three 6-ounce packages of Kraft cheese and breadcrumb mixes (cheddar jack bacon, four cheese and Italian parmesan) that included a recipe booklet for \$5.56, a 32-ounce container of Dannon Greek vanilla yogurt for \$4.18, a package of two 32-ounce bottles of Dunkin Donuts coffee creamer for \$5.48 and a case of twelve 5.3-ounce cups of Muller corner yogurt (four cherry, four granola and four strawberry) for \$11.48.

In the freezer, Sam's Club stocked: a case of eight 6.15-ounce Steak-Eze chicken club sandwiches on a sesame seed bun for \$11.28, a case of eight 7.1-ounce cheeseburger sandwiches on a pretzel bun from Steak-Eze for \$12.48, a 40-ounce package of pretzel crusted cheese sticks from The Corner Tavern for \$7.98, a 10-inch Daily Chef private label coconut cream pie for \$8.38, a case of thirty two 1.4-ounce mini deep dish pepperoni pizzas from Red Baron for \$8.98, a three-pound Fisherman's Feast coastal seafood broil that included snow crab, shrimp, mussels, sausage and vegetables for \$24.98 and a package of four 12-ounce bags of Green Giant microwavable broccoli and cheese for \$5.98.

General Merchandise – Sam's Club stocked a number of unique items. In the appliance category, Sam's Club stocked a Hurom fresh cold press juicer for \$199.98 and a Wolfgang Puck digital 10-cup multi cooker for \$29.98. In the automotive category, Sam's Club stocked a Turtle Wax car care kit for \$19.98 that included a 12-ounce bottle of interior cleaner and protectant, a 14-ounce car wash bottle, a 20-ounce bottle of spray wax and a 22-ounce bottle of tire shine.

In the bed and bath category, Sam's Club stocked a four-piece decorative bath set that included a soap dish, toothbrush holder, lotion dispenser and waste basket for \$29.98. In the detergent and cleaning category, Sam's Club stocked a package of Clorox green works all purpose cleaner that included a 32-ounce spray bottle and a 100-ounce refill bottle for \$9.38 and a Swiffer sweep and trap package that included the sweeper and 34 Swiffer dry cloths for \$24.98.

In electronics, Sam's Club stocked BOSE mobile on-ear headphones for \$99.98, a BOSE sounddock Bluetooth speaker for \$499.00, BOSE on-ear headphones for \$109.87 and a Monster seven-inch tablet with on-ear headphones for \$179.98. In hardware, Sam's Club stocked a Snap On multi function tool set that included an LED flashlight, a folding knife, a multi function tool, a belt pouch and two Duracell AA batteries for \$19.88.

In the kitchen supply category, Sam's Club stocked a 12-piece rustic 100% melamine dinnerware set (in red, blue or cream) for \$29.98 and a four-piece rustic 100% melamine serving set (in red or blue) that included a bowl, a plate and two serving utensils for \$19.98. In the pet category, Sam's Club stocked a 40-pound bag of Rachel Ray chicken and vegetable nutritive dog food for \$34.98. In the sundry department, Sam's Club stocked a 360-unit case of Bakers & Chefs private label black plastic cutlery (180 forks, 60 knives and 120 spoons) for \$6.32 and a package of white plastic party plates from Designer Dinnerware that included forty 7.5-inch plates and forty 10.25-inch plates for \$9.98.

Dry Grocery, Candy and Snacks – Sam's candy selection included a five-pound container of Richardson pastel mints for \$6.36. Sam's stocked seven items from Jack Links in its snack category that included: three 4.05-ounce packages of original beef jerky for \$11.37, three 4.05-ounce packages of peppered beef jerky for \$11.37, three 4.05-ounce packages of teriyaki beef jerky for \$11.37, a 16-ounce bag of teriyaki beef jerky for \$12.88, a package of 12 beef steak sticks for \$9.68, a 12.5-ounce package of turkey jerky for \$8.88 and a package of twelve 1.25-ounce variety packages (four beef, four teriyaki and four sweet/hot) for \$14.88.

In the dry grocery category, Sam's Club stocked a five-pound bag of House of Autry chicken breader mix for \$5.98, a 24-ounce bag of Hammons large black walnuts for \$11.48 and a package of three 20-ounce cans of Progresso white chicken chili with beans for \$9.46.

March, 2014 – Rhode Island (Warwick)

Private Label – The following Daily Chef private label items have not been observed on prior visits to Sam's Club locations nationwide. In the kitchen category, Sam's Club stocked an anti-fatigue memory foam kitchen mat for \$19.98 and a package of three non-stick sauté pans (eight-inch, ten-inch and 12-inch) that can be purchased in blue, red or green for \$24.98. In the dry grocery department, Sam's Club stocked a case of eight 14.5-ounce cans of diced tomatoes for \$4.27.

Freezer – Sam's Club stocked the following unique freezer items: a package of four 7-ounce boxes of Atkins farmhouse style sausage and scrambled eggs for \$11.48, a 40-ounce case of American Pride Seafoods' sweet potato coated fish bites for \$9.98, a case of six 6-ounce individually wrapped stuffed tilapia fillets from Michael Angelos for \$12.98, a 46-ounce bag of Green Giant broccoli, carrots and brown rice in a creamy garlic sauce for \$6.98, a 76.5-ounce bananas foster ice cream cake from Rich's (the cake is precut into ten slices) for \$15.88 and a ten-pound case of Philadelphia seasoned beef sandwich slices (four-ounce portions) for \$33.98.

Sam's Club also stocked a package of four 9.9-ounce DiGiorno sausage and pepper flatbread pizzas for \$10.98 and a case of twelve 6-ounce Friendly's vanilla ice cream and fudge sundae cups for \$11.38. The Friendly's SKU is a good example of a crossover item as grocery store and vending business members could resell the item and it can also be purchased by consumer members for their home.

General Merchandise – Sam’s Club stocked a number of interesting non-food items. In appliances, Sam’s Club stocked a Nespresso Pixie C60 espresso maker for \$169.98 and a West Bend stir crazy six-quart popcorn popper whose plate, bowl and lid are dishwasher safe for \$29.98. In the luggage category, Sam’s Club stocked a Vera Bradley 31.25-inch backpack for \$59.72 and a Tumi 22-inch rolling carryon luggage case with a removable garment sleeve for \$398.98.

In sundries, Sam’s Club stocked three sunflower-themed Spring SKUs from Artstyle: a 125-count package of 13-inch by 13-inch napkins (price not listed), a 100-count package of 6.75-inch paper plates for \$4.96 and a 80-count package of 10.25-inch paper plates for \$7.96.



Sam’s – Stanley Tri-Pod Light

In the kitchen category, Sam’s Club stocked a 13-gallon Tramontina stainless steel trash can for \$29.98, a Mango Leaf 15.75-inch diameter acacia wood serving tray for \$19.98 and a case of four 16-ounce wine glasses with lids and four insulated wine tumblers with lids for \$14.98 from DSC Products. The wine glasses and lids fit inside the tumblers so that they can be easily transported without spilling. In the hardware category, Sam’s Club stocked a Snap On 11-gallon 125-psi compressor with a 25-foot hose for \$179.98 and a Stanley fat max tripod work light with three LED lights for \$199.98 (see picture on the left).

DSD Bakery – Sam’s Club stocked a case of twelve 4-ounce packages of Mrs. Freshley’s chocolate cupcakes (each package had two cupcakes) for \$5.99, a case of twelve 4-ounce packages of Parkside Bakery crumb cakes (six cheese and six cinnamon) for \$6.48, a case of twelve 4-ounce Pillsbury brownies (each package had two brownies) for \$7.18, a case of fifteen 4-ounce packages of Uncle Wally’s muffins (nine blueberry and six banana) for \$7.98, a package of twenty-four 0.83-ounce Two Bite lemon bliss fruit drop mini cupcakes for \$5.99 and a package of twenty-four 0.83-ounce Two Bite red velvet mini cupcakes for \$5.99.

Health and Nutrition Bars/Shakes – Sam’s health and nutrition bar/shake assortment included seven Atkins SKUs: a case of sixteen 1.6-ounce caramel nut rolls for \$17.48, a case of twelve 1-ounce packages of chocolate candy for \$11.98, a case of twelve 2.1-ounce chocolate peanut butter bars for \$17.48, a case of twelve 11-ounce chocolate shake bottles for \$15.88, a case of twelve 11-ounce French vanilla shake bottles for \$15.88, a case of twelve 1.2-ounce peanut butter cups for \$11.98 and a case of twelve 1.7-ounce peanut butter granola bars for \$17.48.

Candy – Sam’s Club continues to stock a unique assortment of single flavor candy in consumer-sized packaging. At first glance, these candy SKUs appear to be targeted to consumers for their home. However, the item sign on the left indicates these items crossover and target business members as it says “Great for C-Stores” and “Great for Vending”. Additionally, the retail pricing of these items is aggressive enough that businesses will purchase these products for resale.

In terms of pricing, the consumer-sized candy SKUs retail for 59-cents per bar and the wholesale-sized candy SKUs have retail prices between 51-cents and 55-cents per bar. Although the larger wholesale cases do offer a lower price per bar, the difference is not so dramatic as to prevent some businesses from purchasing the smaller packages and offering a wider variety of candy without the inventory investment the larger wholesale packages would require.

That assortment included: a case of ten 1.79-ounce Mars Twix bars for \$5.88 (the wholesale SKU included thirty-six 1.79-ounce bars for \$19.88), a case of ten 2.07-ounce Mars Snickers bars for \$5.88 (the wholesale SKU included forty-eight 2.07-ounce bars for \$26.38), a case of ten 1.5-ounce Hershey Reese peanut butter cup packages for \$5.88 (the wholesale SKU included thirty-six 1.5-ounce packages for \$18.88), a case of ten 1.45-ounce special dark Hershey chocolate bars for \$5.88 (the corresponding wholesale SKU was not available) and a case of ten 1.55-ounce Hershey milk chocolate bars for \$5.88 (the wholesale SKU included thirty-six 1.55-ounce bars for \$19.18).

The rest of the vending candy assortment included: a case of ten 1.5-ounce Hershey Kit Kat bars for \$5.88 (the wholesale SKU included thirty-six 1.5-ounce bars for \$19.54), a case of ten 2.13-ounce Hershey 3 Musketeers bars for \$5.88 (the wholesale SKU included thirty-six 2.13-ounce bars for \$19.88), a case of ten 1.55-ounce cookies and cream Hershey chocolate bars for \$5.88 (the wholesale SKU included thirty-six 1.55-ounce bars for \$19.88), a case of ten 1.45-ounce Hershey chocolate almond bars for \$5.88 (the wholesale SKU included thirty-six 1.45-ounce bars for \$19.54), a case of ten 1.74-ounce bags of Mars peanut M&Ms for \$5.88 (the wholesale SKU included forty-eight 1.74-ounce bags for \$24.64), a case of ten 2.5-ounce Mars Milky Way bars for \$5.88 (the wholesale SKU included thirty-six 2.5-ounce bars for \$19.54) and a case of ten 1.69-ounce bags of Mars plain M&Ms for \$5.88 (the wholesale SKU included forty-eight 1.69-ounce bags for \$24.64).

April, 2014 – Texas (Houston and Dallas)

Gift Cards – Sam’s 20%-off gift card assortment included: \$50 worth of gift cards to Becks Prime Restaurants for \$39.98, \$100 worth of gift cards to Buca di Beppo Italian restaurant for \$79.98, \$50 worth of gift cards to Firehouse Subs for \$39.98, \$60 worth of gift cards to Dickey’s Barbecue Pit for \$47.98, \$50 worth of gift cards to Grub Burger Bar for \$39.98, \$100 worth of gift cards to Steiner Sports Memorabilia for \$79.98, \$100 worth of gift cards to the Movie Tavern for \$79.98 and \$100 worth of gift cards to Logan’s Roadhouse for \$79.98.

Kitchen Supplies – Sam's Club stocked a number of unique products in the kitchen supply category. The selection included three items under its Sam's Club West control label: a case of six glass mason jars with velcro burlap bands, color lids and 12 reusable straws for \$16.98, a 2.5-gallon beverage dispenser in the shape of a glass mason jar on top of a galvanized metal stand for \$24.98 and a three-tier galvanized metals stand for \$24.98.

Other kitchen supply items at Sam's Club included: a set of four Anchor Hocking splash proof mixing bowls (one-quart, two-quart, three-quart and four-quart) for \$24.98, a set of two 8.5-inch Bakers & Chefs private label insulated tortilla servers with lids for \$7.97, a Mind Reader coffee pod carousel that can hold up to 30 K-Cups for \$12.98, a set of three Member's Mark private label stoneware lanterns with three flameless LED candles for \$29.98, a set of two 2.25-gallon Daily Chef private label unbreakable chilled beverage servers with removable chalkboard placards for \$29.98 and a Better Bread bread container for \$6.91 (originally priced at \$9.98).

Freezer – Some of the interesting freezer items stocked at Sam's Club included: a case of fourteen 2.5-ounce flatbread chicken melts from Sandwich Brothers for \$9.98, a case of eight 6.15-ounce Steak-Eze chicken club sandwiches for \$11.28, a case of six 7.1-ounce cheeseburgers on a pretzel bun from Steak-Eze for \$12.48, a case of six 5.6-ounce ham and cheese melts inside a pretzel bun from Wetzel's Pretzels for \$9.98, a 40-ounce package of Gorton's premium 100% Alaskan pollock fish sticks for \$9.98, a case of twelve 5.3-ounce Jennie-O white turkey burgers for \$11.98, a case of fourteen 3-ounce Ball Park grilled turkey patties for \$13.98, a case of eight 10-ounce Marie Callendar chicken pot pies for \$10.38 and a case of six 10-ounce Marie Callendar beef pot pies for \$11.38.

Private Label – In the fresh prepared category, Sam's Club, under a control label, stocked: a cranberry orange glazed pork loin for \$5.48 per pound (the item observed was 5.61-pounds for \$30.74), a New Zealand lamb rack with French green beans for \$10.88 per pound (the item observed was 6.01-pounds for \$65.39) and two stuffed cornish game hens for \$3.88 per pound (the item observed was 7.65-pounds for \$29.68). In the freezer, Sam's Club stocked a case of six 16-ounce cans of Daily Chef frozen concentrated orange juice for \$9.48 (Sam's previously stocked the same package under Member's Mark).

In dry grocery, Sam's Club stocked 32-ounce bag of Daily Chef pecan halves for \$11.98, a 32-ounce bag of Daily Chef walnuts for \$12.58, a package of two 24-ounce bottles of Daily Chef vidalia onion dressing for \$4.98, a 128-ounce bottle of Daily Chef Food Service Italian dressing for \$6.46 (Sam's recently stocked the same package and retail price under Bakers & Chefs), a 128-ounce bottle of Daily Chef Food Service ranch dressing for \$6.68 (Sam's recently stocked the same package under Bakers & Chefs for \$7.38), a 102-ounce can of Daily Chef Food Service diced tomatoes for \$2.78 (Sam's previously stocked the same package under Bakers & Chefs) and a 102-ounce can of Daily Chef Food Service whole peeled tomatoes for \$2.68 (Sam's previously stocked the same package under Bakers & Chefs).

General Merchandise – Sam's Club stocked a wide variety of unique non-food items. In the appliance category, Sam's Club stocked: a Dash egg cooker that can quickly cook eggs in a variety of ways for \$19.98, an Estratto five gallon water cooler and single serve (K-Cup) coffee brewer combination unit for \$299.98, a Sterno 9,000 BTU portable butane stove for \$26.97 and a 5.5-cup Zojirushi rice cooker for \$179.98. In the automotive category, Sam's Club stocked: a Scepter five-gallon plastic gasoline can for \$14.98 and a Turtle Wax car care kit (12-ounce bottle of interior cleaner, 14-ounce bottle of car wash, 20-ounce bottle of spray wax, 22-ounce bottle of tire shine and a bucket) for \$19.98.

In the detergent and cleaner category, Sam's Club stocked: a 160-ounce case of Espro Clean sports cleaner stain remover and odor guard (128-ounce refill bottle and a 32-ounce spray bottle) for \$11.98, a case of five 32-ounce bottles of Liquid Plummer power plus drain cleaner for \$12.98, a container of 88 Snuggle scent booster pods for \$9.98 and a case of three 32-ounce bottles of Vani-Sol high acid toilet bowl cleaner for \$9.98. In the pet category, Sam's Club stocked a 36-ounce canister of carob swirl mini bagels from Three Dog Bakery for \$12.98.

In the electronics category, Sam's Club stocked: a Klipsch wireless portable speaker with international adapters for \$199.98, a Motorola deck wireless speaker that can have up to five smartphones accessing it to play music for \$149.98, a Party Rocker wireless speaker with a light show illuminating ball for \$99.98, a Royal rechargeable battery that can charge mobile devices anywhere for \$39.98, a TiVo Roamio plus six tuner DVR that also supports cable television and streaming apps for \$348.00 and a set of three Skull Candy earbud headphones (one red, one blue and one black) with a microphone, remote and flat cable for \$42.98.

Snacks and Cookies – Sam's salted snack assortment included: a 21-ounce bag of Boulder Canyon olive oil potato chips for \$5.48, a 21-ounce bag of Cosmos salted caramel corn for \$5.98, a case of thirty-two 1.5-ounce bags of El Sabroso salsa flavored tortilla chips for \$9.88, a 20-ounce bag of Hi I'm Skinny sweet onion multi grain sticks for \$5.98, a package of thirty-six Lance whole grain crackers (12 peanut butter, 12 cheddar cheese and 12 sharp cheddar cheese) for \$8.68, a case of forty 1-ounce bags of Mac's red hot pork skins for \$10.88 and a case of Snyder's all star snack mix (eight Cape Cod potato chips, eight mini pretzels, eight creamer cheese and chive crackers, eight peanut butter crackers, eight peanut butter cheese crackers and six sunflower seeds) for \$13.88.

Perishable – In the fresh chicken category, Sam’s Club stocked a package of antibiotic free boneless skinless chicken breast from Forester Farmers Market for \$3.99 per pound and a package of antibiotic free chicken fryers from Forester Farmers Market for \$1.49. In the cooler, Sam’s Club stocked a package of 14 seasoned and uncured 100% beef hot dogs from Ball Park for \$6.88, a 14-ounce container of Chef Samy parmesan and basil garlic butter for \$5.98, a 24-pound case of Hormel smoked sausage links for \$70.98 and a four-pound container of Stonehill Kitchen red potato salad for \$4.98.

Candy and Dry Grocery –In the candy department, Sam’s Club stocked: a 23.45-ounce container of Daily Chef dark chocolate mint melts for \$9.98 and a 26-ounce bag of Dove chocolate covered cranberries for \$9.98. In the dry grocery department, Sam’s Club stocked a 48-count variety package of Starbucks coffee K-Cups (16 breakfast, 16 pike place and 16 caramel) for \$29.98, a case of twenty-four 15.2-ounce bottles of Minute Maid apple juice for \$24.72, a case of twenty-four 15.2-ounce bottles of Minute Maid cranberry grape juice for \$24.72, a case of twelve 15.2-ounce bottles of Tropicana apple juice for \$10.99, a case of twelve 15.2-ounce bottles of Tropicana orange juice for \$10.99 and a case of twelve 12-ounce bottles of V8 vegetable juice for \$11.88.

July, 2014 – Connecticut (Newington and Orange)

General Merchandise – Sam’s stocked a wide variety of unique non-food items. In the appliance category, Sam’s Club stocked a stainless steel portable counter top ice maker from Igloo for \$99.98 and a Vintage candy dispenser that can dispense candy, nuts or cereal into a bowl for \$199.98. In the automotive category, Sam’s Club stocked a Michelin three ton low profile garage jack for \$99.98. In the detergent and cleaning category, Sam’s Club stocked a container of 104 free and clear All laundry detergent pods for \$12.88 and a container of 90 free and clear Tide laundry detergent pods for \$20.98.

In the electronics category, Sam’s Club stocked a large selection of sound bars that are typically installed underneath televisions. The assortment included: an LG Bluetooth sound bar with a subwoofer for \$248.88, a Samsung 40-inch wireless sound bar with a subwoofer for \$218.86, a Vizio Bluetooth sound bar with a subwoofer for \$148.88 and a Philips Bluetooth sound bar for \$498.00. In the furnishing and lighting category, Sam’s Club stocked: a Honeywell LED indoor and outdoor utility light for \$59.98, a Stanley LED 10-watt flashlight with a USB power supply port for \$59.95 and a pallet display of assorted 36-inch by 46-inch framed gallery wrapped wall art pictures for \$48.72.

In the hardware category, Sam’s Club stocked: a Stanley fat max jump starter and compressor for \$59.98, a package of two 11-ounce cans of WD 40 specialist brand rust release and penetrant lubricant for \$8.98, a package of two 10-ounce cans of WD 40 specialist brand silicone lubricant for \$8.98 and a package of two 10-ounce cans of WD 40 specialist brand white lithium grease for \$8.98.

In the housewares category, Sam’s Club stocked a Glad wax melt set with a warmer and 24 wax melts for \$18.98 and a set of six Storex colored stackable storage crates (three large and three small) for \$19.98. In the kitchen category, Sam’s club stocked a set of twelve 15-ounce white melamine bowls from Clipper Commercial for \$11.54, a set of twelve 9-inch white melamine dinner plates from Clipper Commercial for \$24.74 and a red or gray colored large capacity dish drying rack from KitchenAid for \$29.98.

In the office supply category, Sam’s Club stocked a 40-count helix-shaped display stand of Write Dudes’ gel pens (10 neon, 10 glitter, 10 metallic and 10 scented) for \$14.77, a 40-piece pen and pencil set from Luxor for \$12.88 (eight ball point pens, eight fashion ball point pens, five highlighters, five permanent markers, 12 mechanical pencils, one lead refill tube and one eraser refill set) and a package of 18 Pilot B2P (bottle-to-pen) black pens that are made of recycled plastic bottles for \$9.97 (see picture on the right).



Sam’s – Pilot B2P Recycled Pens

In the seasonal category, Sam’s Club stocked a 150-count package of Artstyle football-themed chalk talk 13-inch napkins for \$6.12, an 80-count package of Artstyle football-themed chalk talk 10.25-inch paper plates for \$7.96 and a 40-volt electric lawn mower from Greenworks for \$349.00.

Packaging, Merchandising – On the package of Sam’s Member’s Mark private label 16.9-ounce case of bottled water, the company promoted a new private label item. The package included the following text: “Coming Soon – Black Cherry, Peach and Strawberry Flavored Sparkling Water”. In the book and DVD category, Sam’s Club stocked a pallet display of the National Geographic 2015 kids almanac book for \$9.64. Also in the book and DVD category, Sam’s Club stocked a two movie DVD package of Anchorman and Anchorman 2 for \$22.98 that included a sticker identifying the item as a “Sam’s Club Exclusive” and a DVD package of season five of the Duck Dynasty television show for \$9.98 that also included a sticker identifying the item as a “Sam’s Club Exclusive”.

Gift Cards – Sam’s Club stocked a \$50 gift card for Fat Head for \$39.98, a \$50 gift card for the Ovation Brands’ restaurant group (Country Buffet, Ryan’s, Hometown Buffet, Old Country Buffet and Fire Mountain) for \$39.98 and a \$50 gift card to Cherry Berry frozen yogurt shop with locations nationwide for \$39.98.

Food – A number of interesting perishable and non-perishable food products were observed at Sam's Club. In the candy department, Sam's Club stocked a case of twelve 2.06-ounce packages of Jolly Rancher fruit chews for \$6.72, a case of fifteen 4.2-ounce packages of Lifesavers king size gummies for \$13.68, a package of 12 Too Tarts flavored spray candy (four apple, four blueberry and four strawberry) for \$9.02, a case of twenty-four 2-ounce Trolli sour bite crawlers for \$9.94 and a 145-piece container of Wonka laffy taffy for \$6.22. In the baking category, Sam's Club stocked a 42.5-ounce package of Hershey triple layer caramel hot fudge cake mix for \$5.98.

In the deli, Sam's Club stocked a 48-ounce bottle of Italian Rose mango salsa for \$10.98, a 24-ounce package of John Soules beef fajita strips for \$8.91, a 24-ounce package of John Soules chicken fajita meat for \$7.29, a 40-ounce package of Tony Roma's boneless ribs for \$13.98 and a package of two 16-ounce containers of Yucatan organic guacamole for \$10.98. In the condiment category, Sam's Club stocked a package of three 13-ounce bottles of Hershey chocolate spread (two chocolate and one almond) for \$7.98, a 40-count box of Old El Paso nacho cheese flavored hard taco shells for \$7.58, a 47-ounce bottle of On the Border medium cantina salsa for \$4.78, a 128-ounce bottle of Ortega medium chunky salsa for \$8.12 and a package of two 38-ounce bottles of Pace medium chunky salsa for \$6.38.

In the fruit, vegetable and pudding category, Sam's Club stocked a Jell-O pudding pop kit that included two pudding pop molds, 12 pops, three boxes of chocolate pudding and three boxes of vanilla pudding for \$5.98. In the freezer, Sam's Club stocked a package of six 9-ounce parmesan stuffed chicken meals from Michael Angelos for \$13.98, a case of fourteen 5.8-ounce steak and cheese burritos from El Monterey for \$10.28, a case of fourteen 3-ounce Ball Park grilled turkey patties for \$11.98 and a 31.5-ounce package of Steak Umm sliced steak for \$7.98.

Private Label – Three new private label items were observed at Sam's Club. A different brand was used for each item. In the bread and bakery category, Sam's Club stocked a package of twelve 3-ounce Daily Chef oat topped kaiser rolls for \$3.88. In the electronics category, Sam's Club stocked two 9-foot long Member's Mark HDMI cables for \$19.98 and in the pet category, Sam's Club stocked a 42-pound container of Simply Right scoopable cat litter for \$11.64.

October, 2014 – North Carolina (Raleigh) and Massachusetts (Seekonk)

Baby – Sam's baby product assortment included: a case of 200 individually wrapped Lansinoh nursing pads for \$19.98, a package of three 14-ounce cans of PediaSure vanilla powder mix for \$36.98, a package of three 21.5-ounce cans of Enfamil gentlease lipil powdered infant formula for \$61.22 or 94.9-cents per ounce (BJ's stocked a package of two 25.7-ounce cans of the same item for \$48.99 or 95.3-cents per ounce), a case of twelve 3.5-ounce containers of Gerber infant yogurt (four banana, four strawberry and four peach) for \$7.32, a case of six 6-ounce containers of Gerber little meals (two spaghetti, two pasta and two macaroni and cheese) for \$7.78 and a case of 864 one and done Huggies baby wipes for \$19.98 or 2.3-cents per wipe (BJ's stocked a case of 648 of the same item for \$14.99 or 2.3-cents per wipe).

Computer Products – Sam's Club stocked a number of WIFI related products: a D-Link WIFI router and pan and tilt day or night camera for \$89.88, a Linksys AC1600 dual band WIFI router for \$139.76, a Linksys AC900 WIFI router for \$89.86, a Linksys N600 WIFI router for \$59.81, a Linksys WIFI router and range extender for \$129.98 and a Linksys WIFI range extender for \$58.76. Sam's Club also stocked a Toshiba 2.0-terabyte portable slim hard drive with a free 10-gigabyte cloud storage account and a bonus 32-gigabyte USB drive for \$119.98.

Snacks and Cookies – Sam's snack and cookie assortment included: a box of three 16-ounce packages of Keebler zesta saltines for \$4.98, a 23-ounce package of Nabisco ritz sour cream and onion toasted chips for \$3.61, a 17-ounce package of macaroni and cheese puffs from Snikiddy for \$5.98, a 24-ounce package of Sunshine cheez it white cheddar crackers with grooves for \$5.64 and a 20-ounce package of Vintage Italia pasta chips for \$5.98.

General Merchandise – In the electronics category, Sam's club stocked a North Carolina State Wolfpack-themed kube 3.0 portable speaker from Wiseways for \$49.87 and a Mohu high definition television antenna package for \$79.86. Also in the electronics category, Sam's Club stocked a three SKU pallet from Quirky that included: a pivot power flexible power strip for \$14.98, a portable contort power strip and cord management device for \$14.98 and a flexible power strip for \$14.98.

In the detergent category, Sam's Club stocked a Clean Path multi-surface cleaner with a reusable 16-ounce spray bottle and five 3-ounce refill pods (each refill pod, when water is added, makes 48-ounces of cleaning solution) for \$9.98. In the housewares category, Sam's Club stocked a special collector's edition of a wall hanging Seiko clock that is made with Swarovski elements and included 18 melodies for \$99.98.

Food – In the dry grocery department, Sam's Club stocked a package of three 16-ounce bags of gluten free fudge brownie mix from Krustaez for \$6.98, a case of twenty-four 1.76-ounce packages of pop tarts (12 peanut butter and 12 chocolate peanut butter) from Kellogg's for \$6.87, a package of two 30.6-ounce cans of Maxwell House regular ground coffee for \$11.98, a case of thirty-two 6.75-ounce aseptic packages of Hansen's 100% coconut water juice twist (12 tropical punch, 12 orange and eight berry) for \$13.37, a 65.5-ounce package of Hershey peanut butter cookie mix with a chocolate "kiss" candy on top for \$8.98 and a case of four 15.5-ounce ready-to-serve bowls of Campbell's slow kettle tomato and basil bisque for \$9.98.

In the candy and snack department, Sam's stocked two items specifically for Halloween: a 290-count box of assorted Mars mini/fun size candy for \$19.98 and a case of sixty-five 0.65-ounce bags of Cheetos crunchy snacks with glow in the dark bags for \$9.98 (see picture on the right). Also in the candy department, Sam's Club stocked a 48-count ready-to-display counter case of bite size Mars twix or snickers for \$55.20.



Sam's – Frito Lay Halloween Cheetos

In the freezer, Sam's Club stocked a case of ten 4.5-ounce individually wrapped southern style chicken biscuit sandwiches from J.R.'s for \$9.98. In the cooler, Sam's Club stocked a package of six Oscar Mayer breakfast lunchables (three cinnamon roll and three pancake) for \$5.10 and a package of six Oscar Mayer snack/meal lunchables (three ham and three turkey) for \$5.10.

November, 2014 – Missouri (Kansas City) and Kansas (Kansas City)

Hair Care Products – The following are hair care products that had not been observed at Sam's Club previously: a variety package of OGX hair care products (a 750-milliliter bottle of coconut milk shampoo, a 750-milliliter bottle of coconut milk conditioner and a 100-milliliter bottle of hair serum) for \$19.98, a 33.8-ounce bottle of Matrix hydrating shampoo for \$19.98, a 33.8-ounce bottle of Matrix color care shampoo for \$19.98, a variety package of John Frieda sheer blonde products (an 8.45-ounce tube of shampoo, an 8.45-ounce tube of conditioner and a 3.4-ounce bottle of brightening oil) for \$13.24 and a variety package of John Frieda brilliant Brunette products (an 8.45-ounce tube of shampoo, an 8.45-ounce tube of conditioner and a 6.5-ounce bottle of clear shine gel) for \$13.24.

Other hair care products at Sam's Club included: a Toni & Guy glamour collection kit (a 7.2-ounce bottle of volume pumping mouse, a 7.5-ounce bottle of firm hold hair spray and a 2.82-ounce bottle of volume pumping whip) for \$29.98, a Toni & Guy casual collection styling kit (a 7.2-ounce bottle of volume pumping mouse, a 6.8-ounce bottle of sea salt texturizing spray and a 7.5-ounce bottle of flexible hold spray) for \$29.98 and a TRESemme glamorous curls kit (a bottle of heat tamer spray, a bottle of flawless curls mouse and a bottle of ultra-fine mist hair spray) for \$10.48.



Sam's – Seeds of Change Quinoa

Dry Grocery – In the pasta, rice and bean category, Sam's Club stocked a case of six 8.5-ounce microwavable bags of Seeds of Change organic quinoa and brown rice for \$10.98. In the past, this item was packaged in a three-bag wide box that used a clear wrap to hold the product and required a display case.

As can be seen from the picture on the left, Sam's stocked a new package: a cardboard box with the bags stacked in a row. The product's package is still clearly visible and most importantly, this box/case does not require a display case. As the product sells, the pallet disappears with little to no cardboard to dispose of (slips sheets may be used).

Electronics – In the electronics category, Sam's Club stocked a GoPro Hero3 adventure/sports camera for \$349.99, an SP Gadgets point-of-view hand held 19-inch pole for a GoPro camera for \$49.87, an SP Gadgets point-of-view tripod for a GoPro camera for \$49.87 and a Samsung high definition home security smart cam with two way talking capability for \$149.88.

Candy, Snacks – Sam's snack assortment included six Little Debbie SKUs (all of which are labeled for resale): a case of twelve 2.18-ounce cosmic brownies for \$3.48, a case of twelve 2.01-ounce fudge rounds for \$3.48, a case nine 2.33-ounce honey buns for \$3.48, a case of twelve 2.1-ounce nutty bars for \$3.48, a case of twelve 2.58-ounce oatmeal crème pies for \$3.48 and a case of twelve 2.2-ounce star crunches for \$3.48.

Other candy and snack items at Sam's club included: a 96-count tub of tootsie rolls for \$8.34, a 360-count bucket of Super Bubble gum for \$6.76, a 240-count tub of Pearson mints for \$9.98, a case of eighteen 1.23-ounce Quaker quinoa, chocolate and nut granola bars for \$8.98 and a 24-ounce bag of Sun Kernels roasted and salted sunflower seeds for \$3.28.

Deli – Sam's deli assortment included: a package of four 6-ounce rows of sliced cheese from Great Midwest (apple cinnamon, chipotle, cranberry and medium) for \$12.98, a package of four 6-ounce rows of sliced cheese from Great Midwest (mild cheddar, swiss, colby jack and pepper jack) for \$12.98, a 32-ounce container of Imos provol rope cheese for \$8.84, a 40-ounce block of Tillamook medium cheddar cheese for \$8.98, a 40-ounce block of Tillamook sharp cheddar cheese for \$8.98, a 40-ounce block of Tillamook colby jack cheese for \$8.98 and a 40-ounce block of Tillamook pepper jack cheese for \$8.98.

General Merchandise – Sam's Club stocked a number of unique non-food items. In the appliance category, Sam's Club stocked a T-fal counter top optigrill that included a bonus six-quart electric pressure cooker for \$179.00. In the furniture category, Sam's Club stocked a Bassett augusta storage ottoman for \$139.98 and a Bassett cordoba storage bench for \$179.98. In hardware, Sam's Club stocked two pairs of Kong impact work gloves (medium, large or extra large) for \$19.98.

In the kitchen category, Sam's Club stocked a Baked by Fire King bakeware and brownie set that included a three-quart baking dish, a four-quart mixing bowl, a box of milk chocolate malted brownie mix and a 72-page recipe book for \$24.74. Other kitchen products at Sam's Club included: a 1.7-liter Dash rapid boil kettle for \$29.98, a Shannon Crystal six piece crystal serving set for \$29.88 and a Wolfgang Puck electric knife with a rotating handle for \$19.98.

Private Label – In general merchandise, Sam's Club stocked five unique Member's Mark private label items: a 48-inch wide by 41.5-inch high walnut sports rack for \$129.81, an elongated toilet seat for \$19.98, a 75-pound capacity folding file cart with a lid for \$19.98, a leather executive office chair for \$222.87 and a case of two trash cans (a 29.2-liter can and a 4.8-liter can) for \$39.86.

In dry grocery, Sam's Club stocked a 10-pound bag of Daily Chef buttermilk pancake mix for \$5.98, a 32-ounce bag of Daily Chef shelled walnuts for \$12.38 and a 40-ounce bag of Daily Chef whole bean Fair Trade espresso for \$15.28. In bread and bakery, Sam's Club stocked a 24-count package of assorted Daily Chef brownies (loaded, chocolate chip and turtle) for \$6.98. In the cooler, Sam's Club stocked a five-pound block of Daily Chef yellow mild cheddar cheese for \$15.53.

Freezer – In the breakfast category, Sam's Club stocked a package of three 8-piece break and bake scones with vanilla icing packets from Barista Baking Company (one box of blueberry, one box of orange cranberry and once box of strawberries and crème) for \$7.98. Sam's Club also stocked 17 different flavors of Blue Bell ice cream. Each flavor was packaged in a 64-ounce container and retailed for \$5.98. Some of those flavors included: banana split, butter pecan, homemade vanilla, peppermint, rocky road and spiced pumpkin.

Dry Grocery, Soda – Some of the interesting dry grocery and soda SKUs at Sam's Club included: a package of four 2-liter bottles of soda (two mug root beer and two orange crush) for \$3.98, a 49-ounce box of Cake Boss primo yellow cake mix that included sprinkles, cake mix and frosting for \$9.98, a Karo pecan pie baking kit that included two pie crust mixes, two sugar pouches, two packages of pecans and Karo syrup for \$12.98, an 80-ounce bag of Krustaez all-purpose flour for \$9.98 and a case of six 15-ounce cans of Marie Callender's white chicken chili with beans for \$9.48.

January, 2015 – Indiana (Indianapolis)

Club Specific Packaging – Sam's Club stocked two detergent and cleaning items that included the Sam's Club logo and specific messaging on the display cases. The first item, a 90-ounce bottle of Ajax advanced dish detergent for \$5.88, was merchandised in display cases with the message "Exclusively Available At" which was followed by the Sam's Club logo. The second item, a 125-ounce bottle of Cascade complete liquid gel automatic dish detergent with Dawn for \$8.98, was merchandised in display cases with the message "New To" which was followed by the Sam's Club logo.

Bread, Bakery – Sam's Club stocked a number of unique direct-store-delivery items in the bread and bakery category: a package of twenty-seven 1.28-ounce mini cheese croissants from Atlanta Bread for \$6.98, a 26-ounce container of The Bakery Baron mini kolacky pastries (a mixture of raspberry and apricot) for \$6.98, a package of twelve 1.94-ounce sweet Belgian waffles from Camilla's Kitchen for \$6.98, a case of eight 3.5-ounce individually wrapped and labeled for resale packages of Entenmann's chocolate frosted donuts for \$7.98 (each package included two donuts), a 26.5-ounce container of Kimberly's Bakeshoppe granola with fruit, seeds and nuts for \$7.98, a case of ten 2.8-ounce individually wrapped and labeled for resale packages of Mrs. Freshley's peanut butter creme filled Swiss roll cakes for \$6.48 and a variety case of twenty-four individually wrapped and labeled for resale cakes from Sara Lee (sixteen 1.76-ounce brownie chocolate chip cakes and eight 2.01-ounce crumb cakes) for \$9.68.

Organic – Sam's Club's assortment of organic items continues to increase. In the deli, Sam's Club stocked: an 18-ounce package of Organic Creamery organic string cheese for \$7.98, a 0.8-pound block of Organic Creamery organic gouda cheese for \$12.98 per pound and a 1.04-pound block of Organic Creamery organic cheddar cheese for \$7.98 per pound. In the snack and cookie category, Sam's Club stocked a case of twenty 1.2-ounce Cascadian Farms organic chewy granola bars (ten vanilla chip and ten chocolate chip) for \$7.98.

In the dry grocery department, Sam's Club stocked a five-pound container of Betty Body organic coconut flour for \$8.98, a four-pound container of Better Body organic coconut sugar for \$12.98, a 16.9-ounce bottle of Maple Grove Farms organic maple syrup for \$11.98, a package of two 17-ounce bags of Kashi organic cinnamon harvest cereal for \$7.58, a package of two 24.25-ounce bags of Cascadian Farms organic oats and honey granola cereal for \$7.28 and a case of six 17-ounce cartons of Campbell's organic tomato and basil soup for \$11.38. In the freezer, Sam's Club stocked a case of eight 4.5-ounce Red's organic chicken and cheese burritos for \$12.28 and a 40-ounce package of Path of Life organic quinoa and kale for \$9.98.

General Merchandise – A number of unique non-food items were observed at Sam's Club. In the computer category, Sam's Club stocked a Makerbot Replicator mini compact 3D printer for \$1,299.99 and a spool of Makerbot true red filament for \$16.97. In the appliance category, Sam's Club stocked an Igloo stainless steel counter top ice maker that can produce 26-pounds of ice per day for \$99.98. In the automotive category, Sam's Club stocked a Breeze smartphone connected breathalyzer with law enforcement grade accuracy for \$84.98.

In the bed and bath category, Sam's Club stocked a Disney Minnie Mouse combination shower head for \$39.98. In the baby category, Sam's Club stocked a Nuby baby food blender with 21 accessories for \$17.91. In the health and beauty aids category, Sam's Club stocked a four piece full-size shaving kit from The Art of Shaving for \$84.98. The kit included a two-ounce bottle of pre-shave oil, a five-ounce bottle of shaving cream, a shaving brush and a 3.3-ounce bottle of after-shave balm. Sam's Club stocked four different kits: unscented, lavender, lemon and sandalwood.

In the kitchen category, Sam's Club stocked a Cambridge stainless steel seven-piece kitchen tool set with soft touch handles for \$19.98, a co-branded Member's Mark private label and Tramontina 12-piece stainless steel cookware set for \$199.98, a Tramontina 11-inch square grill with a panini press for \$29.98 and a 45-piece Vera Wang Wedgwood premium flatware set for \$79.86. In the office supply and equipment category, Sam's Club stocked an Ooma voice over IP business phone system for \$99.98 and a package of seven medium-sized Smoothmove storage and moving boxes for \$13.67.

Food – In the alcohol department, Sam's Club stocked a 1.75-liter bottle of Member's Mark Caribbean style spiced rum for \$14.98 and a 1.75-liter bottle of Member's Mark American vodka for \$13.98. In the deli, Sam's Club stocked a 48-ounce package of Laura's 92% lean ground beef for \$17.98 and a package of two 15-ounce containers of Nuovo kale, hummus and chickpea ravioli for \$10.98.

In the cooler, Sam's Club stocked a case of twelve 10-ounce Dannon light and fit strawberry protein shakes for \$13.48, a package of two 52-ounce bottles of Fairlife lactose-free 2% chocolate milk for \$7.28 and a 2.1-pound package of Tyson premium ham for \$7.76. In the soda, tea and water category, Sam's Club stocked a case of fifteen 1-liter bottles of Member's Mark sparkling water (five strawberry, five peach and five black cherry) for \$8.98.

Notes

Marketing Money

Successfully selling merchandise to warehouse clubs is not just offering buyers merchandise at the lowest possible cost. There are many factors to a successful warehouse club program and the complexity of the buyers' requirements increases every day. One key factor in selling BJ's, Costco and Sam's Club is participation in warehouse club marketing programs.

Club promotional programs are designed to increase sales, increase brand awareness and access vendor marketing funds. Although buyers want vendors to participate in these programs, they try to negotiate the marketing expense out of an item's cost of goods. No matter how these initiatives are funded, suppliers need to understand how successful the program will be at increasing sales or brand awareness. This chapter includes two sections: effectiveness and club marketing options.

Effectiveness

In the 2014 warehouse club industry survey, vendors were asked: of the following four marketing fund uses in the club channel (product demonstrations, end caps, coupons and price reduction), which is the most effective or least effective at increasing sales at each club? Results can be seen in the chart on the right.

Most and Least Effective Marketing Vehicles At Increasing Sales								
BJ's			Costco			Sam's Club		
Response	Most	Least	Response	Most	Least	Response	Most	Least
Coupons	77%	0%	Coupons	44%	0%	Coupons	46%	7%
End Caps	15%	21%	Demonstrations	33%	18%	End Caps	46%	14%
Price Reduction	8%	29%	End Caps	11%	47%	Demonstrations	8%	43%
Demonstrations	0%	50%	Price Reduction	11%	35%	Price Reduction	0%	36%

WCF Research, 2014

BJ's – The most effective use of marketing funds at increasing sales at BJ's are coupons cited by 77% of respondents. End caps, cited by 15% of respondents and price reduction, cited by 8% of respondents, were also listed as being effective at increasing sales. There were no respondents that listed BJ's product demonstration program as effective at increasing sales while 50% of respondents listed this marketing vehicle as least effective.

Costco – The top two uses of marketing funds at increasing sales at Costco are coupons, cited by 44% of respondents, and product demonstrations cited by 33% of respondents. The least effective use of marketing funds at increasing sales at Costco were end caps, cited by 47% of respondents, and reducing the cost and retail price of an item, cited by 35% of respondents.

Sam's Club – The top two uses of marketing funds at increasing sales at Sam's Club are coupons and end caps, cited by 46% of respondents each. The least effective use of marketing funds at increasing sales at Sam's Club were reducing the cost and retail price of an item, cited by 36% of respondents, and product demonstrations, cited by 43% of respondents.

Club Marketing Programs

The following eight club marketing programs are the most likely vehicles used by a club vendor.

End Caps – End caps are full pallet displays found on the end of an aisle. End caps can be located on the aisles facing the middle of the warehouse or on the sides facing outside walls. Vendors pay anywhere from \$300 to \$750 per period (one to two weeks) per location for this marketing tool. End cap items are selected based on seasonality, in-and-out items or good value. End caps are normally scheduled four weeks in advance to allow for proper planning by the locations. The warehouse determines compliance and vendors should spot check the end caps it purchases. Buyers are measured in part by how many end caps are bought by their vendors.

Product Demonstrations – Product demonstrations can be an effective tool for increasing sales, introducing a product to members and creating excitement in the clubs. The vendor needs to develop a good relationship with the demonstration company. Teaching the demonstration company how to cook or sell the product (using videos or printed information) can improve the potential sales of the product.

The manufacturer and buyer negotiate the number of product demonstrations for each item before the buyer accepts the program. A six-hour demonstration will cost approximately \$160. A six-hour split demonstration will cost approximately \$90. A video demonstration with no product demonstrator will cost approximately \$90. A grand opening product demonstration will cost approximately \$350. Manufacturers are generally discouraged from performing the demonstrations themselves. Buyers are measured in part by how many product demonstrations their departments generate.

Coupons – All three clubs offer a coupon program that is available to all members. BJ's offers merchandise coupons in its *BJ's Journal* magazine and via bulk-mailing direct to members. Some of BJ's coupons are automatically deducted at the registers and don't require members to clip and save. Sam's coupon program is called instant savings (formerly eValues) and all discounts are automatically deducted at the registers. Costco's MVM (multi vendor mailer) coupon program is run 12 times per year for approximately 25 days each. All MVM discounts are automatically deducted at the registers.

New Club Openings – When the clubs open new buildings, club buyers ask for special deals for that location. From the buyer's perspective, he is providing the vendor with a new distribution point so they are looking for something in return for the added business. In addition, the buyer sometimes has to purchase product up to six weeks in advance of the opening. Club buyers look for extended payment terms and maybe an off invoice percentage on the first one or two orders. Be specific and track the purchase order and other information so that the buyer does not inadvertently apply these deals to other locations.

Television Advertising – When a member walks into any BJ's, Costco or Sam's Club, the first thing that immediately grabs their attention is the wall of high definition televisions (HDTVs) positioned near the entrance. IZ-ON Media (formerly Premier Retail Networks) provides programming for the television walls at BJ's and Costco (www.izonmedia.com).

In the 2014 club industry survey, vendors were asked if club television advertising plays a role in buyer meetings. Most respondents indicated that this type of advertising does not play a role in buyer meetings. For companies that do advertise on the club television walls, the effect is minimal. A large non-food vendor said, "We do it but it has no positive effect on sales."

Road Shows or Special Events – Road shows or special events in the warehouse club industry typically feature unique or high quality food and non-food merchandise that is not typically stocked in the club locations. Road shows are typically defined as a four day food product demonstration. Special events are typically defined as a non-food product demonstration that lasts ten to 14 days. Each club has its own road show or special event buying team who are constantly searching for merchandise that enhances a club member's shopping experience.

Club Magazines – All three clubs publish a magazine. Costco's is called *The Costco Connection*. BJ's is called *BJ's Journal* and Sam's is called *Healthy Living Made Simple*. All of these publications are advertiser driven, with vendors purchasing the advertising space. In addition, each club can feature articles about its vendors, which is a great way for those companies to generate interest in their products.

Cookbook – Costco, Sam's Club and PriceSmart have offered members a customized cookbook supported by each club's vendors.

Product Demonstrations

Product demonstrations help to increase product sales, introduce new items, advertise the availability of items and help to make the club shopping experience more enjoyable. The clubs, suppliers and members benefit when a product demonstration is effective. It is in every vendor's best interest to try to improve its understanding and effectiveness of product demonstrations. This chapter is divided into six sections: effectiveness, contact information, Tastes and Tips overview, requirements, road shows and special events and tips and insights from manufacturers and demonstration companies.

Effectiveness

In past warehouse club industry surveys, buyers and suppliers were asked how they determine product demonstration effectiveness. A broker said, "It's mandatory so measuring effectiveness is almost irrelevant. That being said, using door counts to measure appropriate levels of sample usage and sales is about all we do."

Respondents, however, said to truly measure the effectiveness of a product demonstration, a long term outlook has to be taken. A food vendor said, "Success is measured in length of time the product survives at the club. Volume in the weeks around the demo rarely pays the cost of the demo, but the overall support helps to keep items in distribution longer."

Some respondents stated that product demonstrations should not be measured on a profit and loss basis since the costs typically outweigh immediate sales gains. Other respondents did offer some objective ways to measure product demonstrations. A food vendor said, "I look for at least \$1,000 a day and a ROI of 35% to 55% on the back end of the demo up to three weeks after it ends." A club employee measures "sales two weeks before demos, sales during demo period and sales two weeks after demos to see growth."

However, some respondents don't view product demonstrations as a profitable tool. A food manufacturer said, "We try to calculate an ROI. So far we have not shown them to pay out." A broker said, "We have not done demos in over five years. There was no ROI."

Contact Information

BJ's Wholesale – In February, 2014, BJ's announced that PromoWorks (www.promoworks.com), a division of CROSSMARK, will manage BJ's product demonstration program. Laura Sen, president and chief executive officer of BJ's, said, "Demos and sampling are critical to a positive member shopping experience. After extensive examination of our demo and events program, we came to the conclusion that to build on BJ's already strong program, the company needed to add specialized expertise and resources, which is why BJ's chose to work with PromoWorks."

Costco Wholesale – Costco's demonstration company is Club Demonstration Services (www.clubdemo.com). Costco's product demonstration business used to be handled by Club Demonstration Services (CDS) and Warehouse Demo Services (WDS). In 2013, CDS purchased WDS.

Sam's Club – Sam's product demonstration program is managed by Shopper Events (www.shopperevents.com) which is owned by Advantage Sales and Marketing (www.asmnet.com) and Crossmark (www.crossmark.com). The demonstration program is called Tastes and Tips.

PriceSmart and Cost-U-Less – Contact your PriceSmart or Cost-U-Less buyer for product demonstration information.

Tastes and Tips

Tastes and Tips was introduced to all Sam's Club locations in April, 2010. The following is an overview of the program:

Overall Goal – Sam's goal with Tastes and Tips is to offer members and vendors a different and unique product demonstration experience. The vice president of planning and integration at Sam's Club said, "Members have told us forever how important demos are in the club. So when we looked at making a change, we focused on three things. We focused on improving the members' experience, driving incremental sales and improving the supplier return on their investment. We know that demos are important, and we've got to find a way to really work on each one of those."

Demonstration Stations – The most visible feature of Tastes and Tips is specially designed demonstration stations, signage and uniforms. The branding effort for Tastes and Tips is unique in the club industry. The carts were designed so the demoed item could be displayed and members would not have to find it on the shelf or sales floor.

Preparation – As with all product demonstration programs, supplier preparation and guidance is critical. However, to make Tastes and Tips work effectively, Sam’s Club wants suppliers to provide unique usage ideas that will be conveyed during the product demonstration.

Customization – One of the beneficial aspects of Tastes and Tips is the ability to customize the product demonstrations down to the club level. A demonstration company representative said, “Suppliers can come to us for help scheduling events for maximum impact, given their competitive situation, seasonality and geographical factors, down to the individual club. [We have] an analyst with access to multiple internal or external data sources, which help suppliers ensure they’re demoing the right items, at the right club, at the right time.”

Greet, Tell and Sell – There is an extensive training program for its demonstrators centered on three concepts: greet, tell and sell. The planning and integration vice president said, “They greet the member. They tell them about the product, its specifications, and they give them the tip. Then they try to sell the product.”

Split Demonstrations – Tastes and Tips will concentrate on providing solutions to members and part of those efforts will be looking for ways to let suppliers collaborate on product demonstrations. The initial conversation on developing split demonstrations will continue to occur between the Sam’s Club buyer and the vendor.

Product Demonstration Data – A key part of the program are the reports and data vendors receive about their product demonstrations. The reports are provided through an online database where vendors can not only view results from current demonstrations within a day of the event but review past product demonstration data and upload key selling information about upcoming demonstrations.

Requirements

The following list provides a broad overview of the requirements necessary to set up a product demonstration program.

New Vendors – Before contacting the demonstration company, make sure you have an item number, the buyer’s name, where the product will be stocked and your demonstration dates. Until a credit limit is provided, most new vendors will prepay.

Demonstration Kits – These in-club display table kits may contain point-of-purchase signs, recipe cards, brochures, videos or other promotional material.

Quantity – For new items, club buyers look for an average of two to three demonstrations per month. An item is considered new for approximately two months. Food manufacturers tend to do more product demonstrations than non-food manufacturers.

Multiple Products – The clubs may allow a certain number of products from the same manufacturer to be displayed and sampled together on the demonstration table.

Scheduling – Demonstrations are scheduled on a first-come, first-serve basis and usually require two to four weeks’ notice. Cancellation requests should be provided at least three days before a demonstration.

Weekend, Weekday Demonstrations - The clubs prefer that when a weekend (Friday to Sunday) demonstration is scheduled, a weekday demonstration (Monday to Thursday) is scheduled as well.

Product Information Sheet – These sheets are provided to the demonstration coordinators and detail the preparation and marketing techniques for the product. This information should include the sample serving size, a list of necessary preparation equipment and whether another item from the same vendor can be substituted if the scheduled item is out-of-stock.

Product Selling Points - The vendor should provide clear and simple product selling points. This information may include the product’s shelf life, fat content, salt content, nutritional information and key selling points. The selling information is very important and some vendors even provide videotapes to the demonstrators or supervisors as a training tool.

Out-of-Stock – Most of the time, a product demonstration will be rescheduled if a product is out-of-stock. However, manufacturers should confirm with the coordinators about each club’s specific policy.

Insurance – The clubs may require the manufacturer to provide insurance naming the club or demonstration company as additionally insured for general liability or worker’s compensation.

Split Demonstrations – These occur when complimentary products from different manufacturers are demonstrated together. Buyers and demonstration coordinators are a good source of ideas for potential demonstration partners. The cost of split demonstrations is half of the cost of a regular demonstration.

Demonstration Management – It is a good idea for manufacturers to have one person who is responsible for managing the scheduling and planning of product demonstrations. With 1,766 (as of December 31, 2014) BJ's, Costco, Sam's, Cost-U-Less and PriceSmart locations worldwide, keeping track of demonstrations is an ongoing project.

On-Site Merchandising – Product demonstration companies may provide non-demo services such as on-site merchandising. Since the demonstration companies are in the clubs on a daily basis, they have the ability to take care of such merchandising tasks as: display setup, inventory, labeling and display audits. These services will be typically charged on an hourly basis.

Costs – The demonstration cost at BJ's, Costco and Sam's are for actual working time, do not include breaks and do not include the cost of the merchandise. A six-hour demonstration will cost approximately \$160. A six-hour split demonstration will cost approximately \$90. A video demonstration with no product demonstrator will cost approximately \$90. A grand opening product demonstration will cost approximately \$350.

Road Shows and Special Events

Road shows and special events in the warehouse club industry typically feature unique or high quality food and non-food merchandise that is not typically stocked in the club locations. Road shows are typically defined as a four day food product demonstration. Special events are typically defined as a non-food product demonstration that lasts ten to 14 days. Each club has its own road show or special event buying team who are constantly searching for merchandise that enhances a club member's shopping experience. This section provides background information on special events and road shows as well as strategies and concepts for making them more successful.

Costco Goals – Costco special event buyers categorize potential special event candidates into five categories: treasures such as jewelry, local success stories, personalized service where member's can interact with the product like a massage chair, product line expansion and recognized brands.

Sam's Club Goals – Sam's special event goals include: creating additional excitement in the clubs, adding value to the membership, furthering the treasure hunt experience and atmosphere, increasing a member's sense of urgency around purchasing special event merchandise and striving to create a "Wow" response from members.

Scheduling – Unlike product demonstrations which do not require a large setup, the clubs do not have a lot of space in their locations to host multiple special events at the same time. That limited availability coupled with a growing interest from vendors has caused club special event schedules to fill up making it more challenging today than in the past to find open dates.

Merchandising – Road shows and special event product is normally merchandised using trade show type displays that include large banners to promote the event inside the location. Club buyers will want vendors to provide a plan and layout of what will happen during the special event. Most importantly, vendors need to communicate all their plans during the event to the buyer and club manager ahead of time to get approval avoiding problems during the event.

Payment – Road show and special event merchandise can be sold to the club or taken on consignment, meaning that the club only pays for what is sold.

Setup and Operation – Vendors need to understand that the clubs are not going to assist with setup, operation or cleanup, but will expect all road show and special event aspects to operate smoothly. For food product road shows, make sure the production and serving staff are familiar with the club's food safety standards and requirements. A club stakeholder said, "Another key point is to make sure that you supply and use as many appliances as space and power will allow ensuring that samples are continually available for members."

Attendance – In many cases, the vendor or its representatives will be present to demonstrate the product. The clubs have found that road shows and special events attended by the vendor tend to be more successful. A club stakeholder said, "The optimal scenario is to use an in-house demonstration company to support your special event with labor, equipment and production while providing salespeople from your company to interact with members."

However, vendors handling their own road show or special event need to be cognizant of staff burnout. Susan Barry, vice president of sales at BPI Brand Marketing Solutions (a third party special event provider since 1992, www.bpibrand.com), said, "A lot of companies will send their own staff to these events which typically occur from Thursday to Sunday. These people need to then report back to their regular job on Monday. It's very hard. You need a lot of energy in order to be at a show for four days. You're working almost 12 to 13 hours per day at these shows. These employees can easily get worn down."

Web Sites – Costco lists its road shows and special events on its web site, www.costco.com, by region. At the bottom of its web site, there is a link for special events under locations and services. Sam's provides special event information by location. To find a club, go to www.samsclub.com and use the "Find a Sam's Club" link on the top of the page.

Unique Offerings – The variety of special event products mirrors the assortment in the club channel and any vendor successfully selling the clubs today or considering the channel should include special events as part of their sales and marketing discussions.

Preparation – Lynn Girouard, president of Girouard Associates, has more than 25 years of marketing, sales and management experience in the warehouse club channel. She commented on club industry road shows. She said, “Road shows are hard work but they can generate product rotations. Set up, staffing, selling, takedown and handling travel schedules requires time and effort by the company not the club personnel. You must pass a preshow test to make sure that safety/handling/sanitation information is understood and practiced. There is an online tutorial for studying if you desire.”

Girouard went on to say, “Greeting members, sharing serving ideas and ‘sampling’ drives road show sales. Our road show staff consisted of more than the sales and marketing team. Processing and procurement personnel also assisted with our road shows. Using a team approach helped us internally create excitement. You should have a road show coordinator to organize and develop a checklist of things to do. Road shows usually do not happen in your backyard so you will need to have your shipment sent a few days ahead. Coordinate dress with your company logo, quick recipe ideas, microwaves if needed, cooking utensils and sanitation supplies. Learn from day one and adjust quickly on subsequent days. When the four days are over, regroup to learn for the next one. Each location has nuances, so adjust accordingly. The club warehouse staff can answer questions, but are not working for you.”

Demonstration Tips and Insights

Product Attributes – A frozen food vendor said, “We found that taste trumps everything. We stress that the demonstration people need to talk about how great the product tastes and give out as much as they can. Then we have one or two key phrases such as ‘all natural’ and ‘naturally low in fat’ ... We tell them to stick to a very specific script. The package has all the information on it so if the member has a very specific question we tell the demonstrator to refer to the packaging information.”

Marketing Materials – One industry executive said, “We made up easels that stand up on the demonstrator’s table and laminated product information cards for the member to see and read. They have demonstration instructions on the back to help the demonstrator.”

Demonstrator Samples – One industry executive said manufacturers should allow the product demonstration personnel to take a sample of the product and use it at home. This inexpensive marketing ploy can get the product demonstrator excited about the product and provide him with firsthand experience, which can be incorporated into his sales pitch.

Weekday Demonstrations – Manufacturers assume that weekday demonstrations are not as effective as weekend demonstrations because the locations are less busy. However, one executive disagrees: “Although weekend door counts are higher than weekday, there are fewer demonstrations competing for a member’s discretionary purchase on the weekdays; demonstrators are also able to spend more time discussing the product with members during the weekdays.”

Large Product Samples – Although it can be costly to provide larger product samples, don’t miss out on the opportunity to attract a member’s attention and/or taste buds. An industry executive said, “Effective demonstrations serve large and plentiful samples, so that many members can get a quality taste of a product.”

Poor Planning – Last-minute changes to a product demonstration can be detrimental. Since a vendor’s product demonstration will occur in many clubs located across the country or world, last-minute changes have a poor chance of being executed properly. Additionally, due to potential communication issues, those changes could confuse the front line personnel who actually perform the demonstration.

Education – A club operator discussed the importance of looking at a product demonstration as an educational tool. He said, “There is definitely an increase in sales when the member can be educated on the items we carry and sample them before they buy. This builds a good relationship between the club and the member. The demonstration plan should be part of the total plan when an item is introduced. If you believe in your item, and it is a food item, get it in the consumer’s hands and home as soon as possible. If it is a non-food item, educate the member as much as possible about what makes your item special. Being proactive on an effective demonstration program will increase the odds of success dramatically over waiting for the consumer to find your item among the rest and hope they try it.”

Inventory Cleanup – When selling the clubs seasonal or in-and-out merchandise, manufacturers should factor extra product demonstrations into their cost structure. For clubs that have a difficult time selling through seasonal or in-and-out merchandise, club buyers will look for extra product demonstrations to help deplete that inventory. One manufacturer said, “A manufacturer should also be prepared to run a few demonstrations to help clean up any remaining inventory once the window of distribution the buyer set has expired.”

Coupons

While the core philosophy of the warehouse club industry is to acquire merchandise at the lowest possible cost with all product discounts factored into the cost of goods, over the years, coupon programs have become an integral part of a club program. These coupons not only offer members additional savings beyond the industry's low retail prices but they can increase product sales.

Most and Least Effective Marketing Vehicles At Increasing Sales								
BJ's			Costco			Sam's Club		
Response	Most	Least	Response	Most	Least	Response	Most	Least
Coupons	77%	0%	Coupons	44%	0%	Coupons	46%	7%
End Caps	15%	21%	Demonstrations	33%	18%	End Caps	46%	14%
Price Reduction	8%	29%	End Caps	11%	47%	Demonstrations	8%	43%
Demonstrations	0%	50%	Price Reduction	11%	35%	Price Reduction	0%	36%

WCF Research, 2014

The 2014 warehouse club industry survey asked club buyers and club suppliers to rank the following four primary club marketing programs on their effectiveness at increasing sales: product demonstrations, price reduction, end caps and coupons. Respondents were asked to list their most effective and least effective marketing fund use at increasing sales for each club. Results can be seen in the chart above.

BJ's – The most effective use of marketing funds at increasing sales at BJ's are coupons cited by 77% of respondents. End caps, cited by 15% of respondents and price reduction, cited by 8% of respondents, were also listed as being effective at increasing sales. There were no respondents that listed BJ's product demonstration program as effective at increasing sales while 50% of respondents listed this marketing vehicle as least effective.

Costco – The top two uses of marketing funds at increasing sales at Costco are coupons, cited by 44% of respondents, and product demonstrations cited by 33% of respondents. The least effective use of marketing funds at increasing sales at Costco were end caps, cited by 47% of respondents, and reducing the cost and retail price of an item, cited by 35% of respondents.

Sam's Club – The top two uses of marketing funds at increasing sales at Sam's Club are coupons and end caps, cited by 46% of respondents each. The least effective use of marketing funds at increasing sales at Sam's Club were reducing the cost and retail price of an item, cited by 36% of respondents, and product demonstrations, cited by 43% of respondents.

This chapter includes five sections: member and buyers, coupon data background and an overview of the coupon programs for BJ's, Costco and Sam's Club.

Coupons – Members and Buyers

The 2014 warehouse club industry survey asked buyers and suppliers two coupon related questions: do club coupons affect member buying patterns and how important are club coupon programs in buyer meetings?

Do club coupon programs affect member buying patterns?

The consensus from both vendors/brokers/stakeholders and club buyers/executives is that the club coupon programs have affected how and when club members shop. A broker said, "Yes. They wait for the known coupon items like toilet paper or paper towels and only buy those when they are on coupon. This is a very expensive way to buy business—hard to rationalize." A Costco buyer/executive said, "[There are] less purchases on multiple MVM activity throughout the rest of the year."

Another broker said, "YES!!! The member base has been trained to wait for MVM's at Costco. The member base knows when they are to receive their new coupon book, and they wait to shop during those MVM periods. They will purchase more than one of any given item (pantry load), and this extends the re-shop period as well."

A non-food vendor observed the effect club coupons are having on known products. He said, "We've seen that very well established items with high household penetration do not continue to grow year over year when promoted with high frequency in coupon programming. The best returns continue to be new and unique items. There will always be traffic and destination SKU's that when on coupon drive members into the buildings." Another large non-food vendor commented on coupons affecting the club's overall sales cycle. He said, "Clubs are becoming very reliant on the coupon programs to drive volume during certain periods and are having trouble normalizing volume outside of promotion periods."

Club coupon programs are increasing overall traffic and can dramatically increase sales. A Sam's Club buyer/executive said, "Our Instant Saving Book is driving repeat purchases for sure." Another Sam's Club buyer/executive said, "The programs do drive more trips/traffic." In terms of sales, a small broker said, "Costco generates as much as a 500% lift on a consistent basis on their MVM's ... Sam's Club ... sees around a 30%-40% lift." A Costco buyer/executive confirmed that sales increase. He said they see "up to a 10 times lift in sales".

How important are club coupon programs in buyer meetings?

Vendors/brokers/stakeholders and buyers/executives all indicate that the importance of club coupons as part of an item or overall vendor presentation range from necessary to important. The following responses indicate discussions about club coupons are part of a program but not the most important component. A non-food vendor said, “Typically they are more interested in everyday low cost, and coupon books are icing on the cake but not necessary.” Another food supplier said, “[They are] usually not the first thing asked for in a meeting, but as part of an overall support plan it is key for national distribution.”

The following responses indicate that club coupons are a very important part of a club program. A food vendor said, “Very important, even with very mixed feelings within the regions on how the MVMs fit with their mission/vision.” A food supplier said, “It can be the deciding factor of whether or not a new item is authorized. It has become another profit center for the clubs, thus the price goes up to the consumer.” A broker said, “Very important! And important for the vendor as well. It creates awareness for the item. Bottom line, they drive sales. That is important to the buyer.”

A Sam’s Club buyer/executive commented on the importance of club coupons and the relevance to the different club member. He said, “[Coupons are] important. The most important part is to understand the relevance of the item to the member and ensure that offer speaks to that member—business members want deep offers with larger purchase quantity and savings member want treasure hunt that reinforces the value of membership.”

A broker commented on the effectiveness of warehouse club coupons on new products where an item’s price/value may not be as intuitively understood by members compared to existing items where that price/value is more easily recognized. He said, “It depends on your item. MVM’s are going the way of large CPG companies given the amount of discounts that are being offered. It doesn’t make sense to participate in a coupon book on a new item that has yet to establish itself in the region. The member base has no idea the current value of our item and will not fully appreciate the discount until they have become loyal purchasing at full price. If you’re speaking of the sundries department in Costco, however, on items like detergent and paper towels, the member base tends to understand the value in the retail market and will react better to an immediate discount. Plus, this is the only way to really promote your item as product demonstrations on detergent and paper towels are pointless.”

A Costco buyer/executive raised a key point on how the club’s view funding for club coupons. Intuitively, club buyers realize that when they ask for the lowest possible net landed cost and, for some items, coupon funding, the cost for those coupons will have to come from somewhere and may hinder their ability to get to that lowest possible cost. Some buyers are cautious in how they approach coupon funding trying to make sure it comes from a different “bucket” of funds that would not affect that cost. The Costco buyer/executive said, “I downplay it. The funds should be coming from a different ‘bucket’ of money in which we would normally not be able to tap into.”

Coupon Data Overview

Data from the most recent three coupon mailers for each club appear throughout this chapter. The top section provides the beginning month of the program, the number of coupon pages, the total number of coupons, a breakout of the number of clip coupons and instant savings coupons, the total savings offered in the promotion, the average coupon amount per item and the types of coupons offered (dollar discount, buy-one-get-one-free or get another product free).

The bottom section provides coupon totals and savings detail for six warehouse club departments (dry grocery and candy, perishable, household items, computers and electronics, hard goods and member services) and the sub-categories that comprise those departments.

BJ’s Wholesale

BJ’s offers merchandise coupons in its *BJ’s Journal* magazine and via bulk-mailing direct to members (see example from the March/April coupon book on the next page). The direct mail coupon book is called the Big Brand Mailer (BBM).

BJ’s introduced a redesigned direct mail coupon book in September, 2014. As opposed to the 3.5-inch by 7.25-inch member coupon book format it previously used, this new book is much larger at 5.5-inches by 9-inches. The larger book provides BJ’s with more space and there full page coupons/advertisements.



BJ's – March/April, 2015 Coupon Book

BJ's			April, 2015			Spring, 2015			March, 2015		
Effort	Mailer			BJ's Journal			Mailer				
Coupon Pages	27			27			22				
Coupons	164			99			148				
Total Savings	\$6,524			\$955			\$5,888				
Average Item	\$39.78			\$9.65			\$39.78				
No Clip Coupons	25 items			9 items			33 items				
\$ Off Coupons	162			96			143				
Buy One, Get One	n/a			n/a			n/a				
Buy A, Get B	2			3			5				
Column Headings	Coupons	Pct.	Total \$	Pct.	Avg \$	Coupons	Pct.	Total \$	Pct.	Avg \$	
Dry Grocery, Candy	43	26%	\$103	2%	\$2	9	9%	\$18	2%	\$2	
Perishable	30	18%	\$76	1%	\$3	0	0%	\$0	0%	\$0	
Household Items	53	32%	\$1,012	16%	\$19	77	78%	\$281	29%	\$4	
Computers, Electronics	20	12%	\$2,582	40%	\$129	6	6%	\$555	58%	\$93	
Hard Goods	18	11%	\$2,751	42%	\$153	7	7%	\$101	11%	\$14	
Member Service	0	0%	\$0	0%	#DIV/0!	0	0%	\$0	0%	#DIV/0!	
Candy	6	4%	\$14	0%	\$2	3	3%	\$7	1%	\$2	
Dry Grocery	37	23%	\$89	1%	\$2	6	6%	\$11	1%	\$2	
Perishable	30	18%	\$76	1%	\$3	0	0%	\$0	0%	\$0	
Member Service	0	0%	\$0	0%	\$0	0	0%	\$0	0%	\$0	
Apparel	0	0%	\$0	0%	\$0	0	0%	\$0	2%	\$5	
Automotive, Tires	2	1%	\$40	1%	\$20	5	5%	\$77	8%	\$15	
Bed, Bath	2	1%	\$60	1%	\$30	0	0%	\$0	0%	\$0	
Camera, Camcorder	2	1%	\$50	1%	\$25	0	0%	\$0	2%	\$207	
Computers, Software	6	5%	\$590	9%	\$74	3	3%	\$90	8%	\$115	
Electronics, TV	9	5%	\$1,940	30%	\$216	3	3%	\$465	4%	\$155	
Hardware	1	1%	\$50	1%	\$50	0	0%	\$0	1%	\$200	
HBA, Baby	24	15%	\$94	1%	\$4	46	46%	\$180	19%	\$4	
Home Furnishings	1	1%	\$150	2%	\$150	0	0%	\$0	2%	\$90	
Jewelry, Accessories	0	0%	\$0	0%	\$0	0	0%	\$0	0%	\$0	
Kitchen, Appliances	3	2%	\$575	9%	\$192	3	3%	\$21	2%	\$7	
Luggage	1	1%	\$10	0%	\$10	0	0%	\$0	1%	\$30	
Media, Batteries	1	1%	\$2	0%	\$2	0	0%	\$0	1%	\$2	
Office, Phones	5	3%	\$268	4%	\$54	2	2%	\$24	3%	\$12	
Pet	3	2%	\$56	1%	\$19	6	6%	\$17	2%	\$3	
Seasonal, Toys	9	5%	\$2,373	36%	\$264	0	0%	\$0	7%	\$1,810	
Sporting Goods	1	1%	\$20	0%	\$20	0	0%	\$0	1%	\$150	
Sundries, Vacuums	19	12%	\$67	1%	\$4	22	22%	\$63	7%	\$3	

The coupon savings offered by BJ's historically have not been as dramatic as the ones offered, for example, in comparison to Costco. The majority of BJ's coupon items are supermarket-type SKUs. Up until its June, 2013 mailer, BJ's coupon program included discounts that had to be clipped and presented to a cashier or included what it called "instant rebates" which were automatically deducted at the register. Beginning with its June, 2013 member savings book, BJ's changed its terminology from "instant rebates" to "instant savings" which continue to not require members to clip and present a coupon.

Costco Wholesale

The development of Costco's coupon business has affected the coupon strategies at BJ's and Sam's Club. The following is a brief synopsis of Costco's coupon history:

1995 – After Costco merged with Price Club in 1993, the combined company faced weaker comparable sales, macro-economic issues and operational problems in combining two large organizations. To increase sales, Costco introduced a coupon program called the passport which offered larger than normal savings (15% to 20%) on an assortment of 80 to 90 in-club products.

1996 to 2008 – Costco's coupon program evolved to include two coupon books. The programs ran for two to three months each and included both in-club and online items. The first coupon program began in January and was called the wallet and the second coupon program began in June and continued to be called the passport. The coupon books were mailed to members (and handed out at the clubs) prior to the beginning of each program. In addition, Costco offered a smaller assortment of product coupons during and in-between the wallet and passport programs. In 2008, Costco offered seven of these smaller assortment coupon books or multi-vendor mailers (MVMs).



Costco – March, 2015 Coupon Book

Costco			March, 2015			February, 2015			January, 2015		
Effort	No Coupon- Mailer			No Coupon- Mailer			No Coupon- Mailer				
Coupon Pages	18			16			17				
Coupons	155			142			157				
Total Savings	\$8,578			\$8,287			\$7,713				
Average Item	\$55.34			\$58.36			\$49.13				
IRC (Pages/Coupons)	Entire Book			Entire Book			Entire Book				
\$ Off Coupons	155			142			156				
Buy One, Get One	n/a			n/a			n/a				
Buy A, Get B	n/a			n/a			1				
Column Headings	Coupons	Pct.	Total \$	Pct.	Avg \$	Coupons	Pct.	Total \$	Pct.	Avg \$	
Dry Grocery, Candy	27	17%	\$75	1%	\$3	18	13%	\$48	1%	\$3	
Perishable	10	6%	\$28	0%	\$3	10	7%	\$31	0%	\$3	
Household Items	82	53%	\$3,430	40%	\$42	76	54%	\$3,852	46%	\$51	
Computers, Electronics	13	8%	\$1,398	16%	\$108	13	9%	\$862	10%	\$66	
Hard Goods	17	11%	\$3,317	39%	\$195	19	13%	\$3,132	38%	\$165	
Member Service	6	4%	\$330	4%	\$55	6	4%	\$362	4%	\$60	
Candy	2	1%	\$7	0%	\$4	0	0%	\$0	0%	\$0	
Dry Grocery	25	16%	\$68	1%	\$3	18	13%	\$48	1%	\$3	
Perishable	10	6%	\$28	0%	\$3	10	7%	\$31	0%	\$3	
Member Service	6	4%	\$330	4%	\$55	6	4%	\$362	4%	\$60	
Apparel	1	1%	\$3	0%	\$3	1	1%	\$2	0%	\$2	
Automotive, Tires	1	1%	\$74	1%	\$74	0	0%	\$0	5%	\$79	
Bed, Bath	5	3%	\$688	8%	\$138	7	5%	\$1,520	18%	\$217	
Camera, Camcorder	0	0%	\$0	0%	\$0	0	0%	\$0	0%	\$0	
Computers, Software	9	6%	\$1,130	13%	\$126	8	6%	\$590	7%	\$74	
Electronics, TV	2	1%	\$260	3%	\$130	2	1%	\$260	3%	\$130	
Hardware	3	2%	\$650	8%	\$217	4	3%	\$718	9%	\$180	
HBA, Baby	34	22%	\$166	2%	\$5	48	34%	\$244	3%	\$5	
Home Furnishings	6	4%	\$2,200	26%	\$367	5	4%	\$2,008	24%	\$402	
Jewelry, Accessories	0	0%	\$0	0%	\$0	0	0%	\$0	0%	\$0	
Kitchen, Appliances	5	3%	\$149	2%	\$30	2	1%	\$35	0%	\$18	
Luggage	0	0%	\$0	0%	\$0	0	0%	\$0	1%	\$20	
Media, Batteries	2	1%	\$8	0%	\$4	3	2%	\$12	0%	\$4	
Office, Phones	6	4%	\$380	4%	\$63	6	4%	\$309	4%	\$52	
Pet	4	3%	\$15	0%	\$4	0	0%	\$0	0%	\$0	
Seasonal, Toys	6	4%	\$2,213	26%	\$369	6	4%	\$1,825	22%	\$304	
Sporting Goods	0	0%	\$0	0%	\$0	1	1%	\$200	2%	\$200	
Sundries, Vacuums	27	17%	\$209	2%	\$8	13	9%	\$43	1%	\$3	

2009 – Costco changed its coupon strategy and eliminated its passport and wallet programs in favor of its MVM program. Costco found that the sales impact from the wallet and passport programs lessened.

Additionally, Costco no longer wanted to announce its promotional plans to its club and non-club competitors two to three months in advance. Costco also incorporated instant redeemable coupons (IRC) or no clip coupons into its MVM program.

2009 to 2013 – Costco's members were now being presented with two coupon types: a no clip coupon that did not require the member to "clip and present" a coupon at the register and a coupon that needed to be clipped and presented at checkout.

2013 – With its August, 2013 coupon book, Costco eliminated the need for members to “clip and present” coupons. Items were divided into two categories: an instant savings discount and a coupon that requires the book or the Costco smartphone app to be presented to the cashier. The items with coupons/discounts that require the coupon book or Costco app are identified in the coupon book with a blue arrow that says, “book or app required”. Additionally, Costco would no longer hand out coupon books at its clubs and only Costco members would be eligible for the coupon offers.

Current Program – Costco’s coupon book has continued to evolve and now all items in the book provide an automatic discount at the registers without the need for the book/app.

Redemption Rates – Redemption rates for Costco coupons are extremely high and purchase limits are common. Participating vendors have seen sales increase 8-times to 14-times normal velocity during a coupon period. Costco and its vendors plan for those high redemption rates and order an appropriate amount of product prior to an item’s coupon period. As a result, coupon items typically receive a free end cap.



Sam's – March/April, 2015 Coupon Book

Sam's Club

2009 – Sam's introduced a coupon program called eValues. The program was only available to Sam's Club premium or plus members. According to Sam's Club, the coupons were customized for each member based on products each person purchased. Plus members did not need to clip and present coupons as the discount was automatically applied at checkout on eligible items.

In a June, 2010 press release discussing the program, Sam's executive vice president of membership, marketing and ecommerce, said, “Not only are traditional paper coupons wasteful, they require consumers to do all the work of evaluating their usefulness, clipping and bringing them into the club, and presenting them at the point of sale. By contrast, the Sam's Club eValues program presents Sam's Club Plus ® members with offers on products they love and on items they may be interested in trying ... The offers is applied automatically at check-out.”

2012 – Sam's tested a new membership program at all its clubs in Texas. At the time, Sam's membership rates nationwide were: \$40 for consumers, \$35 for businesses and \$100 for its Plus members. In the test, Sam's increased its business and consumer membership rates to \$45 for each and included a 2% rebate on purchases. In addition, all members at those test clubs were eligible for a new instant coupon program called instant savings.

2013 – Sam's Club changed its coupon program nationwide (as well as its membership fees) and now all members are eligible for its instant savings coupon program.

In its October, 2013 financial analyst meeting, Rosalind Brewer, Sam's president and chief executive officer, provided an update on the company's instant savings program. Brewer said the percentage of “members buying featured instant savings book items has increased after each book. Our redemption dollars have also increased following each book.”

Sam's instant savings coupon book has four sections: general coupons for all members, discounts on items targeted to business members, online only coupons and a section listing new items along with a picture and retail price for each.

	Sam's Club	March, 2015				January, 2015				November, 2014						
Overall	Effort	No Coupon - Mailer				No Coupon - Mailer				No Coupon - Mailer						
	Coupon Pages	12				12				13						
	Coupons	120				122				119						
	Total Savings	\$5,204				\$3,010				\$5,989						
	Average Item	\$43.37				\$24.67				\$50.16						
No Clip Coupon	Entire Book				Entire Book				Entire Book							
\$ Off Coupons	120		100%		122		100%		119		100%					
Buy One, Get One	n/a		n/a		n/a		n/a		n/a		n/a					
Buy A, Get B	n/a		n/a		n/a		n/a		n/a		n/a					
Department	Column Headings															
	Dry Grocery, Candy	28	23%	\$479	9%	\$17	24	20%	\$65	2%	\$3	24	20%	\$449	8%	\$19
	Perishable	11	9%	\$31	1%	\$3	12	10%	\$30	1%	\$3	9	8%	\$28	0%	\$3
	Household Items	52	43%	\$1,072	21%	\$21	48	39%	\$394	13%	\$8	51	43%	\$2,353	39%	\$46
	Computers, Electronics	10	8%	\$901	17%	\$90	20	16%	\$1,379	46%	\$69	19	16%	\$1,541	26%	\$81
	Hard Goods	19	16%	\$2,721	62%	\$143	17	14%	\$1,122	37%	\$66	16	13%	\$1,598	27%	\$101
	Member Service	0	0%	\$0	0%	#DIV/0!	1	1%	\$20	1%	\$20	0	0%	\$0	0%	#DIV/0!
	Candy	0	0%	\$0	0%	\$0	0	0%	\$0	0%	\$0	1	1%	\$2	0%	\$2
	Dry Grocery	28	23%	\$479	9%	\$17	24	20%	\$65	2%	\$3	23	19%	\$447	7%	\$19
	Perishable	11	9%	\$31	1%	\$3	12	10%	\$30	1%	\$3	9	8%	\$28	0%	\$3
	Member Service	0	0%	\$0	0%	\$0	1	1%	\$20	1%	\$20	0	0%	\$0	0%	\$0
	Apparel	0	0%	\$0	0%	\$0	0	0%	\$0	0%	\$0	1	1%	\$5	0%	\$5
	Automotive, Tires	2	2%	\$150	3%	\$75	4	3%	\$70	2%	\$18	2	2%	\$100	2%	\$50
	Bed, Bath	4	3%	\$455	9%	\$114	1	1%	\$100	3%	\$100	4	3%	\$855	14%	\$214
	Camera, Camcorder	0	0%	\$0	0%	\$0	0	0%	\$0	0%	\$0	3	3%	\$595	10%	\$198
	Computers, Software	7	6%	\$750	14%	\$107	13	11%	\$745	25%	\$57	7	6%	\$555	9%	\$79
	Electronics, TV	2	2%	\$145	3%	\$73	6	5%	\$630	21%	\$105	7	6%	\$385	6%	\$55
	Hardware	3	3%	\$655	13%	\$218	1	1%	\$7	0%	\$7	3	3%	\$57	9%	\$186
	HBA, Baby	20	17%	\$94	2%	\$5	25	20%	\$138	5%	\$6	20	17%	\$133	2%	\$7
	Home Furnishings	2	2%	\$205	4%	\$103	2	2%	\$13	0%	\$7	3	3%	\$610	10%	\$203
Jewelry, Accessories	1	1%	\$30	1%	\$30	1	1%	\$30	1%	\$30	4	3%	\$655	11%	\$118	
Kitchen, Appliances	3	3%	\$10	1%	\$10	3	2%	\$21	1%	\$7	2	2%	\$35	1%	\$16	
Luggage	0	0%	\$0	0%	\$0	0	0%	\$0	0%	\$0	0	0%	\$0	0%	\$0	
Media, Batteries	1	1%	\$6	0%	\$6	1	1%	\$4	0%	\$4	2	2%	\$6	0%	\$3	
Office, Phones	7	6%	\$587	11%	\$94	11	9%	\$345	11%	\$31	9	8%	\$441	7%	\$49	
Pet	2	2%	\$11	0%	\$6	3	2%	\$11	0%	\$4	1	1%	\$4	0%	\$4	
Seasonal, Toys	5	4%	\$954	18%	\$191	1	1%	\$700	23%	\$700	2	2%	\$500	8%	\$250	
Sporting Goods	2	2%	\$375	7%	\$188	0	0%	\$0	0%	\$0	0	0%	\$0	0%	\$0	
Sundries, Vacuums	20	17%	\$247	5%	\$12	13	11%	\$81	3%	\$6	16	13%	\$46	1%	\$3	

Packaging

Packaging is an important component of a successful warehouse club item. With limited or non-existent sales help, a club product's package must not only answer potential questions, explain benefits and features and help sell an item but also address club distribution and merchandising strategies. Additionally, club buyers are constantly refining and developing their business models and packaging expectations are always evolving. When developing packaging for a warehouse club item, the following five concepts should be considered and discussed: sales, communication, design, operations/supply chain and sustainability.

Please note that the packaging information provided on the following pages is not presented in order of importance and should be used as a general rule for each warehouse club operator. When engineering a pallet, developing a display case and designing a product's package, buyer involvement is critical to make sure individual club needs are met.

Sales

The following concepts and strategies offer ideas on how packaging can help to increase warehouse club sales.

Larger Packages – One concept that warehouse club buyers follow is to constantly evaluate the package sizes of the products they purchase to determine what items could be sold in larger quantities. Transitioning an item into a larger package size benefits the clubs in five ways:

1. Larger packages enable the clubs to offer member's a better value by lowering the unit retail price/cost.
2. Larger packages increase the average transaction reducing a club's front end payroll percentage of sales.
3. Studies have shown that consumers who purchase larger packages are likely to consume those items at a faster rate quickening the pace of repeat sales.
4. Larger packages yield a higher retail price increasing gross margin dollars.
5. Larger packages can improve distribution efficiency since a vendor is likely to be able to ship more product per truck reducing the freight cost per unit.

The following example was observed at BJ's in the bakery category. For the past three years, BJ's stocked a variety package of yellow soft sugar cookies and orange soft sugar cookies from Create A Treat. The package size increased in each of those years and the average retail price per cookie, with the larger package sizes, decreased each year. In September, 2012, BJ's stocked a package of sixteen 1.5-ounce cookies for \$4.99 or 31.1-cents per cookie. In September, 2013, BJ's stocked a package of eighteen 1.5-ounce cookies for \$5.49 or 30.5-cents per cookie and in September, 2014, BJ's stocked a package of twenty-four 1.5-ounce cookies for \$5.99 or 25.0-cents per cookie.

Clamshell/Blister Packages – In terms of increasing sales clamshells, blister packages or corrugated-backed packaging systems are very effective tools as they allow the product to be easily seen and marketed (see picture on the right of a Bright Clip swivel clip light from Costco), enable the product's inventory to be managed, protect the product during distribution and promote value through the inclusion of bonus items.

Product Visibility – In non-club retail formats, products that are small are typically packaged in boxes. In the clubs, these types of products would not sell well in a box on a pallet simply due to a lack of visibility. However, by using a clamshell, blister or corrugate-backed package, the vendor is able to merchandise the item on a pallet greatly increasing member awareness as well as conveying key product information.

Doug Farrell, director of sales at U.S. Merchants (USM), highlighted the company's PolyClear™ material that it uses for its packaging systems. Farrell said, "This blended PETG material scores high on sustainable criteria but more importantly delivers the highest quality clear, RF sealable resin solution available."

Inventory Control – A packager can modify the display tray that holds the clamshell, blister or corrugated-backed package in order to manage the total number of SKUs on a pallet enabling the clubs to better control inventory. From a merchandising perspective, the pallet display will look full no matter how many items are in a display tray.



Costco – Bright Clip Swivel Clip Light

Farrell said, “We help the vendor and the clubs maximize product visibility while managing the number of SKUs in a display tray and on a pallet. Unless the vendor is certain the club will sell-through the inventory, caution applies when considering the number of sell units on a pallet. The club can always reorder. It is important to work with the buyer and understand their commitment and the financial implications of different sized pallet configurations.”

Product Security/Protection – Clamshell, blister and corrugated-backed packages help to ensure that a product will arrive at the club location in the same condition in which it left the vendor’s manufacturing floor or distribution center. A good example of product protection can be found in Costco’s produce department.

Costco stocked seven apple SKUs. All but one are packaged in a plastic clamshell container with individual “bubbles” that hold each apple better preserving the integrity and quality of the product during shipment. Packaging apples in this manner is more expensive but Costco most likely believes that the quality difference, compared to packaging apples in a plastic bag, exceeds the pricing differential.

Bonus Items – One of the easiest ways for warehouse club buyers to build value into a product is to include bonus items (like batteries) for free or at least not at the full cost of those additional products.

Product Bundling – Although the concept is similar to a bonus item being included in a clamshell, blister or corrugated-backed package, bundling additional items/services with a product goes beyond including accessories such as batteries and is an important merchandising tool buyers use to add value.

In the October, 2012 issue of *Costco Wholesale Today*, Costco’s digital imaging and printer buyer said, “We want to anticipate the needs of our members, so they don’t have to go elsewhere for accessories. If we include those extras without charging our members more, it improves ... the overall value of their purchase. We concentrate on additional items that everyone will use ... We don’t want to discourage someone from buying an item because the bundle includes something they don’t need.”

Saddle Package/Pre-Wrapping – A key decision in developing a club item is determining the correct package size and design. For some products, designing the package so it can be “broken down” into manageable units/portions can be an important quality.

For example, one of the challenges members have with fresh chicken is handling the product. In the past, members who purchase club sized packages of fresh chicken would rewrap and freeze any product not used. Now, fresh chicken, frozen chicken and frozen seafood SKUs include pre-wrapping of individual pieces in a vacuum sealed package. Those pre-wrapped pieces are connected to each other through a perforated saddle package (fresh chicken) or placed inside a larger bag (frozen chicken or frozen seafood).

A Costco meat buyer said, “Few people go through an entire package of our fresh chicken in a single meal. Now, you just take what you need and put the rest in the freezer. The new packaging eliminates the need to bag or rewrap the unused pieces before freezing. And, since each portion is professionally sealed, the chance of freezer burn is reduced.”

Non-Saleable Pallets – The clubs stock a variety of items in locked cages near its front end registers. These items are typically high value products that can include jewelry, tablets, cameras new release video games like *Call of Duty* and discounted gift cards.

Club buyers and vendors still want full pallet displays of these items to maximize product visibility and increase sales while being able to manage inventory. The result are non-saleable pallets that do not contain merchandise but contain display cards that member’s take to the register to use to purchase the product. After the purchase, a club employee will retrieve the actual item from the locked cage for the member.

In November, 2014, in club locations in Missouri and Kansas, Costco stocked a 100-inch freshwater cultured pearl necklace (each pearl being 5.5 to 7 millimeters) from Endless Options for \$159.99. The pallet display included a sample necklace inside a container in the middle of the pallet as well as display cards. Members who want to purchase this product bring the display card to the registers and retrieve the product after it is purchased.

Gift Cards and Out-of-the-Box SKUs – All three clubs stock a wide variety of gift card and out-of-the-box services and products offered at a discount. These gift card and out-of-the-box items have included: restaurants, airlines, hotels, dry cleaning, sporting events, airport parking, Apple’s iTunes, extended warranty protection, rounds of golf and movies.

USM’s DuraSeal display card product is commonly used by gift card and out-of-the-box suppliers. Farrell said, “It has the longest life of any corrugate display cards in the market. A special blend of medium/liner, the DuraSeal card delivers the performance the club operators expect, all at an affordable price.”

Consumer Focus – BJ's is the club most focused on the consumer member as evident from the fact that it stocks approximately 1,500 more items than Sam's Club and approximately 3,000 more products than Costco. BJ's focus on the consumer manifests itself when it comes to packaging. BJ's will be more likely than Costco and Sam's Club to stock items in smaller package sizes, even if the per-unit cost is higher compared to the same item stocked at Costco and Sam's Club.

Pallet Skirts/Wraps – There are many items that the clubs stock whose sales volume does not require a full pallet display. For items like these, the vendor will create a half pallet display that sits on empty pallets and is surrounded by a corrugated wrap promoting the item/vendor (see picture on the right from Sam's Club of a Canon EOS Rebel camera).

The perception is established that a full pallet of merchandise is being offered creating an assumption in the member's mind that the item is popular and successful. From the club and vendor perspective, the number of SKUs on the pallet is lowered reducing inventory risk and maximizing inventory turns.

USM developed its own patented pallet skirt/wrap called the Butterfly Shroud ®. Sizes vary but the most common are a height of 20-inches and 30-inches. This shroud type is captive to the pallet eliminating loss or misplacement. Once the stretch wrap and pallet cap are removed, club personnel merely add the required number of staged pallets to elevate the display, drop the shroud panels into place, secure corners and the product is ready to be merchandised.

Farrell said, "The shroud is attached directly to the pallet eliminating loss and leveraging club personnel to simply follow the included instructions to erect the pallet display properly."



Sam's – Canon EOS Rebel Camera

Multiple SKU Pallet – Normally, the clubs stock one item per pallet but in some categories, a multi-SKU pallet makes sense. By merchandising more than one item per pallet, the club and vendor increase the variety offered to a member with the downside being the possibility that the least liked variety/ flavor will not sell through.

In February, 2014 Costco stocked a two SKU pallet of Excedrin that included: a 300-count bottle of migraine caplets for \$15.09 and a 300-count bottle of extra strength headache caplets for \$13.99. BJ's stocked a three SKU pallet of Trident gum. Each item was packaged as a case of fourteen 18-piece packages and included a tropical twist SKU, a spearmint SKU and an original SKU.

Ease of Use – Club buyers periodically try to incorporate packaging features that make a product easier for a member to manipulate. Handles are a common solution to the challenge of carrying and transporting club-sized packages. Handles appear on office chair mats, many single bottle juice SKUs, most 46-ounce and larger multi-bottle juice products, some olive oil SKUs, some two-liter soda SKUs that include more than one bottle and even cat litter.

PakTech, based in Eugene, Oregon, designs, engineers and manufactures plastic handles, as well as the equipment to attach these handles to products. The handles enable club vendors to offer BJ's, Costco and Sam's Club an ever changing variety of multi-packaged products using a minimal amount of packaging material. PakTech creates handles for a wide variety of products including: dairy, juice, water, carbonated beverages, ketchup, sauces and beauty products.

Shelf Hangars – In some areas around its locations, BJ's merchandises items that hang off the steel. These items are called shelf hangars and offer BJ's a different method of promoting unique treasure hunt/impulse-type products. The shelf hangars program began in 2008. BJ's buyers are constantly rotating shelf hangar products. Shelf hangar SKUs are not reserved for low retail price SKUs as items over \$15 have been observed.

Communication

A package is one of the few ways that a vendor can communicate its product's features and benefits with a club member. The very nature of the club industry, stocking a limited assortment of merchandise in a substantial space, does offer the supplier a much larger merchandising area to market its business and product.

Member Attention – Club member attention is notoriously short. As a manufacturer, you have seconds to communicate many product related issues such as: the item's brand and type, the item's form or size, the value offered and why the member should purchase the item. Anything that makes those questions difficult to answer quickly (such as poor display, confusing graphics or poor illustrations) probably results in a lost sales opportunity.



Sam's – Tresomega Organic Coconut Flour

However, when an item's primary and tertiary packaging is designed correctly, members will stop and look at the product. For example, in October, 2014 in the baking category, Sam's Club stocked a five-pound bag of organic coconut flour from Tresomega (see picture on the left).

Club Member – Club vendors should understand who the targeted member is for their product. Defining the “end user” will help the vendor strategize on how to sell their item to a club buyer and how to package it for that targeted member. A club item falls into one of the following three member categories: business, consumer and crossover.

Business – Sam's groups its business members into nine key categories. These business types, which are also targeted by BJ's and Costco, include: convenience stores, offices, daycare providers, religious organizations, motel and bed and breakfast operators, restaurant and foodservice operators, maintenance and repair businesses, vending operators and beauty salons.

Consumer – Despite BJ's stronger focus on the consumer member, this member type is also very important to Costco and Sam's Club.

Crossover – These type of items are targeted to both business and consumer members. Crossover items possess the greatest sales potential due to the simple fact that they appeal to all club members.

Co-Branding – Developing a strong private label product is contingent on member acceptance of the brand. One strategy that Costco (as well as BJ's and Sam's Club) follows to gain that acceptance is to co-brand its Kirkland Signature label with existing brand-name products. By associating the Kirkland Signature name with an existing well-known consumer label, members associate the quality of the branded product to Costco and Kirkland Signature increasing member's perception of the private label brand.

For example, Costco has placed its Kirkland Signature label on the following products: jelly beans with Jelly Belly, chicken nuggets and animal crackers with Disney, bacon strips with Hormel, grape juice with Newman's Own, shortbread cookies with Walker's, raisin bran cereal with Post and Ocean Spray with 100% cranberry juice.

Exclusivity – The clubs pride themselves on discovering new and interesting items and want products sold exclusively to them. Having a member know he can only purchase an item at a particular club is important for the buyer. Club seasonal programs offer vendors tremendous opportunity to develop and sell exclusive products.

In February, 2015, Sam's Club stocked two detergent and cleaning items that included the Sam's Club logo and specific messaging on the display cases. The first item, a 90-ounce bottle of Ajax advanced dish detergent for \$5.88, was merchandised in display cases with the message “Exclusively Available At” which was followed by the Sam's Club logo. The second item, a 125-ounce bottle of Cascade complete liquid gel automatic dish detergent with Dawn for \$8.98, was merchandised in display cases with the message “New To” which was followed by the Sam's Club logo.

Design

As the club industry has grown, so has the focus on designing and developing packaging targeted to this channel. Dale Casto is president and co-owner of Wright Design, a branding, packaging design and marketing firm based in Acton, Massachusetts (www.wrightds.com). The company, which was founded in 1976, has extensive experience designing packaging for warehouse club items. Casto discussed packaging and design issues as they relate to club merchandise.

Member Attention – Casto was asked what a design firm can do to draw a member to a club item. Casto listed six concepts:

1. The base design needs to follow an agreed upon communication hierarchy that incorporates how the brand is being positioned to the member.
2. The design should be simple and the number of elements on the package should be kept to a minimum.
3. The typefaces used on the package should be bold and legible with the use of cursive fonts limited.
4. A strong contrast should be maintained between the background colors and text/images.
5. The display tray should be a key part of the member communication strategy.
6. The overall pallet display should be designed to create a single powerful image.

Packaging Mistakes – Casto discussed some of the packaging mistakes that he has seen over the years:

- **Tray Lip Blocks Package** – Casto said, “A common mistake is allowing the front tray lip to obscure important information on the package. All important information on a package should be a minimum of 1.5-inches to 2-inches above the bottom of the package.”
- **Fancy Fonts** – Casto said, “Another mistake is using fancy, cursive, thin lettering, text in all upper case or script-type fonts. These make the text difficult to read in the club environment. It’s not that these techniques are always wrong to use. It’s that the designer must have a very good reason to use them because clarity of communication is being reduced to do so. A warehouse club is not a boutique or department store.”
- **Text/Background Contrast** – Casto said, “Because of the less than perfect lighting conditions in a club, text is difficult to read when the color of the text is too close to the color of the background.”
- **Generic Trays** – Casto said that some vendors use generic display trays with only the brand name or logo. In many ways the tray is a more important communication medium in the club environment than the package.

Color – Casto was asked what role color plays in the design of a club item’s package. He said, “For the member, bright or primary colors are important in a darker environment. Muted colors are less effective at attracting their attention. For the club employee, when stocking shelves, distinctive colors also help associates quickly differentiate one flavor from another.”

Operations and Supply Chain

Warehouse club items must be able to efficiently and safely move through the supply chain. Club products must also be display ready with packaging that reduces or limits the number of times a club employee has to “touch” the pallet to make it presentable. The following examples, concepts and knowledge provide a broad-based framework for understanding packaging and its relationship to club operations and supply chain.

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

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

Milk – The milk category in the club channel has evolved over the past 20 years. Initially, the clubs sold milk in gallon containers that were merchandised on wheeled carts that could not be stored in the steel. In high volume locations, a club would need to have a lot of milk on hand, especially during weekends. Those carts took up space on the cooler floor making it difficult for club employees to maneuver inside the cooler.

Around 18 to 20 years ago, Costco began selling two one-gallon containers of milk inside cardboard boxes. In addition to the benefits of a higher price point and the potential savings by selling a larger amount of milk, the two one-gallon containers were stored and merchandised on pallets and could be easily inventoried on the steel inside the cooler freeing up space on the cooler floor for merchandising and inventory of other items.

Since the introduction of the case of two one-gallon containers of milk, Costco and Sam’s Club introduced a redesigned flat-top gallon of milk. The flat-top milk containers can be stacked upon each other on pallets. Those pallets can be stored in the steel creating the same operating efficiencies as the two-gallon milk package. Since the flat top bottle introduction, some Costco locations have sold a shrink wrapped package of two flat-top gallons of milk. The shrink wrap had side openings so the two-gallon package could be more easily carried by the member.

In 2011, another milk bottle design was observed at Sam’s Club. These one-gallon containers of milk were manufactured with a large indentation or hollow area in the bottom center of the bottle so the top of the gallon of milk underneath fits “snuggly” within the bottle. This new bottle not only enables the vendor to ship Sam’s milk on pallets (gaining the operational efficiencies discussed previously) but the gallons are secure during shipment and storage. Additionally, members found it difficult to pour milk from the flat-top containers and this new design was easier.

BJ’s Half Pallets – A typical BJ’s location, which is 20,000 to 35,000 square feet smaller than a typical Costco or Sam’s Club, stocks approximately 6,900 SKUs compared to Costco with approximately 3,900 items and Sam’s Club with approximately 5,400 products. To be able to fit the extra 1,500 to 3,000 products in a smaller footprint, BJ’ utilizes pallets that are approximately one-third to two-thirds the height of a traditional 52-inch high pallet. Those shorter pallets enable BJ’s to merchandise two to three SKUs in the same space a single SKU is typically stocked (see picture on the next page of Sweet Baby Ray’s honey mustard SKU and buffalo wing sauce SKU).

In a 2013 club industry survey, a large food vendor commented on a distribution strategy that helped it meet BJ's need for smaller pallets while reducing costs. He said, "We ship BJ's DCs 12-layer tall pallets which BJ's breaks down into four 3-layer pallets and then ships to their clubs. They are able to do this more efficiently than our company and we share the cost savings, which is reinvested in their business."

Product Pricing – In most cases within the book, music, movie and software categories, the item's price and sometimes SKU number must be manually affixed to the package by either the club or the vendor using a sticker.

However, vendors can incorporate the item's price and SKU number as part of the package design/lithograph avoiding the need to place a sticker on the item. Merchandising items in the book, music, movie and software categories require more hands-on work from club employees and/or vendors and eliminating the need to place a sticker on the product makes it more efficient to distribute and merchandise these items.



BJ's – Sweet Baby Ray's Half Pallets

Apparel – Merchandising apparel items, given the variety of sizes offered, can be labor intensive. Costco, for example, addressed this issue with its Kirkland Signature private label men's shirts. Costco created pallet displays for these shirts that enable members to easily see the size and enable Costco employees to more easily re-merchandise the pallets when members "pick" through them.

Perishable Expiration Dates – One of the challenges clubs have in managing the deli and cooler categories is product rotation. Vendors who supply these categories should make every effort to provide clear expiration date information on the packaging. Making it highly visible for the clubs will enable them to more effectively rotate product avoiding product loss.

Pallet Construction – The following factors are key issues that vendors need to consider when engineering and constructing a club pallet:

- **Pallet Structure** – The 48-inch by 40-inch pallet should weigh between 50 and 55 pounds, with seven boards on the top and five boards on the bottom. There should be no protruding nails or splinters.
- **Weight and Support** – Pallets must be able to support between 1,500 and 2,500 pounds of weight on the bottom product layer. The weight of the pallet and product should not exceed 2,500 pounds.
- **Height** – Depending on the club, the height of the pallet and product should be between 47-inches and 52-inches.
- **Stability** – One solution is to insert cardboard slip sheets in between the layers for support. However, slip sheets can be a problem because they must be disposed of as the pallet sells down and can hinder consumers from easily selecting merchandise. Stacking cases using interleaf pallet configurations is an alternative packaging solution that avoids slip sheets while providing stability.
- **Corner Posts** – These cover the four edges of a pallet display keeping the product stable, provide corner edge protection and offer a safe surface for the club to cut against when removing shrink wrap.
- **Display Trays** – The clubs prefer white corrugate for their display trays. If brown corrugate is going to be used, buyers should be consulted. Tear front panels and hand applied stickers are generally not allowed. The preferred method for printing on display trays is preprint or litho.

ISTA 6-SAMSClub – In cooperation with Sam's Club, the International Safe Transit Association (ISTA, www.ista.org) developed simulation tests for packaged products that are shipped through the club retailer's distribution system bound for United States club locations. The tests challenge the capability of a product and its package to withstand transportation hazards as it moves through Sam's supply chain.

The testing program is called ISTA 6-SAMSClub and is required for new items, items with material changes, new packaging, items whose packaging has changed, items that have a high damage rate and items that have a high safety risk. The program description stated that the testing program was "Developed from an extensive survey, observation, and field measurement program of the actual Sam's Club system. The program involved personal visits to various distribution centers, overseas suppliers and ports, and U.S. club stores. Ocean containers, trucks, and forklifts were instrumented for acceleration and other data. Industry experts translated this information, observation, and data into the 6-SAMSClub Project laboratory tests."

The testing procedures are in place for the following reasons:

1. Ensure the product and package move safely through Sam's supply chain.
2. Reduce touch points through the supply chain while eliminating waste.
3. Improve sales by creating a package that helps sell the product.
4. Improve packaging financials.
5. Improve packaging sustainability.

USM has adopted pre-certification for its materials and works with Sam's Club vendors on lab testing. Farrell said, "It's really a win-win for both the supplier and wholesale club partner. By offering lab testing we are in position to certify material designs ahead of planned placements. It provides suppliers the ability to sit across the table from merchants and close programs with confidence that the packaging systems contracted with U.S. Merchants deliver exactly to club channel in the specific manner required by the operator."

UPC Bar Codes – One of the concepts that vendors discussed in the 2012 club industry survey was Costco requiring vendors to add more UPC bar codes to their packages. A large food supplier said, "Costco has had a focus on expanding the number of scannable UPCs on a package to increase their checkout speed." Another large food vendor said, "Three UPC demand at Costco is suggested currently and may be required in the future."

Multi-Pack Items and UPC – When a manufacturer creates a multi-pack item, the vendor should assign a UPC bar code to the multi-pack that is different than the UPC code assigned to the individual units. The multi-pack UPC bar code should be placed on the outer package and the UPC bar codes of the individual units in the multi-pack should be concealed. If the individual unit UPC bar codes are not concealed, then there may be scanning problems with the multi-pack at the front-end registers, which in turn will create problems at the registers and potentially reduce sales.

Freezer/Cooler Distribution – The following are distribution tips for freezer/cooler items:

- **Picking** – Most freezer and cooler items are picked by layer. Since the clubs use a mechanical clamping system, the display case should be turned to the center of the pallet. This will avoid damage to the front of the case.
- **Height** – In most cases, pallet height can exceed 52 inches, but not exceed 66 inches.
- **Corner Posts** – Corner posts are not required since items are picked by layer. If they are going to be used, the manufacturer should wrap the pallet in shrink-wrap before putting on the corner posts. The corner posts can be put on before wrapping the last layer of shrink-wrap. This enables the club to remove the corner posts easily.
- **Trays** – Products shipped in low height display trays can use a telescoping lid that is taped to the tray. This helps protect the display tray from mechanical distribution by layer.
- **Case Edge** – Raw corrugated edges don't perform well in moist/cold environments. Rolled over edges are recommended.

Lock n' Pop Adhesive System – Lock n' Pop (www.locknpop.com) manufactures an environmentally friendly palletizing adhesive that adheres display cases to each other holding a pallet together from the inside out without the need for corner posts. Due to the strength of the adhesive, the Lock n' Pop adhesive prevents side-to-side shifting during shipment. It can be used in refrigerated or frozen environments and is easily torn apart due to its low tensile strength. The product is applied without heat, leaves no sticky residue and is non-toxic.

Sustainability

The following are assorted notes and information regarding sustainable packaging in the club industry:

7R's Philosophy – The 7R's of a good sustainable package include the following:

1. **Remove** – Unnecessary packaging should be removed without reducing package strength.
2. **Reduce** – Vendors should decrease the amount of non-sustainable packaging.
3. **Reuse** – Vendors should use reusable packaging materials such as CHEP pallets or plastic containers.
4. **Renew** – Packaging materials should be made of renewable resources or be biodegradable/compost-able.
5. **Recycle** – Packaging should be selected based on recycling ease and built from few components to ease sorting.
6. **Revenue** – Packagers/vendors should try to achieve "cost parity or cost savings" with non-sustainable packaging.
7. **Read** – An important part of the sustainable packaging movement is for companies to consistently educate itself.

General Mills – In 2012, General Mills converted its Cheerios cereal SKU from a 37-ounce box with two 18.5-ounce bags inside to a package of two 20.35-ounce boxes. In converting to the new twin-box package that contained more cereal, General Mills dramatically reduced the amount of corrugate it used to package the product.

The company used a proprietary method to settle the cereal in the box while it is on the production line (previously, settling occurred during transit). This enabled General Mills to more tightly package each box with cereal and reduce the size of the package. This change resulted in a savings of more than 200,000 pounds of paperboard annually. In addition, with smaller boxes, General Mills can fit more merchandise on its trucks reducing the number of trucks needed to deliver the cereal as well as reducing fuel costs.

Not a Priority – In a 2013 club industry survey, vendors were asked whether sustainable packaging is a key component of their buyer meetings. The overall consensus is that sustainable packaging discussions occur but they are not a primary topic of buyer meetings. A food vendor said, "With display ready cases, we actually had to use more packaging." A food broker said, "It is always a conversation component but it is not a driving force. All other elements must be foremost before sustainability becomes important."

A number of respondents mentioned that buyers are more focused on sourcing quality ingredients. A food vendor said, "Sustainable packaging is a priority for club buyers but responsibly sourcing quality ingredients is more important." Another food vendor said, "Packaging is typically the secondary level of conversation I have with most buyers. I feel most Costco buyers take the approach of putting the product first and then packaging and pricing will work itself out (easier said than done)."

Disappearing Pallet – One of the ways the clubs and vendors are addressing the sustainable packaging issue is to eliminate secondary packaging. Some club items have no display cases and no slip sheets in between layers and when the product is sold, the only thing left on the floor is the pallet itself.

U.S. Merchants

Contract packagers are an integral part of the club industry. The contract packager's experience and equipment allows manufacturers to efficiently and cost-effectively meet club packaging requirements. This chapter focuses on one contract packaging company, U.S. Merchants/Diversified Re-Packaging (USM). Jeff Green, founder and president of USM, has been in the club business since 1983. Green's insight and knowledge, specifically in the warehouse club industry, is important for any manufacturer looking to do business with BJ's, Cost-U-Less, Costco, PriceSmart and Sam's Club.

Company Background

In 1983, Green began supplying shoes, apparel and ladies' handbags to one of the major warehouse clubs. Over the years, Green learned the club business from the executives and buyers with whom he dealt with every day. By gaining a complete understanding of club buyer needs, Green built a business that has become a virtual extension of the clubs. Providing the right products and services enabled Green to build strong relationships with club buyers and executives. They relied upon Green not only for his packaging services, but also for advice about almost every aspect of club packaging and distribution.



GreenPack™ – Speedo Goggles

Green said, "At USM, we offer a turnkey solution. We do everything from package and graphic design to tooling and distribution. We look at ourselves as an industry expert because our business has always been driven from the club side. We understand what the buyer is looking for because working with them is how we began. We approach every project as a partner in helping vendors make the right decisions so their item is presented in the best possible light to the buyer and the member. Our competitors, in many cases, will farm out development components like printing, tooling or thermoforming. We don't do that. When a vendor comes to USM, they know we will control all aspects of the packaging project."

As the industry grew and new buyers replaced those with whom he initially did business, Green became a resource for those new buyers to learn about the club business. Green believes that the relationships he has built, and which he constantly works to maintain and improve, are his most valuable asset. Today, USM's 1,500 employees operate out of a corporate office located in Beverly Hills, California and four packaging and distribution facilities.

Each facility has a wide-range of packaging service capabilities, from thermoforming to packaging assembly. The packaging facilities are strategically located so manufacturers are able to lower delivery costs. The majority of USM's current business is in apparel, HBA, cosmetics, eye wear, electronics, cameras, hardware, toys, pharmacy, videos, sporting goods, automotive, sundries, office supplies, jewelry, and computers. However, according to Green, USM is equipped to handle the packaging, warehousing and distribution of virtually any food or non-food product.

Business Philosophy

Green's business philosophy is focused on the needs of his three main stakeholders, manufacturers, club operators and club members. Green said, "We treat your product as though it were our own. From the moment we receive your merchandise, to the moment it ships, we track your product with care and accuracy."

Jeff Green Standard – USM packages products right the first time and does it to the highest possible standard. Green has developed an in-house philosophy called the "Jeff Green Standard." The components of his philosophy are:

1. Package an item correctly the first time. It's less costly than correcting a problem later.
2. Package an item so that it is appropriate and of the highest standard.
3. Use colorful artwork, eye-catching designs (see Speedo goggles picture above and StriVectin youth collagen on the right).
4. Engineer the package for the best stability, security and support.
5. Adapt business operations to meet the needs of the warehouse clubs and manufacturers.
6. Treat the manufacturers and clubs with honesty and integrity.
7. Serve as a conduit between the manufacturer and the club.



USM – StriVectin Youth Collagen

Buyers accustomed to USM's high standards and customer-oriented approach have recognized and learned to trust Green in developing products and packaging to meet their special needs. Buyers can then turn their talents and energies to other challenges because they need not be as involved in the packaging process.

Because buyers give Green leeway to respond to and address situations when they arise, whether or not they are emergencies, USM is able to respond very quickly and directly. This enables USM and its customers to quickly get products to the marketplace, which is a key competitive advantage.

Pallet Program Philosophy

USM developed the patented Pallet Program concept that has been so successful in the club industry. Green refers to the process as a “package system.” In its simplest terms, the Pallet Program can be defined as a massive product presentation on a pallet (see pallet display pictures below of e.l.f. studio makeup and Loreal age perfect makeup).



The system includes the product/package, display cases, slip sheets, corner posts, pallet tops, shrink-wrap and GMA #1 hardwood pallets. The result of the package system is that the integrity of the product remains intact from USM’s warehouse to the club locations. Green’s package system allows a product to be merchandised in the club on a pallet by simply removing some exterior packaging materials.

Green has received a number of patents on his Pallet Program system. The patents serve to protect USM’s investment in the Pallet Program system, which it developed and which has become an industry standard.



e.l.f. Studio and Loreal Age Perfect

USM’s Pallet Program system has been a significant factor in the continued growth of the warehouse club industry, as it has enabled the clubs to merchandise products more effectively with less handling costs and greater safety. Pallet Program products can be sold in a warehouse club environment without sales help.

Green believes in matching the needs of the product with the pallet components to achieve distribution and merchandising integrity and efficiencies. Although he believes in producing a top-quality package, he will not spend more than is necessary to achieve an attractive and appropriate package.

Unlike most packaging companies, USM assists its customers by suggesting and developing effective merchandising strategies for the club environment. By helping its customers avoid merchandising mistakes, USM adds an element of service that goes above and beyond that offered by its competitors.

Package Development

USM has the advantage of being a vertically integrated packaging and distribution company. Although USM must rely on others to supply raw materials, all the work necessary to produce and deliver a package is done in-house. As a manufacturer of display cases, molds, blisters, insert cards and other necessary items, USM insulates its customers from the reliability problems of a multi-company supply chain. This also allows USM to cut costs and pass through the savings to its customers.

Doug Farrell, director of sales at USM, commented on USM’s packaging development approach. Farrell said, “The client will ship us their product and we’ll start advising them on different package layout and design strategy options. We’ll take pictures of the product and place it against our different package sizes so the vendor can get a feel for the amount of room available for graphics. Once we get approval, it is just a matter of doing the CAD design work and thermoform programming. We’ll then create a sample and send it to the vendor and once that is approved, we move into production. Our project coordinators are the main point of contact for the vendor and the client’s window as to what is happening with their product. Historically, the whole process, from development to production can take three to four weeks.”

Package Sizing – The first critical step in package development is identifying the packaging “footprint”. USM simplifies this process for customers by providing several standard packaging sizes ideally suited for the pallet display requirements of club operators. These standard packages sizes provide untold geometric flexibility in terms of form, fit, and function and allow for targeted pallet inventory investment analysis on the part of buyers. For example, an oversize package might be desirable for a small electronics item even though the package may not be “right sized”. This strategy allows for a full pallet presentation but reduces the merchandise investment. This is a critical first step in package development and sets the tone for program success.

Price Point – Green commented on how an item’s retail price point can affect the final package and SKU composition. Green said, “Our viewpoint, as well as the club’s, is to pass on as little packaging cost to the member as possible. There are times, when you are looking at a \$10 retail price for an item and a \$3 package cost that it makes sense to increase the package size to reduce the overall cost of the package or include extras like batteries, where needed, to offset some of the packaging cost. In the end, it is always a balancing act between the cost of the package and the targeted retail price of the item.”

Product Testing – Recently, the clubs have been more receptive to testing merchandise in a select number of locations. Farrell commented on this fact and how vendors should approach product tests.



USM – Almay Mascara

Farrell said, “The last couple years we have seen a shift in how the clubs are going to market, especially with new vendors. They are not risking a lot of their open to buy on huge rollouts. For the vendor, when it comes to product testing, the challenge is to scrutinize the financials and look at the test as a marketing expense and not a revenue generator because you just can’t make the price point that you want on these small runs due to the cost of packaging.”

Art and Design – USM utilizes a full in-house design staff (see pictures on the left and below on the right). USM uses a state-of-the-art high speed printing press offering a wide variety of output capabilities: pressure sensitive labels, insert/backer cards, hang tags, instruction manuals and glossy magazine inserts. For small production runs, USM uses a digital press enabling vendors to test an item in as few as 10 clubs without the cost and risk of a chain-wide production run.

Farrell said, “One of the challenges is when the volume required doesn’t allow us to achieve the cost efficiency to make it a viable item ... In terms of achieving that cost reduction, we invested in a new digital press for small runs. This has been a real boon for us. When it comes to new vendors or unique items that the clubs have not had any experience with, we can better control the packaging risk and test the item or vendor in as few as ten clubs. This gives us a huge competitive advantage.”

Inventory Control – A key issue is the number of SKUs on a pallet. Farrell said, “Some vendors want to maximize the number of SKUs on a pallet. I counsel them that may not be the right decision for the clubs even though they need a certain sales number to make the program work. Unless the vendor is certain the club will sell-through the inventory, caution applies when considering the number of sell units on a pallet. The club can always reorder product but if the item does not sell well, the club will look to the vendor to help it move product. It is important to work with the buyer and understand the commitment they are willing to make and explain the financial implications of different sized pallet configurations. This is where USM really helps. We help the vendor and the club to maximize product visibility while managing the number of SKUs on a pallet. This is where our butterfly shroud comes in to play as well as the ability to massage the number of items in a display tray.”



USM – Bolle Safety Glasses

Development – Green provided a generic example of package development:

1. The manufacturer describes the product, its use(s) and the targeted end user.
2. The manufacturer sends a product sample, product color brochure and a list of product features and benefits.
3. USM creates a mold from which the blister pack can be manufactured. This takes one-and-a-half weeks.
4. The molds are tailored with individual cavities to hold the product and its accessories in the package.
5. USM uses the color brochure and product features and benefits to create a full color insert.
6. Within two weeks, USM can send the customer a sample blister or GreenPack™ with the product and insert.
7. Packaging modifications are made by the customer and the final, revised package can be shown to the buyer.
8. Final modifications are made by the buyer.
9. The product is now ready for production and shipment.

GreenPack™

USM is committed to maximizing packaging materials with the highest pre-consumer and post recycled content. From #1 PET film to both SFI (Sustainable Forestry Initiative) and FSC (Forestry Stewardship Council) certified paper, USM has established a leaner environmental footprint. USM continues to pursue new, greener, material options for their customers and it has implemented cleaner, greener operations. USM’s sustainable packaging product is called GreenPack™ and it includes four packaging concepts: Blistercard, PET folding carton, Duraseal and Clampack.

Blistercard – USM “traps” a #1 RPET plastic blister between a 20pt coated Blistercard on top and a 250# B-Flute corrugated backer card (see Bolle sunglasses on the right). The resultant package offers the following benefits: a clean and stylish appearance, additional space for graphics and product information since the back of the E-Flute card can be used and all components are 100% recyclable (see construction on the next page).

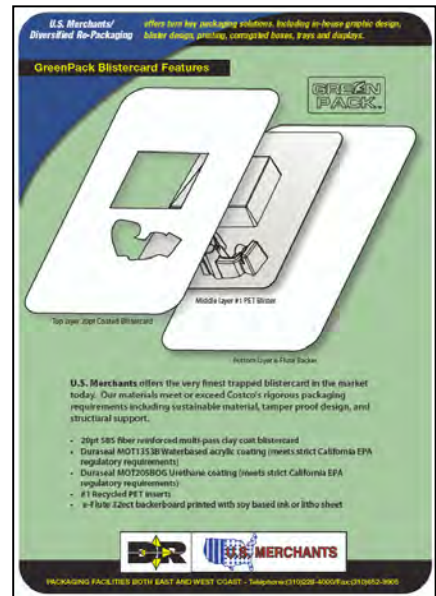


USM Blistercard – Bolle Sunglasses

Farrell said, “For the Blistercard, the item provides the same shrink-resistant, structurally-sound design found in the clamshell. The materials are the real difference. The Blistercard design, with fluted backer card, is an innovation that delivers a higher percentage of fiber board than plastic. In addition, we continue to evolve not only in the printing side of the equation, but also on the sealing side where we are working with different adhesives and different sealing processes ... In the end, we provide a 100% sealed trapped Blistercard. That’s how we differentiate ourselves maybe from some of the other trapped blister cards you’d see out there.”

PET Folding Carton – This highly flexible design uses clear, dyed, or printed RPET material for a premium department store appearance. It is very popular for use with high-end ornamentals or fragrances. Insert cards or folding cartons can be included to enhance cosmetic and merchandising appeal. UV sealing can be added for an additional security benefit. It also provides for simple stackability, too.

Duraseal – Warehouse club operators are increasing the use of “voucher” or “gift card” presentations where the member exchanges a printed card, which is typically the same size as a packaged item, for a gift certificate or high-value merchandise at the customer service counter. Larger volume programs are litho-laminated. For smaller runs, USM has implemented digital printing for laminated labeling. This provides a significant cost savings for test programming.

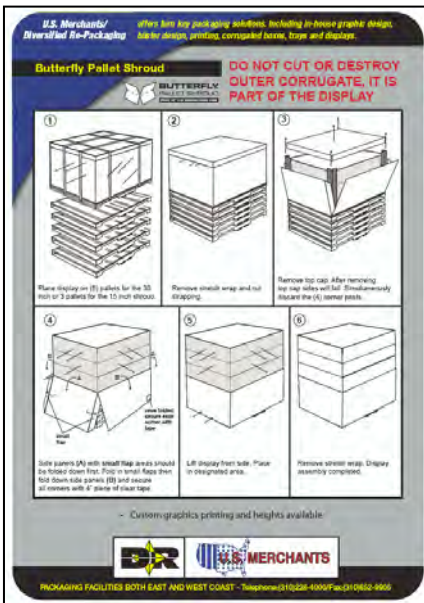


USM – Blistercard Construction

Farrell said, “The preeminent display card in the club today is the DuraSeal™. It has the longest life of any corrugate display cards in the market. A special blend of medium liner, the DuraSeal card delivers the performance the club operators expect, all at an affordable price.” See Citizen watch picture below.

Clampack – A 100% recyclable design utilizing PETG material for a highly-impactful, sustainable package. The PETG material is post-consumer recyclable through many curbside pickup programs. The design frequently incorporates a USM innovation, point seals, which anchor product cavities eliminating product movement and providing for a higher security benefit resulting in shrink reduction.

The multi-color insert card is also recyclable, as it uses vegetable/soy based inks. The corrugated trays used to hold the product on the pallet display or rack shelf is made from an estimated 20% to 25% pre-consumer and 30% to 35% post-consumer recycled pulp. See go 360 clean pallet display below.



USM – Butterfly Shroud

Butterfly Shroud

There are many items that the clubs stock whose sales volume does not require a full pallet display. For items like these, the vendor will create a half pallet merchandising display that sits on empty pallets and is surrounded by a corrugated wrap promoting the item/vendor.



USM Duraseal – Citizen Watch



USM PET Clampack – go 360 Clean



Butterfly Shroud – JVC Video Camera

The perception is created that a full pallet of merchandise is being offered which creates an assumption in the member's mind that the item is popular and successful. From the warehouse club and vendor perspective, the number of SKUs on the pallet is reduced which reduces inventory risk and maximizes inventory turns.

USM developed the patented Butterfly Shroud (see operational, shipping and merchandising features on the previous page). The product is shipped to the clubs in one contained unit and placed on top of five pallets (see JVC video camera display on the previous page). Once the stretch wrap and pallet cap are removed, the sides of the merchandising unit come down and cover the five empty pallets. The item is now ready to be placed on the sales floor.

USM Advantages and Additional Services

Green said, "The success of our company is based on the fact that we offer a whole array of services and a whole array of different packaging, so we're not just pigeon-toed into one type of a package and one type of a solution. We offer multiple solutions, and multiple opportunities for manufacturers to save money and to be able to cut costs. We explore all available options depending on what the vendors' needs are and what the clubs' desires are." The following are examples of the different services and initiatives that USM offer:

ISTA 6-SAMSCLUB – In cooperation with Sam's Club, the International Safe Transit Association (ISTA, www.ista.org) developed simulation tests for packaged products that are shipped through the club retailer's distribution system bound for United States club locations. The tests challenge the capability of a product and its package to withstand transportation hazards as it moves through Sam's supply chain.

The testing program is called ISTA 6-SAMSCLUB and is required for new items, items with material changes, new packaging, items whose packaging has changed, items that have a high damage rate and items that have a high safety risk. The program description stated that the testing program was "Developed from an extensive survey, observation, and field measurement program of the actual Sam's Club system. The program involved personal visits to various distribution centers, overseas suppliers and ports, and U.S. club stores. Ocean containers, trucks, and forklifts were instrumented for acceleration and other data. Industry experts translated this information, observation, and data into the 6-SAMSCLUB Project laboratory tests."

The testing procedures are in place for the following reasons:

1. Ensure the product and package move safely through Sam's supply chain.
2. Reduce touch points through the supply chain while eliminating waste.
3. Improve sales by creating a package that helps sell the product.
4. Improve packaging financials.
5. Improve packaging sustainability.



USM – activcool Cooling Towel

USM has adopted pre-certification for its materials and works with Sam's Club vendors on lab testing. Farrell said, "It's really a win-win for both the supplier and wholesale club partner. By offering lab testing we are in position to certify material designs ahead of planned placements. It provides suppliers the ability to sit across the table from merchants and close programs with confidence that the packaging systems contracted with U.S. Merchants deliver exactly to club channel in the specific manner required by the operator."

Automation – Use of robotics along with high-speed assembly lines are increasingly becoming a part of main stream contract packaging. USM continues its pursuit of streamlining assembly operations to drive down cost and increase lead time performance. Farrell said, "Advancements in manufacturing technology are very important in our business. We are constantly exploring new ways to deliver packaging systems at the lowest possible cost."

Greenline Transportation™ – USM has its own fleet of short and long haul trucks under the Greenline Transportation banner. The trucks use state-of-the-art global positioning equipment (GPS) and satellite tracking via the Internet so a shipment's exact location can be tracked from beginning to end.

Distributor – One of the unique services USM offers vendors is the ability to act as product distributor. In certain situations, USM will buy merchandise from a manufacturer and sell it to a club themselves, acting as a vendor. Green said, "There are instances where a vendor offers a range of products each under its own UPC. However, the club wants to package those items together under a unique UPC but the vendor is not capable of meeting that request. We'll act as a distributor and purchase the individual items, create a package for them and sell the bundled package as a unique UPC. We'll pay the vendor for the product and the club will pay us for the order. USM becomes the vendor of record. The packaging may just reflect the manufacturer's brand and logo and the USM name and logo may not even appear on the package. It makes it a picture-perfect program for the retailer and a picture-perfect program for the manufacturer."

An extension of its ability to act as distributor is a program USM did a few years ago for Target. Green said, "We did a program for Target where we purchased two different items from two different manufacturers and put them into one package. The items were high value so we created a shrink-proof package to prevent loss from damages or theft. Target's loss prevention people had to approve it. Neither one of the manufacturers wanted to do it themselves. It was very simple logistics-wise because Target set us up as a vendor for that particular item and bought it under one SKU number. We, of course, bought it from two different places, brought it in, packaged it and then we shipped it on to Target who paid us."

Speed – USM's large, well-equipped and vertically integrated operation is a distinct advantage in responding to any situation. USM's production and storage capacity can be critical for seasonal, "hot" or closeout merchandise. Product speed to market, especially when considering the high volume nature of the club business, is critical.

For example, a number of years ago, USM received a request from one customer to package 50,000 units of a holiday item in two business days. USM received the merchandise late on a Saturday and began shipping the product in specialized packages the following Tuesday morning. This three-day turnaround time also included the development and design of the packaging material.



USM – Quality Control

Quality Control – One of USM's abiding principles is its focus on quality. At every step of the packaging process, USM is checking to make sure customer needs and specifications are exceeded (see quality control picture on the left).

Inventory and Distribution – The following example illustrates how Green's distribution services began in the 1980s. Green received a large shipment of product for one of the clubs. Green was authorized to repackage the product and ship it to all locations. However, doing so would have left each location with a large inventory of that product. To relieve his customer of that burden, Green decided to store the repackaged products in his facility and ship them out to each location as needed. Green's understanding of the club's need to manage inventory and increase turns helped the club better manage its business.

Green commented on USM's storage capability. Green said, "A typical packager will just package a product and either send it back to the manufacturer or directly to the vendor. However, there are instances when a buyer says to a manufacturer that we want to buy your product at the current price but we do not need it for a few months. The vendor may tell the club that if they don't buy it now, they will not get the current price. USM will step up for the vendor and the club and store the product until the club needs it. Again, it makes a perfect fit."

Knowledge and Contacts – The club buyer views the manufacturer in a less positive light if it is not fully prepared or does not fully understand the club's needs. A manufacturer needs to know what the club buyers want before they meet. Generally speaking, Green can supply that information to his customers. If a manufacturer works with USM, Green helps to make sure the manufacturer is prepared for that critical first meeting.

Green said, "The most important tip that I can give to suppliers is to know your customer. Be ready at the first meeting to present the best program and best price and to show them what the item will look like in finished form. The last item requires a small nominal cost, but one worth spending. A manufacturer that lets small costs get in the way to make the right presentation makes a big mistake. Most buyers are too busy to go back and forth, they need answers and want immediate responses."

Security – USM has a 24/7 state-of-the-art security system at each facility managed by a security specialist with armed security personnel inside and outside the locations (see picture on the right). For example, its Ontario, California facility has over 150 video surveillance cameras monitoring activities in all areas.



USM – Security

Additional Product Security – USM developed an added security measure. For smaller sized products, a metal wire is used to secure product to a sheet of plastic under the insert card. This added feature makes cutting and stealing the product virtually impossible.

Web Site – USM allows manufacturers and retailers to check the real-time status of merchandise that is being packaged via its web site. Once they are logged in, manufacturers and retailers have the opportunity to see item production, shipping, delivery and inventory information on a daily basis.

Miscellaneous Services – USM offers a number of services outside its traditional contract packaging business. These include bar coding, product re-labeling, sorting, tagging, re-work of damaged product and sub-assembly as well as project management, import and export ability and warehousing.

If you are interested in learning more about USM's packaging services, visit their web site at www.u-s-merchants.com or contact Jeff Green at their corporate headquarters:

USM Corporate Headquarters: 8737 Wilshire Boulevard, Beverly Hills, California, 90211, 301-228-4000

USM's four packaging facilities are located:

California – 1625 S. Proforma Avenue, Ontario, California, 91761

Memphis/Mississippi – 4320 Executive Drive #100, Southaven, Mississippi, 38672

Virginia – 8050 Quality Drive, Prince George, Virginia, 23875

Canada – 21000 Boul Daoust, Ste-Anne-De-Bellevue, Quebec, H9X 4C7



Our goal at U.S. Merchants / Diversified Repackaging is to be recognized as the leading service provider in the packaging and distribution industry, through dedication to our customers and commitment to superior service. Our fundamental approach to business is summarized into our core principles known as the *Jeff Green Standards*.

The Jeff Green Standard of the Month
Develop unique and exciting packaging features, such as colorful artwork, photos, graphics and copy as well as to create eye-catching blister designs.

We handle the whole package in house.
For all your packaging and distribution needs call us today.

U.S. MERCHANTS 310-228-4000 or visit us on our website at www.u-s-merchants.com

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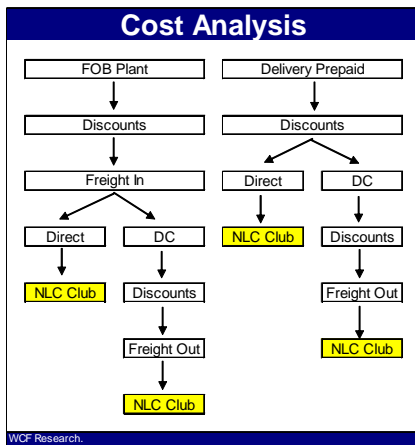
Notes

Product Distribution

The warehouse club business model is simple: offer its paid members savings well in excess of that membership fee. To do that, the low retail prices that each club offers are based on lower gross margins and lower operating expenses. A key component of club operating expenses is product distribution.

This chapter examines how merchandise is moved from the manufacturer to the club location. It includes seven sections: buyer approach, buyer opinions, financial data, club distribution methods, pallet overview, pallet rental programs and assorted product distribution information.

Buyer Approach



Although there are different ways to analyze the delivered cost of an item, the following example is typical of how a club buyer determines an item's distribution method (see flow chart on the left).

The buyer compares four net landed costs (NLC) options at the club location. To get there, he will first look at the cost of picking an item up at the manufacturing facility (freight on board plant, or FOB Plant). After factoring in the discounts, such as terms or spoilage allowance, the buyer will determine the freight cost that the club must pay to get the product to the club location or distribution center.

If delivery is direct to the club location, there is no other cost to factor in. However, if delivery is through a club's crossdock distribution center, the buyer must factor in any additional distribution discounts that may be available from the manufacturer, as well as the distribution and freight cost to get the product from the crossdock distribution center to the club.

The club buyer will do the same analysis for a product that the manufacturer pays to deliver (delivery prepaid) to the club or crossdock distribution center. Now the buyer has four different cost scenarios. The buyer will analyze what affect either direct delivery or distribution center delivery has on the inventory level of an item. If the costs are similar, but the inventory effect is different, the buyer will lean toward the method that reduces inventory. If the costs are different and the inventory effect is the same, the buyer will lean toward the method that reduces the cost.

Buyer Opinions

In 2012 and 2014, club buyers and vendors were asked what role a vendor's distribution and logistics systems play in a meeting and what vendors should be prepared for when discussing this topic. A Sam's Club buyer summed up the overall importance of distribution and logistics. He said, "Logistical efficiencies are critical to providing our members with the best prices possible. No matter what item, a big part of the transaction is logistics-based."

Sourcing – A PriceSmart buyer said that distribution and logistics play a very important role in meetings with suppliers. PriceSmart's primary distribution point to its clubs in the Caribbean and Latin America is in Miami. The buyer discussed the effect of where an item is shipped from on its net landed cost. He said, "Sourcing from the southeast to our Miami distribution center is a huge net landed cost savings to those countries compared to in general, west coast sourcing."

Storage – BJ's distribution centers, depending on the product and category, may store merchandise instead of acting as a crossdock. This places more responsibility on the vendor. A BJ's buyer said, "The vendor needs to manage their own inventory in the distribution centers. It is a huge deal if they cannot manage this process. They need capable people that are on top of this process every day especially for event driven programs."

Vendor Knowledge – Salespeople should also be very familiar with their own distribution and logistics systems and be prepared to talk about it with a club buyer. A Sam's Club buyer said, "Make sure that the vendor knows where their product is being made and how it travels through the supply chain."

Direct Shipments – A Costco buyer said vendors should always be prepared to discuss shipments from their manufacturing facilities directly to the club locations avoiding distribution, storage and/or crossdock charges. A Sam's Club buyer discussed a situation where they saved money by going direct. He said, "We worked [with a vendor] to ship truckloads to certain high volume clubs cutting out the cost of the distribution center."

A Costco buyer described another situation. He said, “We are better at logistics than most vendors. I don’t want to pay storage and other charges for the vendor to use with his small customers.” In some cases, a vendor may produce a product in one facility but send it to a central facility that concentrates on distribution. The Costco respondent could be discussing this type of situation, which from their perspective, is an opportunity to eliminate a cost.

Club Knowledge – A BJ’s buyer discussed a very important point that applies to every club operator. Each vendor needs to have a clear understanding of each club’s logistics and distribution systems since each is different. Without that knowledge, product supply problems can occur that can potentially damage sales.

Buyers want vendors to seamlessly manage product distribution but if problems arise that could affect sales, buyers will get involved and, if it occurs frequently, can negatively affect a long term relationship. The BJ’s respondent said, “The goal is that the vendor understands how our distribution centers work ... Without this knowledge, the vendor cannot understand how to replenish. We do not want to chase product.”

Partnering – A Sam’s Club buyer stated that vendors need to be willing to have open discussions about distribution and logistics. He said, “It is becoming more important. As we look for ways to cut costs out of the system, we need to partner with suppliers that can ship merchandise efficiently passing those savings onto members ... It would be good to get the supplier’s logistics team in the same room as Sam’s logistics team to allow them to come up with ways to cut logistic costs”

Key Program Component – A food vendor believes distribution and logistics should be included as a primary topic and can influence a buyer’s decision. He said, “The role played by logistics comes into play much later in the conversation than it should. If we went in with a program of product, price, pallet configuration and distribution logistics, we would be more successful.”

Manageable – A Costco dry grocery and candy buyer commented that whatever issues he faces with distribution and logistics, if it is an item he wants, he will figure it out. He said, “Everything is negotiable! I can usually work around their distribution or logistics if it’s an item I really want.”

Financial Data

Company (millions)	Fiscal Year	Merchandise			Op. Expenses w/o COGS		Op. Income w/o Membership		Membership/ Other Revenues		Operating Income	
		Sales	Margins									
Costco	2014	\$110,212	\$11,754	10.7%	\$10,962	9.9%	\$792	0.7%	\$2,428	2.2%	\$3,220	2.9%
PriceSmart	2014	\$2,475	\$361	14.6%	\$267	10.8%	\$94	3.8%	\$43	1.7%	\$137	5.5%
Walmart	2014	\$473,076	\$115,007	24.3%	\$91,353	19.3%	\$23,654	5.0%	\$3,218	0.7%	\$26,872	5.7%
Kroger	2013	\$98,375	\$20,237	20.6%	\$17,512	17.8%	\$2,725	2.8%	\$0	0.0%	\$2,725	2.8%
Target	2013	\$72,596	\$21,436	29.5%	\$17,207	23.7%	\$4,229	5.8%	\$0	0.0%	\$4,229	5.8%

WCF Research. Company annual reports. *Gross margin includes buying, occupancy costs in cost of goods.

The chart on the left details merchandise sales, gross margins, operating expenses, operating income and membership and other revenues for five retailers from each company’s most recent fiscal year.

Walmart’s information includes Sam’s Club. Costco’s and PriceSmart’s gross margins and operating expenses as a percent of sales are well below the other retailers. The chart shows the importance of membership revenues to club profitability as Costco’s membership revenues far exceed operating income (PriceSmart’s model is slightly different with a greater emphasis placed on merchandise margins). In general, in most years, the clubs will generally do slightly better than break-even on merchandise sales and company profits before interest expense and taxes are primarily from membership fees.

The charts on the next page show how quickly Costco, PriceSmart, Sam’s and Walmart manage inventory. The Sam’s Club chart shows sales and operating income data only as Walmart consolidates detailed financial data for Sam’s into its overall company information. The Walmart chart provides data from all divisions including Sam’s.

Weekly Sales per Location (thousands) – This figure is derived by dividing fiscal year merchandise sales by the average number of locations for the current and most recent fiscal year. The resultant number is divided by 52. An average Costco location generated \$3.27 million in sales per week. This is 3.8 times the average Walmart location (\$0.9 million per week in sales), 2.2 times greater than the average PriceSmart location (\$1.47 million per week in sales) and 2.1 times the average Sam’s Club (\$1.55 million per week in sales).

Weekly Operating Income per Location (thousands) – This data point is derived by dividing operating income by the average number of locations for the current and most recent fiscal year. The resultant number is divided by 52.

Average Inventory per Location – This figure is derived by dividing the average inventory of the current and previous fiscal year by the total number of locations at the end of the current fiscal year.

Inventory Weeks Supply – This figure is derived by dividing the average inventory per location by the average weekly sales per location. Costco (3.7 weeks) had fewer weeks supply than Walmart (4.7 weeks) and PriceSmart (4.4 weeks).

Inventory Turns – This figure is derived by dividing the current fiscal year cost of goods by the average inventory of the current and previous fiscal years. Costco (12 turns) and PriceSmart (10 turns) rotate their inventory faster than Walmart (eight turns).

Days in Gross Inventory – This figure is derived by dividing 365 (days per year) by the number of inventory turns per year.

This figure represents the average inventory that a location has on hand for a given period of time. In its 2014 fiscal year, Costco's average inventory per building of \$12.04 million was sold in 30 days.

Accounts Payable Percentage – This figure is derived by dividing the average accounts payable number for the past two fiscal years by the average inventory for the past two fiscal years.

A retailer is operating very efficiently when its accounts payable percentage approaches or exceeds 100%.

Costco	Weekly Per Club (thousand)			Weeks Supply	Inventory Turns	Days in Inventory	AP Percent
	Sales	Operating Income	Average Inventory				
FY 2012	\$3,111	\$88	\$11,294	3.6	13	29	101%
FY 2013	\$3,186	\$95	\$11,821	3.7	12	30	101%
FY 2014	\$3,268	\$96	\$12,043	3.7	12	30	100%

WCF Research, Company annual reports.

PriceSmart	Weekly Per Club (thousand)			Weeks Supply	Inventory Turns	Days in Inventory	AP Percent
	Sales	Operating Income	Average Inventory				
FY 2012	\$1,336	\$71	\$5,728	4.3	10	36	90%
FY 2013	\$1,450	\$81	\$6,365	4.4	10	38	92%
FY 2014	\$1,469	\$82	\$6,476	4.4	10	37	93%

WCF Research, Company annual reports.

Sam's	Weekly Per Club (thousand)			Weeks Supply	Inventory Turns	Days in Inventory	AP Percent
	Sales	Operating Income	Average Inventory				
FY 2012	\$1,501	\$58	n/a	n/a	n/a	n/a	n/a
FY 2013	\$1,556	\$61	n/a	n/a	n/a	n/a	n/a
FY 2014	\$1,554	\$61	n/a	n/a	n/a	n/a	n/a

WCF Research, Company annual reports.

Walmart	Weekly Per Store (thousand)			Weeks Supply	Inventory Turns	Days in Inventory	AP Percent
	Sales	Operating Income	Average Inventory				
FY 2012	\$894	\$53	\$3,808	4.3	9	42	91%
FY 2013	\$858	\$51	\$4,172	4.9	8	44	88%
FY 2014	\$858	\$48	\$4,051	4.7	8	45	85%

WCF Research, Company annual reports.

The following example and chart above explain the relevance of accounts payable percentage.

Background – The product used in this example is toilet tissue, one of the club industry's highest volume items. We assume that a club generates \$55,000 in sales for every \$50,000 of toilet tissue it purchases. This is a 9.1% gross profit margin (\$5,000 profit divided by \$55,000 in sales). We also assume that the club generates weekly toilet tissue sales of \$27,500.

Day One – The club has \$50,000 worth of toilet tissue inventory that will cover sales for the next two weeks. The inventory was purchased on 30 day terms, so the club has \$50,000 in accounts payable. During the next two weeks, the club generates \$55,000 in sales. Since it will deplete its inventory of toilet tissue over the next two weeks, the club orders \$50,000 more inventory to arrive on day 15.

Day 15 – The club has \$50,000 in inventory, \$55,000 in total sales, \$100,000 in accounts payable and \$55,000 in cash and \$5,000 in profits. During the next two weeks, the club generates \$55,000 in sales and orders another \$50,000 of inventory to arrive in two weeks.

Day 30 – The club has \$50,000 in inventory, \$110,000 in total sales, \$100,000 in accounts payable (\$50,000 has been paid to the vendor for the toilet tissue inventory that arrived on day one), \$60,000 in cash (the club used \$50,000 of the \$55,000 sales total from weeks three and four to pay the vendor) and \$10,000 in profits.

The accounts payable (A/P) percentage of 200% on Day 30 is calculated by dividing the accounts payable figure of \$100,000 by the inventory figure of \$50,000. By selling the toilet tissue quicker than it has to pay for it, the club in this example is able to generate cash, profits and sales before merchandise has to be paid for. Therefore, it is good when a club increases its accounts payable figure while keeping its inventory figure from increasing at the same rate.

Distribution Methods

One aspect of the club buyer's job is to understand the distribution method used by each product and/or vendor. The buyer reviews those product distribution methods to ensure they are efficient financially and effectively manage inventory. However, club vendors should also review their own distribution networks to make sure their system meets club buyer needs.

In the end, club buyers want to increase sales through lower prices and one way to do that is to lower distribution and inventory costs. Any avenue to achieve those goals needs to be evaluated and possibly implemented. This section includes distribution information on dry grocery, general merchandise and perishable products.

Dry Grocery and General Merchandise Distribution – The most cost efficient way for the clubs to purchase dry grocery and general merchandise items is to have vendors deliver the products directly to the clubs at truckload pricing. However, a truckload of tin foil would be too much inventory for most locations.

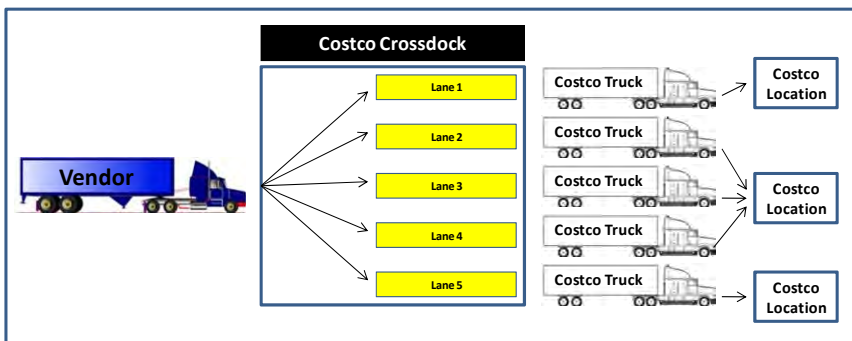
Time	Inventory	Sales	Accounts Payable	Vendor Payment	Cash	Profits
Day 1	\$50,000	\$0	\$50,000	\$0	\$0	\$0
Day 15	\$50,000	\$55,000	\$100,000	\$0	\$55,000	\$5,000
Day 30	\$50,000	\$110,000	\$100,000	\$50,000	\$60,000	\$10,000
			A/P Percentage - 200%	Gross Margin - 9.1%		

WCF Research

Instead of storing a large number of pallets of tin foil or green beans at each location, a truckload of each item is delivered to a club distribution center and is immediately shipped to a number of club locations. This method of distribution is called crossdock which all three clubs employ (see picture below).

The crossdock facility has receiving doors on one side of the building and shipping doors on the other. When product is received, it is immediately tagged with a number that corresponds to a particular club location. A pallet of that product is immediately put in a shipping lane for its destination club. On the shipping side, forklifts are constantly taking merchandise from the shipping lanes and putting it directly into outbound trucks for delivery to the club locations.

The clubs electronically track the weight and cube of each outbound truck and when the truck reaches its maximum weight and cube, it is sealed and is ready to deliver. This process is so efficient that a pallet can be taken from a vendor's inbound truck and immediately placed on an outbound truck for delivery to a club in the same day. Crossdocking enables the clubs to reduce inventory, increase inventory turnover, reduce transportation costs, improve product quality and increase responsiveness to changing market conditions.



Perishable Distribution – Crossdock – The crossdock program for perishable product (refrigerated, frozen, deli and produce SKUs) is similar to the program for dry grocery and general merchandise items. The quick-ship characteristics of a crossdock operation are appropriate when considering the short shelf life of refrigerated products.

Perishable Distribution - Consignment – Typically, the consignment center program for club perishable products is a short-term inventory and distribution system. The manufacturer owns the product that is stored and shipped by the third party consignment center. The club does not take possession of the product until it is received at their location. The manufacturer generally pays the consignment center 4.5 cents per pound of product that is shipped into the facility. This usually covers 21 to 30 days of storage and the outbound distribution and shipping costs. The club issues consignment center orders. That information is forwarded by the consignment center to the vendor for billing and replenishment purposes.

Pallets

Pallet management in the club industry is important. Merchandise delivered on good-quality pallets is more likely to arrive at the location in the same condition as when it left the manufacturing facility. Merchandise delivered on poor-quality pallets will increase distribution costs as damage, product re-palletizing and refused deliveries make club labor charges more likely. The following are facts and information regarding club pallet specifications:

Grocery Manufacturers Association (GMA) Standards – The GMA established pallet standards for the retail industry to follow. Up until January, 2011, all three clubs supported the following GMA pallet standards. As you will see, Costco no longer does. GMA pallets are 48-inches long by 40-inches wide and have stringers running along the 48-inch side and in the middle of the pallet. These stringers are used to support the deck components. GMA pallets can be entered from four different directions. Generally, GMA pallets weigh between 45 and 60 pounds and support between 1,500 and 2,800 pounds of merchandise.

Costco and Block Pallets – Beginning January, 2011, at all its locations in Canada, the United States and Mexico, Costco no longer accepts product shipped on stringer/GMA pallets and is no longer accepting pallet exchange deliveries. Costco will accept the following pallet types: product shipped on rental block pallets from iGPS (plastic), PECO (wood) or CHEP (wood), pallets that are built for a specific purpose (these must be approved by Costco), pallets shipping from regions of the world where PECO, CHEP or iGPS do not operate and equivalent one-way block pallets that are a better value than renting from iGPS, PECO or CHEP (these must be approved by Costco).

The specifications for non-rental equivalent one-way block pallets include: the performance and structure must be similar to the rental pallets from iGPS, PECO and CHEP, the size must be 48-inches by 40-inches, it must offer four way entry and it must be a machine built new pallet using new (not recycled) lumber.

Merchandising – Product should be stacked on the pallet to merchandise from both the 48-inch and 40-inch sides of the pallet. Costco requires the 48-inch side, while BJ's and Sam's prefer the 40-inch side. By using the smaller 40-inch side, BJ's and Sam's, compared to Costco, are able to merchandise more pallets in the same space.

Club Standards – Generally, a pallet should be 95% hardwood, it should not have any lead boards broken past the first nail and all the nails should be flush or countersunk. The pallets should not have protruding nails on any sides, should not have any boards overhanging the stringers, should not have any odors, grease, dirt or oil on them and should not have boards that are too thick or too thin.

Height – Pallet and product height must come close to, but not exceed 58-inches (this includes 5.5-inches for the height of the pallet). This allows the club to maximize the number of pallets on outbound trucks. Adhering to this height requirement helps to ensure the product and pallet will easily slide under the steel in the club locations.

Pallet Supported Weight – Each pallet under 750 pounds must be capable of withstanding an additional 1,500 pounds of weight on the bottom product layer without incurring any damage through the supply chain. Each pallet over 751 pounds must be capable of withstanding an additional 2,500 pounds of weight on the bottom product layer without incurring any damage through the supply chain.

Pallet Details – With the pallet footprint of 48-inches by 40-inches, product should not hang over the edge and should fill a minimum of 44-inches by 37-inches on the pallet. In many cases, the pallet must have a four-inch pallet cap to protect the pallet from damage and corner posts to provide stability. Shrink wrap of 0.79 gauge or greater must be used from the bottom of the pallet to the pallet cap. Manufacturers should not shrink wrap on top of the pallet.

Pallet Management - As a warehouse club vendor, one of the most challenging parts of the business is pallet management. In the club industry, in particular, pallet integrity is of utmost importance. Since club inventory is stored in the steel above where members shop, each and every pallet must be properly constructed and maintained so product can be supported and members protected. For this reason alone, club receiving departments pay close attention to the pallets they receive. Manufacturers have three choices when deciding how best to manage their club pallet supply:

1. **Pallet Exchange** – Pallet exchange might be the most cost effective scenario for manufacturers. When merchandise is delivered to the club location or crossdock facility, the trucker receives the same number of empty pallets as was used to deliver product. However, pallet quality and pallet tracking make this option difficult to manage. Please note, as of January, 2011, Costco no longer accepts pallet exchange deliveries in the United States, Canada and Mexico.
2. **Include in Cost** – Including pallets in the cost is the easiest scenario for vendors, but is also the most expensive. Manufacturers who follow this route buy new or used GMA pallets that meet club specifications. The cost of these pallets is included in the cost of goods and when the merchandise is delivered, the clubs keep the pallets.
3. **Pallet Leasing or Rental** – There are three club knowledgeable pallet rental companies: CHEP, iGPS and PECO.

Pallet Rental

The following are summaries of the three primary pallet rental companies: CHEP, iGPS and PECO. In its simplest form, pallet rental or pooling is the shared use of pallets by multiple customers. Companies that use pallet pooling avoid capital expenditures and can focus day-to-day operations on their core business.

Rented pallets are delivered to the manufacturer's production facility. The merchandise along with the rented pallets are delivered to the clubs. The clubs generally do not have any issues with the quality of rented pallets (especially from CHEP, iGPS and PECO) and, therefore, pallet issues at the receiving door are completely avoided. When a sufficient supply of empty rented pallets are accumulated in the club, the pallet rental company picks them up or the club returns them. After receipt, the rented pallets will be inspected and repaired and placed back into the system.

CHEP – Blue Pallets – www.chep.com – CHEP began operations after World War II in Australia as the government created an enterprise that rented surplus war equipment. That enterprise was called the Commonwealth Handling Equipment Pool. After its privatization in the 1950's, the pallet pooling concept began and the organization was referred to as its acronym, CHEP. Today, CHEP is a subsidiary of Brambles. CHEP services companies in many categories including consumer goods, produce, meat, home improvement, beverage, raw materials and the automotive industries.

CHEP pallets at 48-inches by 40-inches are the same size as a GMA pallet and constructed in a much sturdier block design. This helps protect the unit load and reduces unsalable product due to damage. In contrast to stringer pallets, the CHEP block pallet has full four-way entry, enabling pin wheeling of pallets on trucks.

iGPS – Plastic Pallets – www.igps.net – iGPS began operations in March, 2006. A plastic pallet offers a competitive advantage when it comes to employee and club member safety. A plastic pallet does not have missing wood, protruding nails or wooden shards sticking out. Commenting on the environmentally friendly benefits of plastic pallets, Rex Lowe, president of iGPS said, "In terms of sustainability, the plastic pallet really shines. A plastic pallet avoids trips to a repair center eliminating those transportation costs and is 100% recyclable."

iGPS pallets are embedded with RFID tags. Lowe said, "A vendor places a pallet of product on an iGPS pallet and links that unit load to the RFID tag on the pallet. Advance ship notices are electronically sent to the club who can accurately and efficiently receive it into their inventory. Then, when the product is sold and the pallet is left empty, the club will scan the empty pallet at the club location or cross dock facility. iGPS is electronically notified and guarantees that it will pick up its empty pallets within 24 hours."

PECO – Red Pallets – www.pecopallet.com – PECO began operations in 1997 with a strict focus on pallet quality and excellent service. The company's growth during its first eight years was conservative with its primary business with private label vendors supplying the warehouse club industry. According to the company's web site, PECO pallets are produced using "high quality #2 grade douglas fir and southern yellow pine lumber that is 100% sustainably forested in the United States". Every PECO pallet that is returned to its depot is rigorously inspected, fixed and cleaned.

Product Distribution Information

The following is assorted product distribution information.

Dow Chemical's Stretch Hood – Dow Chemical's stretch hood technology offers a cost effective approach to securing pallets for club distribution. A stretch hood is a plastic film that protects and secures palletized loads. The film conforms to the shape of the pallet and is partially wrapped under the pallet to provide a very secure fit. A stretch hood machine is used to apply the plastic film. For club vendors, stretch hoods offer five benefits: stability during distribution, resistance to tears or punctures, easy to cut and remove, excellent product clarity as the single layer of film is clear and the stretch hood is recyclable.

Lower Profile Pallets – BJ's asks vendors to provide it with pallets at approximately half the height of pallets shipped to Costco and Sam's Club. With approximately 6,700 items in its clubs, BJ's stocks approximately 1,700 to 2,900 more SKUs than do Costco or Sam's. To find space for the extra items, in many categories, BJ's created a half-pallet high space on the floor and a half-pallet high space in the steel above. This way, in the same space that Costco and Sam's stock one item, BJ's is able to stock two items.

Proactive Distribution – One manufacturer who distributes a number of physically small slower moving items to the clubs offered a unique approach that efficiently uses the crossdock system. This manufacturer palletizes the orders by club location. Each pallet has multiple SKUs that are stacked on the pallet and shrink-wrapped together. A bill of lading is attached to the front of the pallet, along with the club location where it will ultimately be going. The product is "blind received" at the crossdock facility and the club location checks the order when it arrives. By doing up front work, this manufacturer is able to efficiently (both operationally and financially) distribute its product to the clubs.

Mechanical Clamping – For perishable or non-perishable merchandise that is distributed by layer, the clubs could use a mechanical clamping system that moves product by layer from an inbound pallet to an outbound pallet. To prevent product and display case damage by the clamping machine, the display case should be turned to the center of the pallet and should not face the 48-inch side of the pallet. The display case must be able to withstand 2,500 pounds of side compression on the 48-inch side of the pallet from the clamping machine.

Corner Posts – For perishable or non-perishable merchandise that is distributed by layer, corner posts are not required. However, if they are going to be used, the manufacturer should wrap the pallet in shrink-wrap before putting the corner posts on. The corner posts can be put on before wrapping the last layer of shrink-wrap. This allows the club to remove the corner posts easily.

Brokers

Club brokers play an integral role in developing, marketing and selling merchandise to club buyers. A club broker understands what a buyer is looking for and will have the information, packaging and/or product ready for the meeting. This chapter provides an overview of club industry brokers. It includes four sections: The first section provides a list of points on which to evaluate your broker. The second section provides brokerage rate information, the third section provides an overview of club in-house brokers and the fourth section provides an update on Anderson Daymon Worldwide.

Services, Qualities and Programs

The following section provides a checklist that can be used to evaluate an existing or potential club broker.

Questions to Ask – Vendors should use the following key questions to evaluate club brokers:

1. What is the broker's club industry experience and knowledge?
2. What are some of the broker's success stories?
3. Has the broker been successful with products that are similar to your own?
4. Does the broker have a strong relationship with your potential buyer?
5. Does the broker have low product line turnover?
6. What type of time will the broker be spending on your business?
7. Does the broker represent any of your competitors?

Sales Call Preparation – Club buyers do not want to spend time in a sales call explaining what they need and then having to wait for a follow-up presentation. As one broker said, a buyer wants to know that a product "presentation is in a format that is ready-to-authorize today, rather than needing several follow-up details done after the fact." A food manufacturer said, "I want [the broker] to have a complete understanding of what the club buyer is looking for. If it is a very unique concept, I want the broker to help me develop the presentation based on his knowledge of the buyer so that the buyer can clearly see the value."

Broker – Buyer Relationship – Working with a broker who has good working relationship with the buyers that a supplier needs to work with is an important factor. A club vendor said that it asks itself whether "the broker understands the buyer's hot buttons so that we are showing products/programs that meet [the buyer's] needs." Another manufacturer wants to know if the broker "can stand up to buyers and negotiate in our favor without jeopardizing relationships."

Buyer Communication – Brokers communicate to buyers on a regular basis and the constant communication enables them to respond to opportunities and problems quickly. One broker told us, "Club brokers facilitate the sales process by having frequent meetings and phone contact with regional and corporate club buyers. Consistent and frequent interaction gives the club buyer comfort that the club broker understands their business and their needs."

Day-to-Day Operations – A club broker should also have an understanding of the day-to-day operations of the buying office. This knowledge includes developing relationships with assistant buyers as well as inventory-management personnel. These employees are important, as they are the people who deal with day-to-day issues and have access to critical sales data.

Product Sell Through – Howard Jackson, founder of HSA Consulting, discussed strategies to deal with overstock. Jackson said, "We advise clients to budget sufficient marketing funds and markdown monies to deal with overstocks ... We identify problems and fix them before they become major issues."

Order Processing and Supply – In many cases, a broker will be responsible for order processing and supply issues. Brokers should be familiar with the procedures and functions of order processing, order changes, late and missed shipments and should constantly check pricing and discounts to make sure the negotiated program is being followed.

Club Vendor Forms – Brokers familiar with the clubs must be familiar with the paperwork necessary for vendors to get item approval. These forms can include vendor packets, vendor commitment forms, insurance certificate requirements, product demonstration commitment forms and new items sheets.

Sales Analysis – Brokers should help analyze sales and inventory reports and suggest programs and ideas that will increase performance, correct any problems and take advantage of any opportunities. An understanding of Sam's retail link and Costco's collaborative retail exchange (CRX) play an important role in working with Costco and Sam's buyers.

Product Demonstrations – Some brokers help manage the product demonstration process. Some of the services might include organizing, scheduling and executing a demonstration plan. That can include finding demonstration partners, communicating with the demonstration companies, tracking results and managing inventory prior to demonstrations.

Field Checks – A club broker should visit club locations on a consistent basis in order to understand buying, merchandising and packaging issues and to gather market data on manufacturers' competitors.

Rates

Manufacturers and brokers were polled regarding brokerage commission rates. Typically, a broker charges between 3% and 5% but there were responses as high as 10% and as low as 1%. One manufacturer said it pays between 1% and 3% depending on the service provided. A vendor said, "We are considering broker bonuses for new item placement. For example, we may pay a triple brokerage for one year after a new item is placed."

Another vendor said, "We currently pay 2%, but are considering a reduction. Nothing happens with our club business unless one of our company representatives is present at a meeting. Therefore we are paying for order processing, demo scheduling and general paperwork. We feel that is an expensive bill when comparing the costs of going direct."

"In-House" Brokers

"In-house" brokers represent manufacturers exclusively to one retailer. "In-house" brokers can offer unique qualities such as stronger buyer relationships, quicker response time and a better understanding of the club channel. A broker said, "In-house brokers have an advantage over an outside club broker in that they are stationed in the club customer buying office and may be privy to information as it is released."

However, "in-house" brokers are not the right choice for all vendors because: "in-house" brokers have a larger client base so smaller manufacturers may not receive dedicated attention, "in-house" brokers may represent more than one manufacturer in the same product category and an "in-house" broker may desire to meet the needs of its club customer before its client.

Currently, BJ's is the only club operator to work with an "in-house" broker (Crossmark). Sam's stopped working with its "in-house" broker in 1998 and Costco stopped working with Anderson Daymon Worldwide in 2012.

Anderson Daymon Worldwide

Anderson Daymon Worldwide had been Costco's "in-house" manufacturer representative since 1983. The company was formed in October, 2005 when Anderson Chamberlin and Daymon Worldwide (both "in-house" brokers for Costco at the time) merged with each company owning 50% of the entity called Anderson Daymon Worldwide (ADW). Anderson Chamberlin had been Costco's "in-house" broker since 1983 and Daymon Worldwide had been an "in-house" broker for Price Club prior to the Costco/Price Club merger in 1993 and was subsequently an "in-house" broker for Costco after the merger.

Costco Decision – On October 1, 2012, in an Email to its employees, Costco announced that its "need for an 'in-house' broker no longer exists." The Email highlighted the quality of ADW's services it provided to Costco over the years and emphasized that the change in the relationship between the two companies was "not in any way a negative reflection of Anderson Daymon." Costco said it simply wanted to offer a "level playing field" for all companies who do business with Costco and ADW would continue to represent suppliers to Costco in the same way as other brokers.

ADW Purchased – On February 13, 2014, Acosta Sales and Marketing announced it would purchase ADW. Acosta's current Costco team will merge into ADW, will continue to focus exclusively on Costco, will remain headquartered in Issaquah, Washington and will retain all 11 regional offices. Moe Krabbe, formerly chief executive officer of ADW, will serve as president of this new group. Spike Anderson, formerly chairman and founder of ADW, will remain with the new group for at least one year to help with the transition.

Robert Hill, president and chief executive officer of Acosta Sales and Marketing, said, "Anderson Daymon's extensive experience serving Costco for more than three decades will not only broaden our platform and enable us to better serve a very important growth customer, but also increases the breadth and depth of our capabilities at Costco for our clients. Anderson Daymon's history of leadership and solid growth, unique capabilities of their associates and commitment to understanding every facet of Costco will be of particular importance as we look to help our clients prosper at this important customer."

Club Industry Survey

The warehouse club industry is unlike any other retail format. With its limited assortment of items, out-of-the-box member service programs and paid membership philosophy, BJ's, Costco, Cost-U-Less (despite its lack of a membership fee), PriceSmart and Sam's Club need to continually offer their members a unique, enjoyable and financially rewarding shopping experience. To be able to accomplish this task, the buyers and operators of each club are constantly fine tuning and changing their product assortment and buying philosophy. Staying current and understanding those adjustments is key for any club supplier.

Since 1998, club buying strategies and philosophies have been reported on through annual, and sometimes more frequent, industry surveys. Buyer, supplier, broker and stakeholder responses to these surveys consistently provide an interesting, up-close viewpoint on what is happening not only on a "macro level" in the club industry but "in the trenches" between the buyer and vendor.

This chapter summarizes the Spring, Fall and Winter, 2014 survey results and is divided into two sections: buyer responses in the Spring, 2014, vendor responses in the Spring, 2014, buyer responses in the Fall, 2014, vendor responses in the Fall, 2014 and buyer and vendor responses in the Winter, 2014. The number of responses to each of our open ended survey questions is greater than what appears in the charts on the following pages. Many of the responses are similar and don't need to be duplicated.

Spring, 2014 – Buyers

Buyers and operators from the three major clubs responded to the survey with 45% from Sam's Club, 36% from Costco and 19% from BJ's. In terms of the department the respondents worked in, 36% were from operations, 27% from dry grocery and candy, 18% from freezer and cooler and 18% from general merchandise.

What role does product distribution and/or logistics play in meetings with vendors?

A Costco dry grocery and candy buyer commented that whatever issues he faces with distribution and logistics, if it is an item he wants, he will figure it out. He said, "Everything is negotiable! I can usually work around their distribution or logistics if it's an item I really want." A freezer and cooler buyer at Costco said distribution and logistics conversations are important. He said, "It is a major contributor to pricing differences between vendors. This needs to be understood and what can be done to improve it so we can be at a market advantage with any item."

Can you provide an example of a club item that was not successful and a reason why it did not succeed?

A Costco dry grocery and candy buyer commented on the importance of getting a package size correct. He said, "Belvita - when it was a 15ct box. Sales were slow due to the pack size and too small for us! I discontinued it until they would make me a better valued item with a higher count. They FINALLY upsized it to a 25-ct at a value and now it's doing over \$1000/week/bldg."

A Sam's Club operator said product support is important for an item's success. He said, "Squeeze applesauce for kids in a tube. It did not succeed because there were few product demos and not enough advertising."

What are your key focus points in 2014?

A BJ's non-food buyer said he is working on more aggressive price points and solid forecasting that vendors need to deliver on. A Costco freezer and cooler buyer is trying to better understand the demographic composition of his member and to reduce the number of duplicate SKUs between departments. A Sam's Club buyer and operator commented that health conscious products and fresh food items are two key areas of focus.

Spring, 2014 – Vendors

Regarding the size of the companies that responded to the vendor, broker and stakeholder questions, 66% were large organizations (annual sales exceeding \$500 million), 24% were small organizations (annual sales up to \$100 million) and 10% were medium sized organizations (annual sales between \$100 million and \$500 million). In terms of the type of company that responded, 55% are food vendors, 21% are brokers, 14% are non-food suppliers, 3% are packaging companies and 7% are assorted company types.

What role does product distribution and/or logistics play in meetings with club buyers?

Product distribution and logistics conversations are a component of an overall club program with some respondents stating that role is important and some respondents stating that role is secondary. A large food vendor believes distribution and logistics should be included as a primary topic and can influence a buyer's decision. He said, "The role played by logistics comes into play much later in the conversation than it should. If we went in with a program of product, price, pallet configuration and distribution logistics, we would be more successful."

Another large food vendor said being able to fulfill orders efficiently creates a better relationship with his buyer. He said, "[Distribution/logistics] plays a major part. If we cannot produce it or ship it, we cannot sell it. Plus, being able to do it well makes the buyer feel more confident that you will do what you say when you promised to."

Can you provide an example of a club item that was not successful and a reason why it did not succeed?

Respondents provided a number of interesting answers to this question. A small broker commented on his client not paying enough attention to the volume opportunity in the club channel. He said, "Antibiotic Free Range (ABF) beef and grinds are really struggling currently and I believe the main reason is the supplier is retail and margin driven versus taking advantage of the opportunity to use the clubs as tonnage driver."

Sometimes, an item may not succeed and no significant reason can be found. A medium broker said, "We did a salsa tower that stood upright with five cups of salsa. Looked amazing. Great brand and the flavors were terrific but for some reason it didn't move. We still can't place our fingers on what went wrong and neither can the buyer."

A large food supplier said new items need demonstration and even marketing support to help it succeed. He said, "Not enough support and no demos and just introducing a new item without any support makes it doomed for failure from day one. Remember the 5x5 rule. Members will make a potential purchasing decisions in five seconds within five feet from the product. If they cannot figure out what it does or its value, they move on."

A large food vendor commented on two challenging item types at Costco. He said, "We sold Costco a frozen prepared healthy meal. Though people say that the Costco shoppers are in a treasure hunt mentality, they are in auto-pilot mode for a lot of the food categories. The product was good, it is doing very well in grocery but not at Costco despite the number of demos and end cap merchandise we had. Another good example is 20-oz to 28-oz packaged ice cream. No matter which brand Costco tried, it doesn't work. On the other hand, Sam's and BJ's do very well on this sized packaged ice cream."

Provide An Example Of A Club Item That Was Not Successful		
Company		Response
Large	Food	One item that did not meet our expectations was predicted internally. The reason for the launch was the buyer's opinion that it would be a huge hit with their customer...alas not so much.
Large	Food	We have had a few natural and/or organic juice items that just didn't pan out. Pricing/value was great. We think the packaging was not optimized for club execution.
Large	Food	Not enough support and no demos and just introducing a new item without any support makes it doomed for failure from day one. Remember the 5x5 rule. Members will make a potential purchasing decisions in five seconds within five feet from the product. If they cannot figure out what it does or its value, they move on.
Large	Food	We sold Costco a frozen prepared healthy meal. Though people say that the Costco shoppers are in a treasure hunt mentality, they are in auto-pilot mode for a lot of the food categories. The product was good, it is doing very well in grocery but not at Costco despite the number of demos and end cap merchandise we had. Another good example is 20-oz to 28-oz packaged ice cream. No matter which brand Costco tried, it doesn't work. On the other hand, Sam's and BJ's do very well on this sized packaged ice cream.
Large	Food	Launched a new pet treat item at Costco and the sales did not achieve the required minimum.
Large	Broker	Organic cookie. It was too early in the organic evolution.
Large	Non-Food	A spring design for 2014. Design itself was apparently not as strong as our focus groups indicated because sales were significantly below 2013.
Large	Non-Food	We often fail when we just shrink wrap food/drug/mass (FDM) goods.
Large	Other	We had a product that was in the clubs and was not a brand the club members knew of yet. If we had another chance of getting it back in now we would be more successful.
Medium	Broker	We did a salsa tower that stood upright with five cups of salsa. Looked amazing. Great brand and the flavors were terrific but for some reason it didn't move. We still can't place our fingers on what went wrong and neither can the buyer.
Small	Food	Brought in an item off season trying to extend season.
Small	Broker	Storage product. Lack of success was due to packaging and the lack of a point of purchase information.
Small	Broker	We sold Green olives packed in olive oil in a vacuum sealed container but it failed due to higher than necessary pricing.
Small	Broker	A frozen pastrami sandwich. Horrible dark package. Supplier would not listen to our suggestions.
Small	Broker	Antibiotic Free Range (ABF) beef and grinds are really struggling currently and I believe the main reason is the supplier is retail and margin driven versus taking advantage of the opportunity to use the clubs as tonnage driver.

What strategies does your company use to make product demonstrations more effective?

A number of respondents said they are focusing on providing product demonstration companies with easy to understand signage and usage information and some companies offer product training. Also, some respondents are looking to partner with complementary products. A large food supplier said, "We're focused on making the demos unique with easy recipes and pairings. No more simple, straight demos with a cracker. We're partnering with other suppliers to highlight simple recipe and pairing ideas."

What role does advertising on club television walls play in buyer meetings?

Most respondents indicated that this type of advertising does not play a role in buyer meetings. For companies that do advertise on the club television walls, the effect is minimal. A large non-food vendor said, "We do it but it has no positive effect on sales."

When developing or selling the clubs a new item, does your company prioritize the order in which the clubs are presented with the product?

A small broker does not prioritize but concentrates on "problem areas" in particular categories. He said, "We present based on areas that are troublesome within the club mix. We are hoping to offer our buyer a solution versus another SKU. Lastly we try to offer products that are the next new item within a category."

A large food vendor commented that Costco buyers tend to be cautious so they rely on Sam's Club to develop and introduce new items. He said, "Sam's first due to scale of opportunity and likelihood of acceptance. Costco is too cautious, it takes years to build to full distribution and rotation periods are too short to warrant commercialization."

When developing an item, a large food vendor concentrates on making sure Costco and Sam's Club buyers are "on board" and then get BJ's input. He said, "We do present to all clubs at the same time. However, we rely on Sam's and Costco acceptance to put forward to BJ's."

What are your experiences selling the clubs online?

The chart on the right shows the status of respondent's online business with each club. A majority of respondents are either actively selling or planning to sell each of the three major clubs: 70% for Costco.com, 66% for Samsclub.com and 56% for BJ's.com.

Status Of Club Online Business		
We Currently Sell ...	Costco	48%
	Sam's Club	44%
	BJ's	30%
	PriceSmart	11%
We Are Planning To Sell ...	BJ's	26%
	Costco	22%
	Sam's Club	22%
	PriceSmart	11%
We Don't Plan To Sell The Clubs Online		19%
WCF Research, 2014		

Respondents provided some color on their online business with the clubs. A medium non-food supplier commented on Costco.com. He said, "Costco completely separates online vs offline. The Costco.com buyers are very strict in what they bring in. Similar to the physical locations, they limit SKUs in a category and still push value compared to the marketplace. Treasure hunt philosophy stays true online for them. All three major clubs now have separate buying teams for online."

A large food vendor said the cost of doing business online can be higher. He said, "Our results have been generally positive. The cost of entry and set up is a bit higher but it does expose your products, company and brands."

What effect does television advertising have on your club business?

The general consensus is that television advertising does have a slight positive effect on club items but when the clubs or a specific club operator is mentioned, sales do increase. A small broker said, "All TV advertising helps. When the clubs are specifically mentioned or tagged in the ad, sales increases." However, when it comes to spending money on television advertising or taking that money into cost of goods, the clubs want it in the cost. A large food supplier said, "Never hurts. That said, the clubs prefer you put in cost of goods first."

Fall, 2014 – Buyers

Of all buyer and operator responses, 35% came from Sam's Club, 30% came from Costco, 26% came from BJ's and 9% came from PriceSmart.

What are the three most important program attributes to a club buyer?

The chart on the right shows responses to this question from 2011, 2012, 2013 and 2014. Product quality and an item's price/value have consistently been the two most important program attributes for club buyers and operators. An item's price/value was ranked first in 2011 and 2013 and was ranked as equally important to product quality in 2012. For the first time since club buyers and operators were included in our annual club industry survey, product quality was the top ranked program attribute cited by 33% of respondents.

Most Important Buyer Needs				
Response	2011	2012	2013	2014
Quality	28%	30%	13%	33%
Price, Value	35%	30%	38%	32%
Uniqueness, Exclusivity, Crossover	8%	8%	7%	8%
Program, Assortment	1%	4%	2%	8%
Member Needs, Insight	7%	11%	13%	6%
Brand, Right Item, Trend	2%	5%	11%	4%
Packaging	6%	0%	6%	3%
Six Rights of Merchandising	0%	2%	0%	3%
Service, Support, Logistics	2%	2%	5%	1%
Volume, Velocity	0%	0%	0%	1%
Availability	0%	1%	0%	1%
Other	2%	2%	4%	0%
Demos, End Caps, Coupons	0%	0%	1%	0%
Vendor Experience, Consistency	3%	2%	0%	0%
Sustainability	0%	2%	0%	0%
News, Competitive Information	5%	2%	0%	0%
Exit Strategy	1%	0%	0%	0%
WCF Research, 2014				

Offering the lowest cost is very important, but when it is combined with product quality, a competitive advantage is created. For example, the clubs are fully capable of offering the lowest price in the marketplace on ketchup by stocking a low quality brand. However, the value proposition is magnified when the clubs offer the lowest price on the top selling and highest quality brand of ketchup, like Heinz.

Other key program attributes cited by club buyers and operators included: whether an item was unique, exclusive or appealed to both business and consumer members (cited by 8% of respondents), the vendor's program components (cited by 8% of respondents), whether vendors addressed specific member needs (cited by 6% of respondents) and whether the item represented a trend or known brand (cited by 4% of respondents).

What is your greatest challenge as a warehouse club buyer?

Understanding the challenges a club buyer faces can provide opportunities for vendors to try and potentially alleviate those issues helping to forge a better relationship. A Sam's Club buyer said vendors should not always present the largest package. He said it's hard to get "suppliers to understand it's not ALWAYS about large sizes but it's about the member experience and what value you can create".

A number of buyers and operators said vendors still need to better understand club buying strategies. A Costco respondent said, "Vendors [need to] understand we are NOT a grocery store chain AND providing us value AT COST—not retail sell." Another Costco buyer commented on the challenge of differentiating its product assortment from club competitors. A Sam's Club buyer commented on packaging and its effect on cost. He said it's challenging to manage "production limitations in order to have club packs without increasing the actual item cost". Another Sam's Club buyer discussed the constant challenge of finding unique and interesting treasure hunt or "wow" products that work in the club channel.

Provide an example of an unsuccessful club item?

A Sam's Club buyer commented on an item that they thought would be successful but the potential for product spoilage was detrimental to its success. He said that the "Keebler ice cream cones, 26-pack, [was a] great item, great value, affordable price and not too big of a pack. Members [however] considered it too big a count and feared some cones might go saggy due to the time it would take them to consume the entire pack."

Another Sam's Club buyer commented on the challenges of stocking gluten free products. He said, "Gluten free baking mixes [have been unsuccessful]. I think the member doesn't understand what gluten free products can do for your health." A PriceSmart buyer said children's vitamins, despite offering a good value, were an unsuccessful club item because the product's presentation in the club locations were not effective. A Costco buyer said a private label apparel SKU did not sell well as it had a "great price but average quality".

What do you look for when you walk your own or a competitor's club location?

For the most part, club buyers and operators look for similar things when they walk locations. A BJ's buyer said he looks to see whether the aisles and merchandising areas are cluttered. Another BJ's buyer pays close attention to retail prices and the variety of products in a category. A Costco buyer looks for "new innovative items and pricing on like items". A Sam's Club buyer looks for "items I will not find anywhere else".

Other checklist issues that buyers and operators look for when walking club locations include: general cleanliness and appearance, how employees interact with members, whether correct item signage is posted, whether an item's presentation is fully stocked, what items are out of stock and the layout of the location they are visiting.

What are common mistakes vendors make during a product or program presentation?

Responses to this question can be seen in the chart on the right. A number of respondents commented on a lack of understanding of the club channel as a critical mistake. A BJ's buyer said, "[Suppliers] don't know enough about our business or worse didn't visit a club and study what we have." A Costco buyer said that common mistakes include "not offering us the right value, not knowing how many locations are in the region they are presenting to AND the worst is the vendor making incorrect assumptions."

What Are Common Mistakes Vendors Make During Presentations?	
Club	Response
BJ's Wholesale	Don't know enough about our business or worse didn't visit a club and study what we have. Too many items being pushed. Cookie cutter presentations that do not take club uniqueness into consideration.
Costco Wholesale	Not fully aware of all financials (promotional spend). Not getting to the best price right away. Not offering us the right value, not knowing how many locations are in the region they are presenting to AND the worst is the vendor making incorrect assumptions.
PriceSmart	Tell us how much money we can make instead of how large the member value can be. Many vendors don't have a club vision.
Sam's Club	Being too attached to their items and not willing to change and be open to criticism. Did they truly think of our consumer? Not having strategies for different channels of the business, no Innovation and a lack of member/consumer data to support their products. Not understanding that our business members have two wallets - personal and business. Over promising and under delivering. Presenting their items as the biggest and greatest diverting their attention from analyzing competitors. Then, they ending up in trash-talking their competition.

WCF Research, 2014

A Sam's Club buyer commented on supplier's being too focused on their own products. One buyer said some vendors present "their items as the biggest and greatest diverting their attention from analyzing competitors. Then, they ending up in trash-talking their competition". Another Sam's Club buyer said suppliers are "too attached to their items and not willing to change and be open to criticism."

A Costco buyer commented on a mistake where some vendors believe the club operator is more interested in how much money it can make selling the product and not realizing that what is important is the value that could be offered to the member. Other respondent comments included: too many items are being included in presentations, a vendor not being fully aware of his company's promotional spend, vendors not presenting their best and lowest price believing it can be negotiated and, according to a Costco buyer, "cookie cutter presentations that do not take club uniqueness into consideration".

What should vendors be aware of/work on for 2015?

Respondents offered a number of concepts for vendors to work on. A BJ's buyer said, "Find new ways to package items to cut cost and make items display well." A Costco buyer wants vendors to continue to concentrate on product quality, value through the cost of goods and consider larger package sizes. Another Costco buyer wants vendors to be creative when it comes to a product's cost. He said, "Find ways to get costs out of a product in order to sell at a dramatic price differential to other retailers."

A Sam's Club respondent wants suppliers to be creative in their product offerings and program. He said a "lack of differentiation to other channels and/or within the club channel will cause [vendors] to lose opportunities." Another Sam's Club buyer said that quality is a "given" in the club industry and a product's cost is paramount. He said, "Value is the key. There's so much competition on everything and quality standards are a must already. Value will define the difference."

Fall, 2014 – Vendors

Regarding the size of the companies that responded to the vendor and stakeholder questions: 69% were large organizations, 17% were medium sized organizations and 14% were small organizations. In terms of the type of company that responded: 49% are food vendors, 24% are non-food suppliers, 21% are manufacturer representatives (brokers), 3% are packaging companies and 3% are assorted company types.

What is the most important program attribute to a BJ's, Costco and Sam's Club buyer?

BJ's – The importance of the price or cost of an item continues to be the most important program attribute to a BJ's buyer cited by 43% of respondents in 2004, 58% of respondents in 2013 and 49% of respondents in 2014. The next three key program attributes were all cited equally by respondents at 11% and included: participation in BJ's big brand mailer (BBM) coupon program, service, support and logistics and the volume or velocity of an item.

One program attribute not mentioned in previous industry surveys was BJ's interest in "empty nester" products. Other important attributes that respondents mentioned included: the program and assortment offered by suppliers and whether a product was unique or exclusive to BJ's, although this attribute was cited less frequently in 2014 (6%) compared to 2004 (22%).

Most Important Program Attribute To A BJ's, Costco And Sam's Buyer											
BJ's				Costco				Sam's Club			
Response	2004	2013	2014	Response	2004	2013	2014	Response	2004	2013	2014
Price, Value	43%	58%	49%	Price, Value	52%	29%	38%	Price, Value	76%	67%	57%
BBM	0%	5%	11%	Quality	28%	45%	27%	Uniqueness, Exclusivity	0%	7%	18%
Service, Support, Logistics	7%	0%	11%	Uniqueness, Exclusivity	10%	14%	19%	Coupons, Demos, End Caps	0%	7%	11%
Volume, Velocity	0%	9%	11%	MVM, End Caps, Marketing	0%	0%	8%	Program, Assortment	0%	3%	7%
Empty Nester Items	0%	0%	6%	Road Show/Demos	5%	3%	4%	What Costco Stocks	5%	0%	7%
Program, Assortment	14%	0%	6%	Service, Support, Logistics	5%	0%	4%	Business Items	10%	0%	0%
Uniqueness, Exclusivity	22%	5%	6%	Packaging	0%	3%	0%	Member Needs, Insight	0%	7%	0%
Demos, End Caps, Coupons	7%	4%	0%	Partnership	0%	3%	0%	Other	4%	3%	0%
Organic, Natural	0%	5%	0%	Volume, Velocity	0%	3%	0%	Packaging	5%	0%	0%
Other	7%	4%	0%					Partnership	0%	3%	0%
Packaging	0%	5%	0%					Quality	0%	3%	0%
Quality	0%	5%	0%								

Costco – While the cost of an item is most important to Costco buyer (cited by 38% of respondents), the importance and consistent need for product quality is a significantly greater program attribute than at BJ's and Sam's. Product quality was not cited as a key program attribute by respondents for BJ's and Sam's. What has gained in importance at Costco is whether a product is unique or exclusive to the club operator. This attribute was cited by 10% of respondents in 2004, 14% of respondents in 2013 and 19% of respondents in 2014. The fourth most important program attribute for a Costco buyer cited by 8% of respondents is marketing funds which are primarily directed at Costco's multi vendor mailer (MVM) coupon program. Other important program components included: participation in road shows or product demonstrations and service, support and logistics.

Sam's Club – The price of an item continues to be the most important program attribute for a Sam's Club buyer cited by 57% of respondents, the highest figure among the three clubs. However, this figure has decreased from 76% in 2004 to 67% in 2013 to 57% in 2014. What has increased dramatically at Sam's Club is the importance of whether an item is unique or exclusive to the company. The uniqueness or exclusivity of an item was not cited as important in 2004 but was cited by 7% of respondents and 2013 and 18% of respondents in 2014. Marketing funds for coupons, product demonstrations and end caps were the third most important program attribute cited by 11% of respondents. The next two most important program attributes to a Sam's Club buyer included: the program or product assortment and whether the item is something that Costco stocks.

What insights can you offer on BJ's sales trends, member traffic trends and member acquisition trends?

As a private company, BJ's does not report sales, member traffic and member acquisition trends. The best source for this type of information is from BJ's suppliers who not only understand what is happening with their items but can get a sense of BJ's overall sales and membership picture from buyer meetings.

Sales Trends – Responses regarding BJ's sales trends were mixed with some respondents reporting healthy sales and some respondents reporting a more challenging environment. On the positive side, a large food vendor commented on his item's sales trends. He said, "[We are] currently trending up in our category. Many shoppers are moving more to FRESH items, so canned goods often take a hit as the perception is they aren't as beneficial as a FRESH item." Another large food vendor said, "Our business has been growing without a lot of added cost discount or program support."

However, a large non-food vendor said, "[BJ's sales are] very soft from last year through this year." Additionally, a small un-categorized company said, "Based off information I received, BJ's sales are down about 8% in grocery."

Traffic and Member Acquisition – The consensus from respondents is that BJ's member traffic is trending negative but there were mixed responses for BJ's member acquisition trends. A medium food supplier commented that BJ's focus on its supermarket competitors is hurting the company. He said, "BJ's traffic is down. They are too focused on Market Basket, Shoprite and Wegmans vs doing their own thing." A large non-food vendor said, "Very soft. Traffic softness overall in the store, but particularly being felt in HBC." A large broker said member acquisition is good but traffic is down. A large food vendor said, "Traffic is down but member acquisition trends are positive."

However, a number of respondents said both traffic and member acquisition are down. A large non-food vendor said, "Member traffic is down. New members are down and renewals are down." Another large non-food vendor said, "Traffic is down and member acquisition and retention are both down."

What is Sam's Club doing to reverse challenging comparable sales trends?

Since November, 2013, United States comparable sales (excluding gasoline) for Sam's Club have been slightly negative while Costco's United States comparable sales increased an average of 4% to 5%. Given that dichotomy, respondents were asked whether their Sam's Club buyer has discussed those challenging comparable sales trends in meetings and/or implemented any strategies to more effectively grow sales?

Sam's Club buyers are definitely looking for unique merchandise with a number of respondents commenting on this strategy. A large food vendor said Sam's is "requesting new/exclusive items to differentiate from competition while still delivering on EDLC". Another area of interest is in organic merchandise. A medium food supplier said, "Sam's is looking to grow their organic offerings in deli and fresh."

A few respondents commented on Sam's continued/renewed interest in merchandise stocked at Costco. A large non-food vendor said, "Overall our categories have performed better than the overall trends at Sam's, so we have been insulated somewhat from these discussions. We have seen Sam's be more overall interested in what Costco is running and carrying, but no specific conversations." Another large non-food vendor said, "We have noticed an uptick in 'Costco envy' from Sam's with a focus on what Costco carries and how they are allocating their space."

A medium food broker said Sam's is using its private label brands to grow sales but with limited success according to this respondent. He said, "Yes, citing lighter foot traffic and affordability threshold price points, Sam's continues to attempt to focus more on private label which offers lower price points with limited success."

A few respondents commented that rather than growing sales, Sam's is looking for cost reductions from vendors to improve margins. A large food vendor said, "Sam's buyers think it can be solved through cost reductions. We've tested that and it is not effective." A large non-food vendor said, "Sam's coupons work to combat Costco's MVMs but Sam's is still in same old thought process of seeking vendor income for end caps and pods."

Lastly, a large non-food vendor provided a sound overall perspective for Sam's Club suppliers to follow as well as a specific packaging suggestion. He said, "Vendor support of all items is now a big topic. Items that are not showing growth are on the block. Sam's Club specific packaging and support are needed."

What is your greatest challenge in supplying the clubs?

The chart on the right shows responses to this question. One of the challenges as the club industry continues to grow is simply how to supply their purchasing needs. A medium food vendor commented on the smaller lead times buyers require. He said, "Buyers are not purchasing as far out as they should be in order for us to procure product components efficiently and within the cost structure that we developed for this item." A medium broker said, "The consumption of these retailers is so great that they can single handedly consume an entire products' supply and force their own pricing increases."

Another challenge concerns packaging and the cost of creating club specific packages while still remaining cost competitive. A large broker said, "[The] value index to retail [is challenging] while providing club channel packaging requirements (almost always custom packaging with co-packing involved)."

What Is Your Greatest Challenge In Supplying The Clubs		
Company		Response
Large	Broker	Gaining access to the buyers.
		Value index to retail while providing club channel packaging requirements (almost always custom packaging with co-packing involved).
	Food	Being fair and equitable between the customers and providing value separation from mass and grocery.
		Consensus between regional buyers on innovation for our national program.
		Providing something different than what other warehouse clubs stock.
		Their subjectivity in approving one item. There is not a single reference that will help vendors in developing new item pipeline.
Non-Food	Unique items usually have shorter lifespans and slower turns, so living in a pallet driven business makes the financial feasibility of said items challenging.	
	Decreased inventories held by customer causing increased inventories held by manufacturer making it more difficult to maintain service levels.	
	Differentiated case packs offered at values that "must beat the market" and encroachment of mass and on-line retailers selling larger packs.	
	Many products are upsized to point of no return.	
	Production supply and lead times. Hard to get BJ's and Sam's to commit to the long lead times required to supply them.	
		The financial implications of providing VALUE and extra component costing to items.
Medium	Broker	Sam's high turnover of associates and Costco's purported over SKU philosophy which makes buyers reluctant to make decisions.
		Supply chain issues. The consumption of these retailers is so great that they can single handedly consume an entire products' supply and force their own pricing increases.
	Food	Getting enough organic product to satisfy all customers.
		Lead times. Buyers are not purchasing as far out as they should be in order for us to procure product components efficiently and within the cost structure that we developed for this item.
		Unique SKUs means you have to be accurate with forecasting.

A large food vendor observed that club buyer desire for unique and/or exclusive items could, in some cases, be counterproductive. He said, "Unique items usually have shorter life spans and slower turns, so living in a pallet driven business makes the financial feasibility of said items challenging." Additionally, since unique items are typically stocked for a short period of time (around six to ten weeks), vendors are faced with making production and sales forecasts with little to no objective data on which to base those projections.

An ongoing difficulty for suppliers in offering equitable pricing to all its customers while providing value pricing to the clubs. A large food supplier said one challenge is "being fair and equitable between the customers and providing value separation from mass and grocery". A medium broker commented on Costco's adherence to smaller category assortments and the reluctance that may cause buyers in making a product purchasing decision. He said, "Costco's purported over SKU philosophy which makes buyers reluctant to make decisions."

What strategies does your company use to increase sales on mature club items?

Overall, respondents listed six strategies to increase sales on mature club items: incorporate natural/organic ingredients, update packaging, lower costs, participate in coupon programs, including bonus items and perform product demonstrations. A medium food vendor offered a good strategy, in terms of timing, for dealing with any longstanding club item. He said, "We try to touch mature items every 2-3 years through either formula updates or packaging updates to refresh the item."

Provide an example of a successful new club item?

A medium broker commented on Costco's focus on organic items as an example of a successful new item. He said, "The overall organic focus at Costco is a good example of this. Costco was able to find 'low hanging fruit' in the organic industry and show that you can provide organic foods at a fair price relative to other companies such as Whole Foods. Unfortunately this instant demand for organics has placed tremendous pressure on the organic industry as a whole to catch up."

A large non-food vendor commented on a successful plate and napkin assortment. He said, "Graduation styled plates and napkins [were successful]. New non-year specific [design with a] more colorful pattern achieved 30% better sell thru over the prior year. All other components stayed the same." A large company commented on a candy SKU. He said, "Brookside chocolate [with] terrific packaging, quality and promotion grew to over \$50,000,000 at one club operator."

Of the following four marketing fund uses in the club channel (product demonstrations, end caps, coupons and price reduction), which is the most effective or least effective at increasing sales at each club?

In the past, respondents ranked club marketing programs on their effective at increasing sales in the club channel overall. This question was redesigned in 2014 because it did not analyze the success of these programs at individual club operators. Respondents were asked to list their most effective and least effective marketing fund use at increasing sales for each club. Results can be seen in the chart below.

BJ's – The most effective use of marketing funds at increasing sales at BJ's are coupons cited by 77% of respondents. End caps, cited by 15% of respondents and price reduction, cited by 8% of respondents, were also listed as being effective at increasing sales. There were no respondents that listed BJ's product demonstration program as effective at increasing sales while 50% of respondents listed this marketing vehicle as least effective.

Costco – The top two uses of marketing funds at increasing sales at Costco are coupons, cited by 44% of respondents, and product demonstrations cited by 33% of respondents. The least effective use of marketing funds at increasing sales at Costco were end caps, cited by 47% of respondents, and reducing the cost and retail price of an item, cited by 35% of respondents.

Most and Least Effective Marketing Vehicles At Increasing Sales								
BJ's			Costco			Sam's Club		
Response	Most	Least	Response	Most	Least	Response	Most	Least
Coupons	77%	0%	Coupons	44%	0%	Coupons	46%	7%
End Caps	15%	21%	Demonstrations	33%	18%	End Caps	46%	14%
Price Reduction	8%	29%	End Caps	11%	47%	Demonstrations	8%	43%
Demonstrations	0%	50%	Price Reduction	11%	35%	Price Reduction	0%	36%

Sam's Club – The top two uses of marketing funds at increasing sales at Sam's Club are coupons and end caps, cited by 46% of respondents each. The least effective use of marketing funds at increasing sales at Sam's Club were reducing the cost and retail price of an item, cited by 36% of respondents, and product demonstrations, cited by 43% of respondents.

How is your company organizationally structured to sell the clubs?

Responses to this question can be seen from the chart on the next page. A large non-food vendor said we have a "club specific sales team with dotted lines crossing functional support in marketing, finance, packaging, and product supply who are not club specific focused." A medium food supplier said, "We have a specific club division that includes our own product managers in order to continually develop new items for the channel."

A large non-food supplier has a dedicated club sales team that is based at its headquarters so that communication with individual brand teams can be facilitated. A medium broker locates its offices near club buyers. He said, "Having an office close to the club buying offices is a wonderful incentive and allows for productive interaction."

What are some of the concepts and strategies club buyers are focusing on for 2015?

One focus point for club buyers are new moms. A large non-food supplier said, "Attracting new moms. This is a hot button topic across all three club retailers as they seek to be relevant to younger members." Another large non-food vendor said, "New moms are a clear area of focus. All three clubs are trying to secure the new mom both to help with member acquisition and also to help get the member base younger."

How Is Your Company Organizationally Structured To Sell The Clubs		
Company		Response
Large	Broker	We have a customer team for each club group.
	Food	BJ's - grocery team, Sam's Club - Walmart team and Costco - mass merch team.
		Club sales team calling on the various club accounts and regions - well received by the buyers.
		One region manager covers Costco and BJ's. Sam's is under the Walmart team.
Non-Food	Channel director and sales team focused on the club business.	
	Club channel specific organization - allows for "mass" and some standardization among the club customers to help drive out unnecessary costs.	
	Club specific sales team with dotted lines crossing functional support in marketing, finance, packaging, and product supply who are not club specific focused.	
	Dedicated sales team that is based in HQ in order to facilitate dialogue with the brand teams.	
Medium	Broker	Having an office close to the club buying offices is a wonderful incentive and allows for productive interaction.
	Food	We have a specific club division that includes our own product managers in order to continually develop new items for the channel.
Small	Food	Dedicated team devoted to selling to the club channel.

Another concept that club buyers will continue to focus on is organic and natural products. A large food vendor said club buyers want "organic and health conscious products with higher quality and fewer ingredients." A large non-food supplier commented on BJ's and Costco's focus on SKU management. He said, "I've been working with the clubs for 7-8 years and SKU and vendor reduction are bigger hot buttons than I've seen in the past especially at BJ's and Costco." A medium food supplier also commented on Costco's focus on few SKUs. He said, "Costco is focused on less SKUs and more rotational items."

Winter, 2014 – Buyers, Vendors

Regarding the size of the companies that responded to the vendor, broker and stakeholder questions: 41% were large organizations, 30% were medium organizations and 24% were small organizations. In terms of the type of company that responded to the vendor, broker and stakeholder questions: 39% were food suppliers, 29% were non-food vendors, 25% were brokers and 7% were assorted stakeholders. Regarding buyers and executives from the club operators that responded to the survey: 43% were from Sam's Club, 32% were from Costco, 13% were from BJ's and 12% were from PriceSmart.

How do Costco's national buying teams affect your club structure?

Respondents said their company either has enough volume to work with Costco on national programs or they do not. Brokers and suppliers who do work with Costco's national buying team said their club sales structure is not affected and some commented that working with Costco nationally makes it easier to create more effective products and programs.

However, a medium broker did comment on one challenge they face in working with Costco's national buying team. He said, "We have various vendors that sell national programs both branded and private label. The tough part is getting access to those buying teams and schedules for when they review products. It would be really valuable if Costco released – at least to its core vendors/brokers – a calendar detailing when they are planning to review certain items/categories and give those vendors an opportunity to submit to be included in those meetings. Certain retailers, like Publix, do this and it's effective."

How does your company compete with Costco's Kirkland Signature (KS) private label brand?

Responses to this question elicited a variety of responses. The consensus was that if Costco is going to introduce a competitive Kirkland Signature SKU, the chances of successfully keeping your branded product stocked are challenging.

A medium broker said, "It's very difficult due to the SKU limitations imposed by Costco. They have very little SKU duplication which makes this a very challenging situation. We'll try to get consideration for a co-branded opportunity when we feel it would be warranted. Additionally, it would be very good for Costco to do more multi-vendor programs with regards to KS items – transitioning from items that have had one supplier for a KS item to more redundant suppliers."

Respondents did offer some concepts that can work. A small broker said, "Try and find savings in raw materials and try to pass those savings along to Costco. We increased promotions such as IRCs and product demonstrations. However, if KS comes in and you're not a national brand, it's pretty much a death sentence." A large food supplier said, "Show the power of the brand on a regional basis and reinforce that we'll continue to support our brand with product demonstrations and other promotional activities."

A small broker said that in one Costco region within the deli, organic items are stocked instead of Kirkland Signature products. He said, "[Most of the time] the regional buyers are forced to stock [KS] items. The only time a KS item is not carried is if the raw material is in short supply or there is a specific region where an item performs significantly behind other regions. One exception ... is the Bay area deli department as they are able to offer their customers organic items over the KS items."

Can you share eCommerce Successes and Club Online Buying Strategies?

Responses to this question can be seen in the chart on the right. A couple respondents said that online sales can be leveraged to gain physical location business. A large non-food supplier said, "You can use success online to gain access to in-store testing for distribution." A small broker said, "Overall, eCommerce is a great way to introduce products, gain success and eventually gain distribution with brick & mortar."

A large food vendor said one key is a company having an eCommerce strategy in place. He said, "[Our online business] has been rather limited but we are able to place some items not normally stocked in actual club locations. A key is the manufacturer having a company strategy for eCommerce. Unfortunately this is not the case with many CPG companies."

Can You Share eCommerce Successes And Club Online Buying Strategies?		
Company	Response	
Broker	Large	Costco is so understaffed that appointments are impossible and new items quite rare. Strange how the senior executives say they will grow Costco.com from \$3 to \$6 billion and have one buyer doing all food.
	Medium	We sell mostly food and that has been very challenging to do and allow Costco to offer the values they need and still have the members appreciate the value—especially with the cost of shipping perishables.
	Small	ECommerce might carry variations of what is stocked in the club. Obviously, eCommerce can offer many more items on the website than can be offered at the club locations.
		In the food areas they are usually looking for items that can be sent as gifts or are very high end at Costco. I am not familiar with the other clubs.
		New, innovative items. Large items that are difficult for members to take home in their cars.
		Overall, eCommerce is a great way to introduce products, gain success and eventually gain distribution with brick & mortar.
Food	Large	The strategy is the same for the club buyers but they will carry more of a selection in each category. Very difficult to do with the competitive nature of Amazon and Walmart.com and Costco's unwillingness to bundle to make their value more apparent. When the Club's eCommerce team gets behind the item and pushes it to the members, it does well.
	Large	A bit limiting on food grocery items so our company is not at top of list of items to showcase. But as online grocery shopping becomes more prevalent (Amazon/Wal-Mart) this could possibly be another growth avenue for some grocery products.
		Costco wants food companies to do their own fulfillment which we don't do. No selling, but hoping. Has been rather limited but we are able to place some items not normally stocked in actual club locations. A key is the manufacturer having a company strategy for eCommerce. Unfortunately this is not the case with many CPG companies.
Non-Food	Large	Current: Traditional Club packs only (all customers) Future: Differentiated offering for .com sites.
		This is still a tough environment. Internet ready packaging is not easy or it's difficult to be nimble in this arena. Development of new SKUs is difficult. Offering value in-line and on-line is not built into our go to market plans at this time.
	Small	You can use success online to gain access to in-store testing for distribution. Kits work well and help to avoid pricing issues.

WCF Research, 2014

A small broker said that large, bulky items that are difficult to transport from the physical locations are what club online buyers are seeking. He said, "New, innovative items. Large items that are difficult for members to take home in their cars." A small broker commented on Costco's desire for high end food items that can be sent as gifts. He said, "In the food areas they are usually looking for items that can be sent as gifts or are very high end at Costco."

However, perishable vendors are challenged to provide club members with a value when their product is stocked online simply due to the shipping costs. A medium broker said, "We sell mostly food and that has been very challenging to do and allow Costco to offer the values they need and still have the members appreciate the value – especially with the cost of shipping perishables."

Do club coupon programs affect member buying patterns?

The consensus from both vendors/brokers/stakeholders and club buyers/executives is that the club coupon programs have affected how and when club members shop. A medium broker said, "Yes. They wait for the known coupon items like toilet paper or paper towels and only buy those when they are on coupon. This is a very expensive way to buy business—hard to rationalize." A Costco buyer/executive said, "[There are] less purchases on multiple MVM activity throughout the rest of the year."

A small broker said, "YES!!! The member base has been trained to wait for MVM's at Costco. The member base knows when they are to receive their new coupon book, and they wait to shop during those MVM periods. They will purchase more than one of any given item (pantry load), and this extends the re-shop period as well."

A large non-food vendor observed the effect club coupons are having on known products. He said, "We've seen that very well established items with high household penetration do not continue to grow year over year when promoted with high frequency in coupon programming. The best returns continue to be new and unique items. There will always be traffic and destination SKU's that when on coupon drive members into the buildings." Another large non-food vendor commented on coupons affecting the club's overall sales cycle. He said, "Clubs are becoming very reliant on the coupon programs to drive volume during certain periods and are having trouble normalizing volume outside of promotion periods."

Club coupon programs are increasing overall traffic and can dramatically increase sales. A Sam's Club buyer/executive said, "Our Instant Saving Book is driving repeat purchases for sure." Another Sam's Club buyer/executive said, "The programs do drive more trips/traffic." In terms of sales, a small broker said, "Costco generates as much as a 500% lift on a consistent basis on their MVM's ... Sam's Club ... sees around a 30%-40% lift." A Costco buyer/executive confirmed that sales increase. He said they see "up to a 10 times lift in sales".

How important are club coupon programs in buyer meetings?

Vendors/brokers/stakeholders and buyers/executives all indicate that the importance of club coupons as part of an item or overall vendor presentation range from necessary to important. The chart on the next page shows responses from vendors and brokers. The following responses indicate discussions about club coupons are part of a program but not the most important component. A large non-food vendor said, "Typically they are more interested in everyday low cost, and coupon books are icing on the cake but not necessary." Another large food supplier said, "[They are] usually not the first thing asked for in a meeting, but as part of an overall support plan it is key for national distribution."

The following responses indicate that club coupons are a very important part of a club program. A large food vendor said, "Very important, even with very mixed feelings within the regions on how the MVMs fit with their mission/vision." A medium food supplier said, "It can be the deciding factor of whether or not a new item is authorized. It has become another profit center for the clubs, thus the price goes up to the consumer." A small broker said, "Very important! And important for the vendor as well. It creates awareness for the item. Bottom line, they drive sales."

A Costco buyer/executive raised a key point on how the club's view funding for club coupons. Intuitively, club buyers realize that when they ask for the lowest possible net landed cost and, for some items, coupon funding, the cost for those coupons will have to come from somewhere and may hinder their ability to get to that lowest possible cost.

A Sam's Club buyer/executive commented on the importance of club coupons and the relevance to the different club member. He said, "[Coupons are] important. The most important part is to understand the relevance of the item to the member and ensure that offer speaks to that member—business members want deep offers with larger purchase quantity and savings member want treasure hunt that reinforces the value of membership."

A small broker commented on the effectiveness of club coupons on new items where an item's price/value may not be as intuitively understood by members compared to existing items where that price/value is recognized. He said, "It depends on your item. MVM's are going the way of large CPG companies given the amount of discounts that are being offered. It doesn't make sense to participate in a coupon book on a new item that has yet to establish itself in the region. The member base has no idea the current value of our item and will not fully appreciate the discount until they have become loyal purchasing at full price. If you're speaking of the sundries department in Costco, however, on items like detergent and paper towels, the member base tends to understand the value in the retail market and will react better to an immediate discount. Plus, this is the only way to really promote your item as product demonstrations on detergent and paper towels are pointless."

Some buyers are cautious in how they approach coupon funding trying to make sure it comes from a different "bucket" of funds that would not affect that cost. The Costco buyer/executive said, "I downplay it. The funds should be coming from a different 'bucket' of money in which we would normally not be able to tap into."

How Important Are Club Coupon Programs In Buyer Meetings?	
Company	Response
Large	Varies by buyer. Costco uses a simple majority of regional buyers to select MVM items. I think voting for MVM's is just another item on their task lists. I know corporate buyers delegate MVM management to ICs.
	The IRC is a more effective discounting tool but still doesn't seem to really make sense that you could offer a 25% discount on an item that Costco is telling you should be selling to Costco at the best price already. I have yet to find a person that can really explain how this MVM strategy is rationalized by Costco. However, there is no question that sales are greatly improved by these programs.
Medium	It depends on your item. MVM's are going the way of large CPG companies given the amount of discounts that are being offered. It doesn't make sense to participate in a coupon book on a new item that has yet to establish itself in the region. The member base has no idea the current value of our item and will not fully appreciate the discount until they have become loyal purchasing at full price. If you're speaking of the sundries department in Costco, however, on items like detergent and paper towels, the member base tends to understand the value in the retail market and will react better to an immediate discount. Plus, this is the only way to really promote your item as product demonstrations on detergent and paper towels are pointless.
	At Costco, the buyers usually approach you as if you have to be chosen. At Sam's Club it could allow you to get an item in that you would never have gotten in otherwise. If you are a major vendor and can afford it, the buyer will anticipate your participation. Very important! And important for the vendor as well. It creates awareness for the item. Bottom line, they drive sales. That is important to the buyer.
Broker	Becoming more important to buyer as they ask for participation.
	Very important, even with very mixed feelings within the regions on how the MVMs fit with their mission/vision. Being in a coupon book is supporting your everyday items. It's important.
Food	Huge!
	It can be the deciding factor of whether or not a new item is authorized. It has become another profit center for the clubs, thus the price goes up to the consumer.
Medium	This depends upon which club your asking about. I do believe the buyers are still pressing for their vendors to participate. Frequency seems to be much more negotiable. Yet investment levels are still very transparent with all buyers.
	Currently, the club coupon offers are the best vehicle to drive sales within the clubs. Usually not the first thing asked for in a meeting, but as part of an overall support plan it is key for national distribution. Typically they are more interested in everyday low cost, and coupon books are icing on the cake but not necessary.
Non-Food	For new distribution it is a minimum requirement if full distribution is planned.

Costco Wholesale

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Costco Profile



Price Club – First Location, 4605 Morena Boulevard, San Diego

President, CEO – Craig Jelinek

Address – 999 Lake Drive, Issaquah, WA, 98027

Phone – 425-313-8100

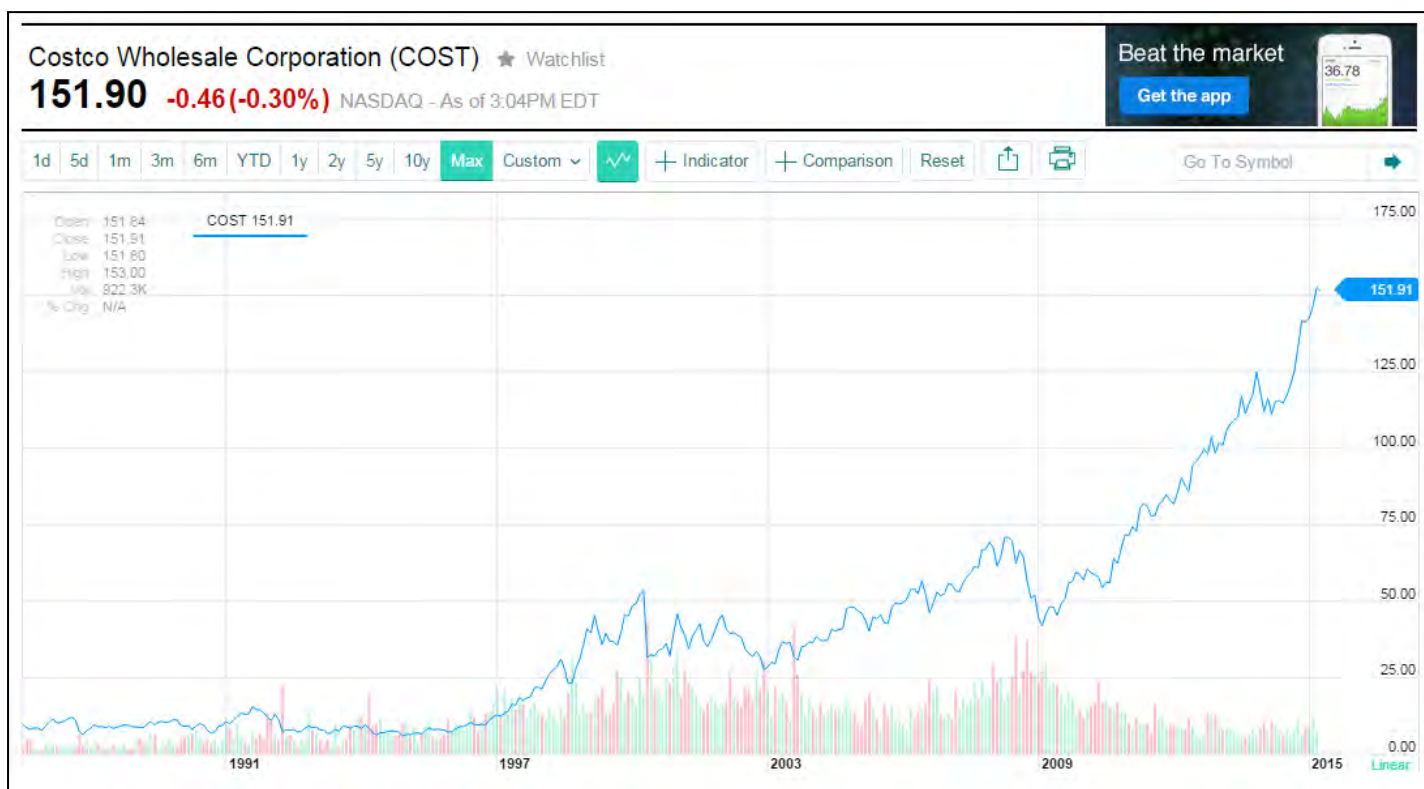
Stock Symbol – COST

Year Began – 1976 (merged with Price Club in 1993)

Fiscal Year End – August

Web Site – www.costco.com

Costco Stock – 1986 to 2015 – Yahoo! Finance



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Key Personnel

Craig Jelinek – president and chief executive officer – Jelinek joined Costco in 1984. From 1986 to 1994, Jelinek was vice president, regional operations manager in the Los Angeles region. From 1994 to 1995, Jelinek was senior vice president of operations in the Northwest region and was chief operating officer of the Northern Division from 1995 to 2004. From 2004, Jelinek was executive vice president in charge of merchandising before being promoted to president and chief operating officer in 2010. Jelinek was promoted to president and chief executive officer effective January 1, 2012.

Jeffrey Brotman – chairman of the board of directors - Brotman graduated from University of Washington Law School. Before founding Costco with Sinegal in 1983, he ran a \$12 million per year apparel chain.

Richard Galanti – executive vice president and chief financial officer - Prior to joining Costco, Galanti was an associate at the brokerage company Donaldson, Lufkin & Jenrette. Galanti joined Costco in 1984 as senior vice president of finance, chief financial officer and treasurer. He played a key role in merging the operations of Price Club and Costco. Galanti grew up in a family retail business that operated four grocery stores.

James D. Sinegal – founder, former president and chief executive officer, board of director - Sinegal worked for Sol Price at Fed-Mart (beginning in 1954 as an 18 year old college student at San Diego Community College) and Price Club. At Fed-Mart, he rose to become executive vice president of merchandising and operations. At the Price Club, he worked as an executive vice president of operations from 1978 to 1979. After leaving the Price Club, Sinegal co-founded a brokerage firm called Sinegal, Chamberlin & Associates and was president of that company from 1979 to 1983. Sinegal founded Costco along with Jeff Brotman in 1983. He relinquished his role as president of Costco in 2010 and retired from day-to-day operations on January 1, 2012.

Richard DiCerchio – DiCerchio worked at Fed-Mart for 17 years. He then worked as an executive at the Price Club from 1978 to 1983. DiCerchio joined Costco as vice president of operations in 1983. From 1985 to 1986, he was senior vice president of merchandising. He was in charge of the Western Canadian division from 1992 until the merger with Price Club in 1993. Prior to retiring in 2010, DiCerchio was senior executive vice president and chief operating officer.

Costco Buying and Operating

The foundation of Costco's buying and operating philosophy centers on eight key concepts: quality, low prices, six merchandising rights, business members, reduced operating expenses, fresh foods, creativity and private label. In addition to those philosophies, there are a number of specific principles that vendors need to understand to successfully sell a Costco buyer.

Quality

Describing any business in one word is difficult, but if pushed to describe Costco's buying and operating philosophy in one word, that would be "quality". Costco believes it is easy and wrong to offer low prices on low-quality merchandise. The trick, from their point of view, is to be able to stock and sell high-quality products at lower prices than can be found elsewhere. This creates the value proposition that convinces members to continue to pay to shop.

The issue of quality is so central to Costco's purchasing decisions that buyers are rarely concerned with price point until they are satisfied a product will meet their members' expectations. With such a focus on quality, the first step a manufacturer should take before approaching Costco is to truly assess whether or not their product is distinguished from a quality perspective in comparison to competitive products.

Quality Due to Wholesale Member – Jim Sinegal, Costco's founder and former president and chief executive officer, was interviewed by *The Motley Fool* in July, 2012. Sinegal discussed how the company's focus on the business member led it to also focus so strongly on product quality. He said, "Our business customer is still our most important customer that we have, and so that was the type of thing that helped the evolution of the products that we carry. Because when we determined that we had an upper-scale customer, people that own businesses generally are at the top end of the demographic scale, we knew that if anybody could sell Waterford crystal, Costco could. And so it became a stimulus for us going out and trying to upgrade the quality of every product that we carry."

2014 Survey – In the Fall, 2014, warehouse club vendors and stakeholders were asked what the most important program attribute is to a Costco buyer. The chart on the right shows the attributes respondents identified as important to Costco buyers. Response data is from 2004 (for a historical perspective), 2013 and 2014.

Important Program Attributes			
Costco	2004	2013	2014
Price, Value	52%	29%	38%
Quality	28%	45%	27%
Uniqueness, Exclusivity	10%	14%	19%
MVM, End Caps, Marketing	0%	0%	8%
Road Show/Demos	5%	3%	4%
Service, Support, Logistics	5%	0%	4%
Packaging	0%	3%	0%
Partnership	0%	3%	0%
Volume, Velocity	0%	3%	0%

WCF Research - 2014

While the cost of an item is most important to Costco buyer (cited by 38% of respondents), the importance and consistent need for product quality is a significantly greater program attribute than at BJ's and Sam's.

Product quality was not cited as a key program attribute by respondents for BJ's and Sam's. Product quality was even cited by 45% of respondents as the most important program attribute in the 2013 club industry survey.

Kirkland Signature Tuna – One product that exemplifies Costco's drive for quality is its Kirkland Signature private label albacore tuna. The product is made from 100% solid albacore loins and each can contains only one solid piece of loin that is cut to fit the can. Costco mandates that the albacore must be "line caught" instead of allowing for the use of nets. The product does not contain vegetable broth or hydrolyzed protein which are ingredients used by some national brands resulting in a less expensive, diluted product containing less protein.

The end result is that Costco's private label tuna is of a higher quality than competing national brands. Costco's focus on tuna quality results in a unique situation. Instead of selling at a discount compared to competing national tuna brands, Costco's Kirkland Signature albacore tuna sells for approximately the same price to slightly higher with the difference being that quality.

Low Prices

Costco's goal is to sell merchandise at the lowest possible price. Costco will not sell any branded item for more than a 14% gross margin and any private label item for more than a 15% gross margin. To back this up, Costco has reports that notify executives when this situation occurs so an explanation can be given. When offered rebates and allowances from vendors, Costco's philosophy is to reflect those deals in the cost of goods and lower the item's retail price.

In the Fall, 2014, club suppliers were asked what merchandise gross margins the clubs generated on their products. Respondents do not necessarily know the cost each club allocates for its cross dock and/or distribution center. Therefore, the merchandise gross margin results in the chart on the right may be slightly elevated. The chart includes data from 2004, 2012, 2013 and 2014.

Average Gross Margin				
Club	2004	2012	2013	2014
Costco	13%	13%	13%	13%
Sam's Club	13%	16%	16%	16%
BJs	15%	18%	18%	17%
PriceSmart	n/a	17%	16%	18%

WCF Research, 2014

As can be seen, Costco's merchandise gross margin philosophy remains consistent with vendors and stakeholders reporting an average of 13% in all four years of this study. Sam's merchandise gross margins increased from 13% in 2004 to 16% in 2012, 2013 and 2014. BJ's merchandise gross margins increased from 15% in 2004 to an average of 17.7% the last three years. PriceSmart's merchandise gross margins the last three years ranged from 16% to 18%.

Six Merchandising Rights

Costco's buying and merchandising philosophy is based on Sol Price's six rights of merchandising. A Costco food vendor said, "Costco has specific things they are looking for. I follow Costco's blueprint which is the six rights of merchandising. Along with understanding Costco, their member and their merchandising strategy, I know exactly how to prepare for meetings." The six rights of merchandising are dedicated to providing the:

1. **Right Merchandise** – high quality brand name and private label items.
2. **Right Place** – merchandising standards created to maximize sales, secure product and reduce handling and storage.
3. **Right Time** – maintain in-stock positions without being overstocked and transition seasonal merchandise.
4. **Right Quantity** – utilize just-in-time principles when ordering merchandise.
5. **Right Condition** – merchandise should be packaged, pre-marked and prepared for the club environment.
6. **Right Price** – assure low prices through volume buying, expense reduction and low gross margins.

Business Members

Costco's focus on the business owner started when it opened its first club in Seattle, Washington. The company knew that by attracting business owners, they were also attracting wealthy individuals who would also shop for themselves (see picture on the right of a pair of Tramontina commercial santoku knives).

In a November 10, 2003 article in *Fortune*, Jeff Brotman, chairman of the board of directors at Costco, said, "We understood that small-business owners, as a rule, are the wealthiest people in a community, so they would not only spend significant money on their businesses, they'd spend a lot on themselves if you gave them quality and value."



Costco – Tramontina Santoku Knives

Reduced Operating Expenses

One of Costco's goals is to constantly improve club operations as well as search for ways to reduce costs. By reducing operating costs, Costco's philosophy is to use those savings to reduce retail prices and to help improve overall profitability.

Limited Assortment – Costco has consistently kept its SKU count around 3,700 to 4,000 items. This enables Costco to merchandise the majority of its items on full pallets, reducing the amount of labor needed to restock those SKUs during the day. This is especially important as items that need to be pulled down from the steel during business hours require three employees, one to drive the forklift and two on either side of the aisle to prevent members from entering. Reducing the number of times employees retrieve inventory from the steel clearly reduces expenses.

Advertising – Costco views advertising as a cost and it has never been part of its operating strategy. Sinegal said, "If you advertise, you have to raise the price of the merchandise, it is that simple ... We feel that the most successful type of advertising is word of mouth. When people are saying good things about you, it is much more important than when you say them about yourself."

Salary and Benefits – Costco's salary and benefit program is among the best in the retail industry. Costco believes that by paying well, employees stay with the company longer, learn the business and make its overall operation more efficient. Sinegal said, "It's just good business. I mean obviously anyone who is a business person thinks about the importance of people to their operation. You've got to want to get the very best people that you can, and you want to be able to keep them and provide some job security for them. That's not just altruism, it's good business."

Milk – The milk category in the club channel has evolved over the past 18 years. Costco was the first club to sell cardboard boxes with two 1-gallon bottles of milk. Initially, milk was sold in gallon containers merchandised on wheeled carts that could not be stored in the steel. In high volume locations, a club would need to have a lot of milk on hand, especially during weekends. Those carts took up space on the cooler floor making it difficult for club employees to maneuver inside the cooler.

Around 18 to 20 years ago, Costco began selling that two 1-gallon cardboard box. In addition to the benefits of a higher price point and the potential savings by selling a larger amount of milk, the two one-gallon boxed containers were stored and merchandised on pallets and could be easily inventoried on the steel inside the cooler freeing up space on the cooler floor.

Fresh Foods

Costco's fresh food departments (meat, bakery, produce, deli and prepared foods) are an important part of its business model. Not only is sales growth robust with fresh food comparable sales consistently among Costco's strongest but the departments help to increase member shopping frequency.

The chart below on the right shows department penetration and sales figures for Costco's most recent five fiscal years. The department penetration figures are reported by Costco in its 10K annual report. Fresh food sales have increased an average of 12% annually (eclipsing hardlines annual growth at 6%, sundries annual growth at 7%, food growth at 11% and ancillary growth at 11%) from \$9.15 billion in fiscal year 2010 to \$14.33 billion in fiscal year 2014.

Fresh Food Introduction – Costco was the first club to introduce fresh foods. Ed Maron, a former Costco executive who is now retired, was given responsibility for introducing fresh foods at Costco in the late 1980s. The company was committed to the fresh food concept which helped it overcome many mistakes. Maron said, "That was really the first idea that we didn't clone from Price Club. The general sense was that fresh foods wouldn't work in the wholesale club format. We made every mistake that could be made, but we learned from every one of them."

Fiscal Year	CAGR	2014	2013	2012	2011	2010
Sundries	7%	\$23,145	\$22,529	\$21,354	\$19,151	\$17,539
		21%	22%	22%	22%	23%
Food	11%	\$24,247	\$21,500	\$20,383	\$18,280	\$16,014
		22%	21%	21%	21%	21%
Hardlines	6%	\$17,634	\$16,356	\$15,530	\$14,798	\$13,726
		16%	16%	16%	17%	18%
Softlines	12%	\$12,123	\$11,213	\$9,706	\$8,705	\$7,626
		11%	11%	10%	10%	10%
Fresh Food	12%	\$14,328	\$13,373	\$12,618	\$10,446	\$9,151
		13%	13%	13%	12%	12%
Ancillary	11%	\$18,736	\$17,899	\$17,471	\$15,669	\$12,201
		17%	17%	18%	18%	16%

WCF Research, Costco Annual Reports

Simplistic Philosophy – In an interview with *Meat & Deli Retailer* (the October/November 2007 issue), Doug Holbrook, assistant general merchandise manager for fresh meat and corporate foods at Costco (at the time), said, "A limited number of SKUs enable our buyers to make sure the items they are purchasing are done right ... We don't make things complicated. We don't cut a thin pork chop, or a thick pork chop, or a stuffed pork chop or a butterfly pork chop. We cut a boneless pork chop. What made us successful is making sure we are right with the top items."

Creativity

One of Costco's key buying strategies is to constantly "push the envelope" in terms of its product assortment. A non-food vendor said, "Costco's buyers have full authority to do what they want. They're given freedom to make mistakes." Commenting on Costco's coffin business, Sinegal said, "When somebody sees that you're willing to take a chance on coffins, odds are they'll come up with some other good ideas."

Costco's vice president and general merchandise manager of bakery, service deli and food service said, "The best method for us is to put [a new item] in a club and see if it has legs. We sometimes spend a lot of time creating items that last a few weeks. If something is not growing it needs to be changed. And we'll also take an item that is really good and try to make it better ... Some items sell great for six months and then drop off as members tire of them, while others last two to five years. But new items are the spice that keeps people coming back. By offering different selections you get more of their attention."

Private Label

In 1995, Costco introduced its Kirkland Signature private label brand. Its private label strategy initially focused on premium SKUs in high volume "consumer need" categories. As members began to recognize Kirkland Signature's quality, Costco expanded its selection to categories and items not traditionally associated with private label such as a 159-piece Kirkland Signature mechanics tool set for \$99.99 or a case of forty-eight 12-ounce cans of Kirkland Signature light beer for \$21.99. Costco's private label merchandise represents approximately 24.7% of overall sales. As of March, 2015, Costco stocked 638 private label items. This is the highest number of private label items that Costco has ever stocked.

Co-Branding - An important concept in developing a strong private label program is member acceptance. One way that Costco achieves this is to co-brand its Kirkland Signature label with existing brand-name products. By associating the Kirkland Signature name with an existing known consumer brand, members associate the quality of the branded company to Costco and Kirkland Signature.

Costco has placed its Kirkland Signature label on the following products: jelly beans with Jelly Belly, aluminum foil with Reynolds (see picture on the right), chicken nuggets and animal crackers with Disney, grape juice with Newman's Own, shortbread cookies with Walker's, cranberry juice with Ocean Spray, whole bean coffee with Starbucks and raisin bran cereal with Post.



Costco – Kirkland Signature/Reynolds Foil

Alcohol – When Costco locations in Missouri (Independence) and Kansas (Lenexa) were visited in November, 2014, 18 Kirkland Signature wine and liquor SKUs were observed. Some of those items included: a one-liter bottle of Mexican anejo tequila for \$19.99, a 1.5-liter bottle of California cabernet sauvignon for \$7.99, a 1.75-liter bottle of Canadian whiskey for \$19.79, a 750-milliliter bottle of 40 year old single malt scotch from the Glenlivet Distillery for \$599.99, a 1.75-liter bottle of French vodka for \$20.99, a 1.75-liter bottle of St. Croix Island spiced rum for \$14.99 and a 750-milliliter bottle of Russian River pinot noir for \$12.99.

Gasoline – Costco extends its Kirkland Signature brand to its gasoline business. Costco's sells two types of gasoline: Kirkland Signature regular unleaded and Kirkland Signature premium. All gasoline is required to have detergent additives mixed in. These detergent additives are not soap. Rather, they are organic materials that help keep an engine clean. Costco's Kirkland Signature gasoline includes five-times the government minimum of detergent additives.

As Costco's gasoline business grew, Costco was faced with the challenge of making sure its gasoline always had the appropriate mixture of additives. Costco determined the best way to control the additive mixture was to blend it on site when gasoline was delivered.

To achieve this, Costco trained its gasoline station attendants to not only handle emergencies, customer service and pump operations but to make sure the additives are blended correctly. In the April, 2014 issue of *The Costco Connection*, Tim Hurlocker, director of fuel quality and compliance at Costco, said, "Our highly qualified attendants manage the additives at each of our stations, during each and every fuel delivery."

Selling Costco Buyers

In addition to the eight key buying and merchandising philosophies listed previously, there are a number of important concepts (in no particular order) that further define what Costco buyers want and need from a vendor to create a successful club item.

Meeting Preparation – Costco buyers expect a vendor to be an expert on their product, competitive items and marketplace trends. 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." The depth of questioning from a Costco buyer is usually far more detailed than what is experienced in most other retail settings. Vendors should be prepared to discuss the following seven subjects: product components, production, market presence, quality, packaging, marketing and purchasing/ordering requirements.

Package Sizes – Costco buyers are more likely to purchase larger sized products in comparison to BJ's and Sam's Club buyers. In a July, 2012 interview with *The Motley Fool*, Sinegal said, "The larger sizes almost always create a better savings for the consumer. It's very rare when it doesn't create a significant savings, and so we view it from that standpoint."

In addition to potentially attaining a lower unit cost, larger packages positively affect the clubs in the following four ways: the club's average transaction increases helping to reduce payroll as a percentage of sales, studies have shown that larger packages are consumed more quickly potentially increasing sales, the club generates higher gross margin dollars and, in most cases, more product can be engineered to fit on a pallet or a truck lowering the freight cost per selling unit.

Organic Food – In its fourth quarter conference call in October, 2014, Costco said sales of organic merchandise at Costco were approximately \$3 billion in its 2014 fiscal year and that figure, according to Richard Galanti, executive vice president and chief financial officer, is "growing dramatically". Costco's focus on organic food merchandise (see picture on the right of Rickland Organics organic crispy rice bars) has grown over the past few years due to six benefits it accrues from these items:

1. Organic merchandise reinforces a member's perception of Costco's focus on product quality.
2. Organic merchandise is more expensive to produce resulting in higher retail price points helping to increase Costco's average transaction.
3. Organic merchandise adds to the treasure hunt club buying philosophy.
4. Organic merchandise supports Costco's search for exclusive or hard to find products.
5. Organic merchandise generates the necessary sales dollars for Costco buyers to continue to purchase otherwise these items would not be stocked.
6. Costco has found that in many cases, organic merchandise sales are incremental. For example, sales of organic ground beef did not dramatically reduce sales of non-organic ground beef. Members who wanted organic ground beef were still purchasing other items at Costco but went elsewhere to get that organic ground beef product before it was stocked at Costco.



Costco – Rickland Organics Rice Bars

Some of the unique organic merchandise stocked by Costco included: a 2.25-pound package of Don Lee Farms organic veggie patties for \$12.69 (deli), a 64-ounce carton of Horizon organic half and half for \$4.99 (cooler), a package of twenty-four 1-ounce organic mozzarella string cheese sticks from Organic Valley for \$9.99 (cooler), a 21-ounce bag of Shearer's organic potato chips for \$4.99 (snacks), a 10-pound bag of organic unbleached flour from Great River for \$7.99 (dry grocery) and a six-pound bag of organic Fair Trade light brown sugar from Wholesome Sweeteners for \$7.99 (dry grocery).

Other organic items at Costco included: a package of six 1.1-pound bags of organic pasta from Garofalo (two penne, two gemelli and two casarecce) for \$8.99 (dry grocery), a four-pound bag of organic red quinoa from Earthly Delight for \$15.99 (dry grocery), a case of eight 15-ounce cans of organic black beans from S&W for \$6.59 (dry grocery), a case of eight 15-ounce cans of organic garbanzo beans from S&W for \$6.59 (dry grocery), a case of six 32-ounce aseptic containers of Pacific Foods organic butternut squash soup for \$12.99 (dry grocery) and a case of twenty-four 1-ounce bags of organic animal crackers from Back to Nature (eight chocolate, eight vanilla and eight oatmeal) for \$9.99 (snacks).

Sustainable Buying – Costco buyers also want to purchase merchandise from suppliers who use sustainable production methods or through organizations whose goal is to support the people who produce the products. The following are two examples of Costco's sustainable buying efforts:

Rwandan Coffee – For approximately three months a year, Costco sells a Kirkland Signature private label whole bean coffee grown and processed in Rwanda. Sinegal became involved in Rwanda through a meeting with two Costco investors at Costco's corporate office in Issaquah. That conversation dovetailed into a discussion on Rwanda with the investors suggesting Sinegal meet Paul Kagame, the president of Rwanda. Sinegal and President Kagame met for lunch in New York and discussed many things including Rwanda's coffee business. Sinegal learned about Rwanda's strong coffee growing climate and the high quality coffee grown in the country.

Costco buyers were sent to Rwanda to investigate and "without any prompting from" Sinegal, created a purchasing system for premium Rwandan coffee making sure the resulting funds were paid to Rwandan farmers. Sinegal said, "They also initiated a program to enhance the farmers' production of the beans by setting up washing stations and pulling out the best beans. Today, I think we buy something like 25% of the premium coffee coming out of Rwanda."

Flowers – Costco only sells Rainforest Alliance roses which are certified as sustainably grown. A Costco floral buyer, said, "Costco was one of the first retailers in the country to commit to only selling sustainably grown long-stemmed cut roses. This assures the company and Costco members that the beautiful flowers they purchase in the warehouse are not causing harm to the people who grow them."

Costco's rose distribution system keeps the flowers at a temperature of 35 degrees Fahrenheit. Rose specifications include a minimum length of 19.67-inches (50 centimeters) and most varieties have slightly opened buds. In terms of distribution, Costco's goal is for the flowers to travel two to five days from harvest to the production facility and less than two more days of travel to a club location.

IRI/Nielsen Data – Since 2004, Costco and Information Resources Incorporated (IRI) have been providing vendors in the United States and Canada with access to sales and inventory information through the Costco Collaborative Retail Exchange (CRX) point-of-sale program. The data platform is managed by IRI. Since that time, more than 750 vendors have used the program. The program was updated in 2013. The enhancements included: category data, real-time sales, supply chain solution, seasonal and UPC data.

Category Data – Vendors can benchmark their product sales data against the category as well as sub-categories.

Real-Time Sales – Vendors can receive daily sales and inventory of their items every day of the week from all locations.

Supply Chain Solution – Three new inventory data metrics are now included: in transit orders, on orders and orders received. Adding these data points to the program's existing inventory information (inventory on hand and average days supply) provides vendors with a more complete view of their product's inventory situation.

Seasonal – The category data now includes a three year historical view of seasonal trends enabling vendors to make better decisions regarding inventory and sales planning, product demonstrations and promotional activities.

UPC Data – UPC-level visibility provides sales information by size and color.

National Buying Group – Costco's national buying committees are comprised of buyers and/or general merchandise managers from each region. The buying committees work with select items from food and sundry categories and make company-wide purchases. The national buying group's goal is to reduce product costs seeking a decline of 15% to 20%.

MVM Coupon Program – Costco’s MVM (multi vendor mailer) coupon program is run approximately 11 to 12 times per year for approximately 25 days each. Each MVM has approximately 90 to 110 items. MVM redemption rates are extremely high. Costco and its vendors plan for those high redemption rates and order an appropriate amount of product prior to an item’s MVM period. As a result, MVM coupon items typically receive a free end cap.

Costco changed its coupon program eliminating the need for the member to “clip and present” a coupon. Under its previous coupon program, Costco members were presented with three coupon types: an instant savings coupon that did not require the member to “clip and present” a coupon, a coupon that needed to be clipped and presented at checkout and an online-only coupon.

The coupon program changes were introduced with Costco’s August, 2013 coupon book. Items are now divided into two categories: instant redeemable coupons/discounts and online-only offers. As part of this change, Costco will no longer hand out coupon books at its club locations.

Food Safety and Social Audits – All vendors doing business with Costco may be subject to audits. Costco buyers are up front about its quality assurance program and view it as part of its partnership with suppliers. Those audits can include:

Food Audits - Costco requires a food safety audit before a vendor begins shipping merchandise. There are only six Costco-approved food safety auditing companies worldwide and only BRC and SQL based food safety audits are acceptable. Audits for domestic facilities generally cost \$1,300 while overseas facilities are billed on a case by case basis.

Social Audits – International manufacturing facilities regardless of country (both food and nonfood) will need to complete a Costco specific social audit.

Produce Audits - Product audits ensure E. coli, salmonella and other pathogens don’t contaminate produce products that Costco stocks. A typical harvest crew audit costs \$195, a growing area audit costs \$550 and a processing facility audit costs \$850 to \$1,300.

Practical Use Testing – This occurs when Costco’s quality assurance personnel purchase an item, like furniture, at a club location and assemble it adhering to the directions. The items chosen are typically among the top ten within Costco’s damage and destroy list. Some of the questions this audit answers includes: whether everything that is supposed to be in the box is actually in the box, can the item be realistically assembled using basic tools and does the item perform as intended.

Gift Cards and Out-of-Box SKUs – Costco continues to stock a wide assortment of discounted gift cards and out-of-box services and products. Historically, a \$100 gift card will have a \$79.99 retail price (a 20% discount) but other gift cards such as tickets, rounds of golf, an extended warranty protection plan and theme park admission can offer discounts up to 50% with various retail prices. See picture on the right of two \$50 gift cards from Horizons Restaurant and Bar in Massachusetts for \$79.99.

Item Deletion – When Costco initially buys an item, it is usually purchased as a rotational SKU. If a new item sells more slowly than a buyer anticipated, the vendor may be asked for assistance through demonstrations and markdown money to improve sales. There are times when a buyer will even delete an item even though it is selling well. This can happen due to: seasonality, SKU count focus, the product no longer offers a value or too many “like” items in a category.

There are four primary ways a manufacturer can prepare for an item being deleted: understand the buyer’s intention before the product is purchased, understand Costco will not guarantee an item longer than 30 days so inventory must be managed, packaging raw materials must be conservatively managed and stay in relatively constant communication with the buyer especially within the first few weeks of the product’s life cycle.



Costco – Horizons Restaurant Gift Card

Business Center – Costco currently operates nine business center locations. The locations are approximately 120,000 square feet offering both delivery and walk-in service. Business centers stock merchandise primarily for convenience and grocery store owners, vending operators, janitorial services, restaurants, professional offices, daycare centers and assisted living facilities. These business centers offer additional sales opportunities for a vendor’s foodservice or wholesale products.

Product Recalls – In December, 2009, Craig Wilson, vice president of food safety and quality assurance at Costco, made a presentation at the USDA-FDA Traceability Hearing in Washington, DC. Despite the presentation being over three years old, it provides relevant and important information about product recalls and what vendors should do to minimize their impact.

Immediate Reaction – When an item is recalled, Costco’s most important priority is member protection. Wilson said, “Our primary focus is to protect the member all the time, first and foremost. I don’t care about cost. I don’t care about anything else.” Wilson immediately blocks an item from being sold and has that item immediately pulled from the sales floor at every club worldwide.

Item Traceback – When an item is recalled, Costco relies on its sales and inventory management system to quickly pull information in real time. Costco discovers what members purchased the recalled item and when, it pulls the item’s distribution information (both through Costco and back to where the item originated from) and it pulls the item’s ingredient validation form (a mandatory part of the buying process). Costco works closely with the states involved, the Centers for Disease Control (CDC), the Food and Drug Administration (FDA) and any other situation-appropriate regulatory agency.

HACCP Plan – Wilson said, “It’s up to our vendors to know where their ingredients came from and where they were produced under a qualified HACCP plan [hazard analysis critical control point].”

Product and Vendor Information – While an item traceback is happening, Costco gets item information such as the item number, name, flavor, size, UPC, lot number and “sell by” date. In addition, the vendor provides Costco with contact information for its recall coordinator, media representative and the person members can contact for information. The vendor will also provide Costco with product disposition information.

Member Notification – On the first day of the recall, Costco is able to begin notifying every member who purchased the item. The first notification is done by phone using an electronic system that calls 870,000 people per hour. This verbal notification is followed by letters mailed to members.

Club Communication – Costco communicates with every location regarding item removal and/or disposition instructions as well as vendor contact information for the membership desk. Costco also provides its call center with an explanation about the recall, any member instructions and vendor contact information.

Recall Records – Costco is also focused on keeping accurate records about the product being recalled and tracks how many units were pulled from the sales floor, how many units were returned by members, how many units were destroyed and how many units were returned to the vendor.

Regional Suppliers - The December, 2012 issue of *The Costco Connection* included an article about regional food suppliers. Buyers in Costco’s eight regional offices are always looking for unique regional products. Tim Rose, senior vice president of foods and sundries (at the time of the article), said, “When we search out some of these regional suppliers, we know they’re not going to be able to supply the whole United States right out of the chute.”

Rose mentioned one regional supplier that grew to supply the company worldwide. Rose said, “Johnny’s was a small restaurant in Tacoma [Washington] that used to sell seasoning salt next to their register and now it’s not only sold nationally, but globally.” One rule that Costco uses when working with smaller regional suppliers is to never become too large a part of their business. Rose said, “We have a rule that we don’t want to be more than 25 percent of someone’s business.”

Amazon.com - Despite operating completely different businesses, Costco and Amazon share some history and similar operations. Both are located in the Seattle, Washington market. Jeff Bezos, Amazon’s founder and chief executive officer, was given advice by Sinegal during its early years. In addition, Amazon’s two day shipping club called Prime is loosely based on Costco’s premium executive membership program.

Costco executives follow Amazon and recognize that both companies share similar strategies such as a focus on building for the future. Brotman said (*Bloomberg BusinessWeek*, June 6, 2013), “[Amazon] doesn’t have to make a profit or break even on [Prime]. He’s building great loyalty with that, as we have with our executive membership.”

Commenting on Amazon’s home grocery delivery service available in Seattle and Los Angeles, California, Brotman said, “He can spend billions of dollars experimenting and putting televisions on a truck and delivering them the same day with apples and oranges. That’s a research and development experiment that competitors and normal online businesses can’t do.” Paul Latham, vice president of membership, marketing and service at Costco, said, “We view Amazon as one of our primary competitors in almost every category. We all believe we are going to have to adapt in some form.”

Working Capital – In March, 2014, Costco and C2FO.com announced an extension on their agreement enabling suppliers to access an online working capital market. Costco and C2FO.com have offered this program to suppliers since June, 2011. The program enables suppliers to get paid faster on outstanding invoices at Costco and provides Costco with additional invoice discounts reducing its cost of goods.

Peter Novosel, executive vice president at C2FO.com, said, “Our goal is to help Costco provide its suppliers with an additional working capital funding option at competitive rates while simultaneously lowering the cost of goods for Costco Suppliers love the program because ... it provides them with efficient access to cash needed to operate their businesses.”

Furniture – Costco stocks a larger selection of furniture twice a year as a buffer in between its winter and summer seasonal assortments. The company's furniture selection is typically stocked in January and February in between the winter holiday season and the spring and summer season and once again in July and August in between the spring and summer season and the fall and winter holiday season.

Tmall.com – Alibaba.com, a Chinese-based online ecommerce company, is described as the largest online marketplace in the world. Its operations included consumer-to-consumer, business-to-consumer and business-to-business. Its online transactions last year at \$248 billion eclipsed the total combined sales for eBay.com and Amazon.com.

Costco opened an online store on Alibaba.com's marketplace site, Tmall.com. Costco is selling branded and Kirkland Signature private label food and healthcare products on the site, costco.tmall.hk. The advantage of selling its products through Alibaba.com is logistically, a distribution infrastructure is already in place, operationally, a payment infrastructure is already in place, and in terms of merchandising, Costco can learn about the Chinese marketplace and determine in an inexpensive way, whether opening club locations in the country makes sense.

Books – Costco's four person book buying team includes one buyer and three assistants: one for children's and young adult books, one for basics such as cookbooks and gift books and one for best sellers. The following are some of the strategies used by Costco's book buying team:

Sales Requirements – As with the rest of the club, if a book's sales do not meet certain thresholds, it will be removed.

Planning – The team's assortment is typically planned three months in advance.

Packaging – The book's jacket is one of the more important aspects of the product and it should not only represent what the book is about but also catch the member's eye so they stop and pick it up.

Distribution – One of the challenges for the book buying team is that decisions on what books to purchase are not just made nationally but are made regionally and sometimes by club location.

Exclusivity – Costco's book buying team is always looking for exclusive books that can only be found at Costco. For example, Costco may ask for a few extra recipes in a cookbook or reference books that have padded covers. Colby Lawrence, director of proprietary publishing and premium sales at Houghton Mifflin Harcourt, said, "We start with Costco's price point and our goal is to get as much as we can into the box."

Costco Financials

Fiscal Year ends August		CAGR 10-14	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Income (million)	Merchandise Sales	10%	\$110,212	\$102,870	\$97,062	\$87,048	\$76,255	\$69,889	\$70,977	\$63,088	\$58,963	\$51,862
	Membership Fees	9%	\$2,428	\$2,286	\$2,075	\$1,867	\$1,691	\$1,533	\$1,506	\$1,313	\$1,188	\$1,073
	Total Revenue	10%	\$112,640	\$105,156	\$99,137	\$88,915	\$77,946	\$71,422	\$72,483	\$64,400	\$60,151	\$52,935
	Cost of Goods Sold	10%	\$98,458	\$91,948	\$86,823	\$77,739	\$67,995	\$62,335	\$63,503	\$56,450	\$52,745	\$46,347
	SGA	9%	\$10,899	\$10,104	\$9,518	\$8,691	\$7,848	\$7,252	\$6,954	\$6,273	\$5,732	\$5,044
	Other Costs	25%	\$63	\$51	\$37	\$46	\$26	\$58	\$58	\$69	\$48	\$70
	Operating Expenses	10%	\$109,420	\$102,103	\$96,378	\$86,476	\$75,869	\$69,645	\$70,514	\$62,792	\$58,526	\$51,461
	Operating Income	12%	\$3,220	\$3,053	\$2,759	\$2,439	\$2,077	\$1,777	\$1,969	\$1,609	\$1,626	\$1,474
	Net Income	12%	\$2,058	\$2,039	\$1,709	\$1,462	\$1,303	\$1,086	\$1,283	\$1,083	\$1,103	\$1,063
	Margins	Merchandise Margin	0%	10.66%	10.62%	10.55%	10.69%	10.83%	10.81%	10.53%	10.52%	10.55%
Membership Margin		0%	2.20%	2.22%	2.14%	2.14%	2.22%	2.12%	2.08%	2.08%	2.01%	2.07%
Gross Margin		0%	12.87%	12.84%	12.69%	12.84%	13.05%	13.00%	12.65%	12.60%	12.56%	12.70%
SGA vs Revenues		-1%	9.7%	9.6%	9.6%	9.8%	10.1%	10.2%	9.6%	9.7%	9.5%	9.5%
Operating Income vs Sales		2%	2.9%	3.0%	2.8%	2.8%	2.7%	2.5%	2.8%	2.5%	2.8%	2.8%
Net Income vs Sales		2%	1.9%	2.0%	1.8%	1.7%	1.7%	1.6%	1.8%	1.7%	1.9%	2.0%
United States - Total		5%	6%	7%	7%	4%	-2%	6%	5%	7%	6%	
United States - Excluding Gasoline	5%	6%	6%	5%	2%	n/a	n/a	n/a	n/a	n/a		
International - Total	3%	6%	6%	16%	19%	-8%	15%	9%	11%	11%		
International - Excluding Currency Exchange	7%	6%	8%	10%	8%	7%	6%	5%	7%	n/a		
Company - Total	4%	6%	7%	10%	7%	-4%	8%	6%	8%	7%		
Company - Excluding Gasoline, Currency Exchange	6%	6%	6%	6%	4%	n/a	n/a	n/a	n/a	n/a		
Average Member Traffic	4.2%	3.3%	4.4%	4.3%	4.3%	4.1%	2.4%	1.7%	n/a	n/a		
Average Transaction	0.1%	2.4%	2.4%	5.3%	2.7%	-8.1%	5.6%	4.3%	n/a	n/a		
Clubs	Club Openings		30	26	17	24	14	19	34	30	28	21
	Club Closings (includes relocations)		1	0	1	4	1	4	10	0	3	5
	Mexico (2011 only)		n/a	n/a	n/a	32	n/a	n/a	n/a	n/a	n/a	n/a
	Club Year End Count	5%	663	634	608	592	540	527	512	488	458	433
	Canada	3%	88	85	82	82	79	77	75	71	68	65
	Mexico	1%	33	33	32	32	32	32	31	30	29	27
	United Kingdom	4%	26	25	22	22	21	20	19	18	16	
	Japan	22%	20	18	13	9	9	8	6	5	5	
	Korea	12%	11	9	8	7	7	6	5	5	5	
	Taiwan	14%	10	10	9	8	6	5	4	4	4	
	Australia	57%	6	3	3	3	1	1	0	0	0	
	Spain	n/a	1	0	0	0	0	0	0	0	0	
	International	6%	195	183	169	163	156	153	145	135	129	122
United States and Puerto Rico	3%	468	451	439	429	416	406	398	383	358	338	
Worldwide Locations	4%	663	634	608	592	572	559	543	518	487	460	
Worldwide Detail (million)	US Revenue	8%	\$80,477	\$75,493	\$71,776	\$64,904	\$59,624	\$56,548	\$56,903	\$51,532	\$48,466	\$43,052
		-2%	71%	72%	72%	73%	76%	79%	79%	80%	81%	81%
	Canadian Revenue	10%	\$17,943	\$17,179	\$15,717	\$14,020	\$12,051	\$9,737	\$10,528	\$8,724	\$8,122	\$6,728
		1%	16%	16%	16%	16%	15%	14%	15%	14%	14%	13%
	Other International Revenue	23%	\$14,220	\$12,484	\$11,644	\$9,991	\$6,271	\$5,137	\$5,052	\$4,144	\$3,564	\$3,155
		12%	13%	12%	12%	11%	8%	7%	7%	6%	6%	6%
	US Operating Income	9%	\$1,880	\$1,810	\$1,632	\$1,395	\$1,310	\$1,273	\$1,393	\$1,217	\$1,246	\$1,168
		-2%	58%	59%	59%	57%	63%	72%	71%	76%	77%	79%
	Canadian Operating Income	10%	\$796	\$756	\$668	\$621	\$547	\$354	\$420	\$287	\$293	\$242
		-2%	25%	25%	24%	25%	26%	20%	21%	18%	18%	16%
	Other International Operating Income	25%	\$544	\$487	\$459	\$423	\$220	\$150	\$156	\$105	\$87	\$65
		12%	17%	16%	17%	17%	11%	8%	8%	7%	5%	4%
Total Foreign Revenue	15%	\$32,163	\$29,663	\$27,361	\$24,011	\$18,322	\$14,874	\$15,580	\$12,868	\$11,685	\$9,883	
	5%	29%	28%	28%	27%	24%	21%	21%	20%	19%	19%	
Total Foreign Operating Income	15%	\$1,340	\$1,243	\$1,127	\$1,045	\$767	\$504	\$575	\$392	\$380	\$307	
	3%	42%	41%	41%	43%	37%	28%	29%	24%	23%	21%	
Item Sales	Annual Physical SKU Count	-1%	3,776	3,821	3,879	3,956	4,003	4,016	4,088	4,420	4,479	4,108
	Average Number of SKUs (two years)	-1%	3,799	3,850	3,918	3,980	4,010	4,052	4,254	4,450	4,294	4,215
	Ancillary Percentage	2%	17%	17%	18%	18%	16%	15%	17%	14%	14%	13%
	Merchandise Sales less Ancillary (million)	9%	\$91,476	\$84,971	\$79,591	\$71,379	\$64,054	\$59,406	\$58,911	\$54,255	\$50,708	\$45,120
	YEARLY Sales per SKU		\$24,082,127	\$22,070,291	\$20,316,743	\$17,936,766	\$15,975,608	\$14,660,822	\$13,848,451	\$12,193,581	\$11,810,489	\$10,704,612
	WEEKLY Sales per SKU	11%	\$463,118	\$424,429	\$390,707	\$344,938	\$307,223	\$281,939	\$266,316	\$234,492	\$227,125	\$205,858
	YEARLY Sales per SKU per LOCATION		\$37,135	\$35,540	\$33,861	\$30,819	\$29,945	\$28,221	\$27,697	\$25,779	\$26,511	\$25,187
	WEEKLY Sales per SKU per LOCATION	6%	\$714	\$683	\$651	\$593	\$576	\$543	\$533	\$496	\$510	\$484
	Private Label SKUs	1%	566	574	594	581	546	514	501	527	474	411
	Private Label Percent of Sales	5%	24.7%	23.3%	22.4%	21.3%	20.2%	19.5%	17.5%	17%	16%	15%
	Private Label Yearly Sales (million)	15%	\$22,595	\$19,798	\$17,828	\$15,204	\$12,939	\$11,584	\$10,309	\$9,223	\$8,316	\$6,768
	Private Label Weekly Sales/SKU/Club	8%	\$1,184	\$1,068	\$962	\$865	\$854	\$834	\$791	\$712	\$757	\$745
Brand SKUs (two year average)	-2%	3,233	3,276	3,324	3,399	3,464	3,538	3,753	3,923	3,820	3,804	
Brand Percent of Sales	-1%	75.3%	76.7%	77.6%	78.7%	79.8%	80.5%	82.5%	83%	84%	85%	
Brand Yearly Sales (million)	8%	\$68,881	\$65,172	\$61,762	\$56,176	\$51,115	\$47,822	\$48,602	\$45,032	\$42,392	\$38,352	
Brand Weekly Sales per SKU per Club	4%	\$632	\$616	\$596	\$546	\$532	\$500	\$498	\$467	\$479	\$456	

WCF Research, Costco Annual Reports

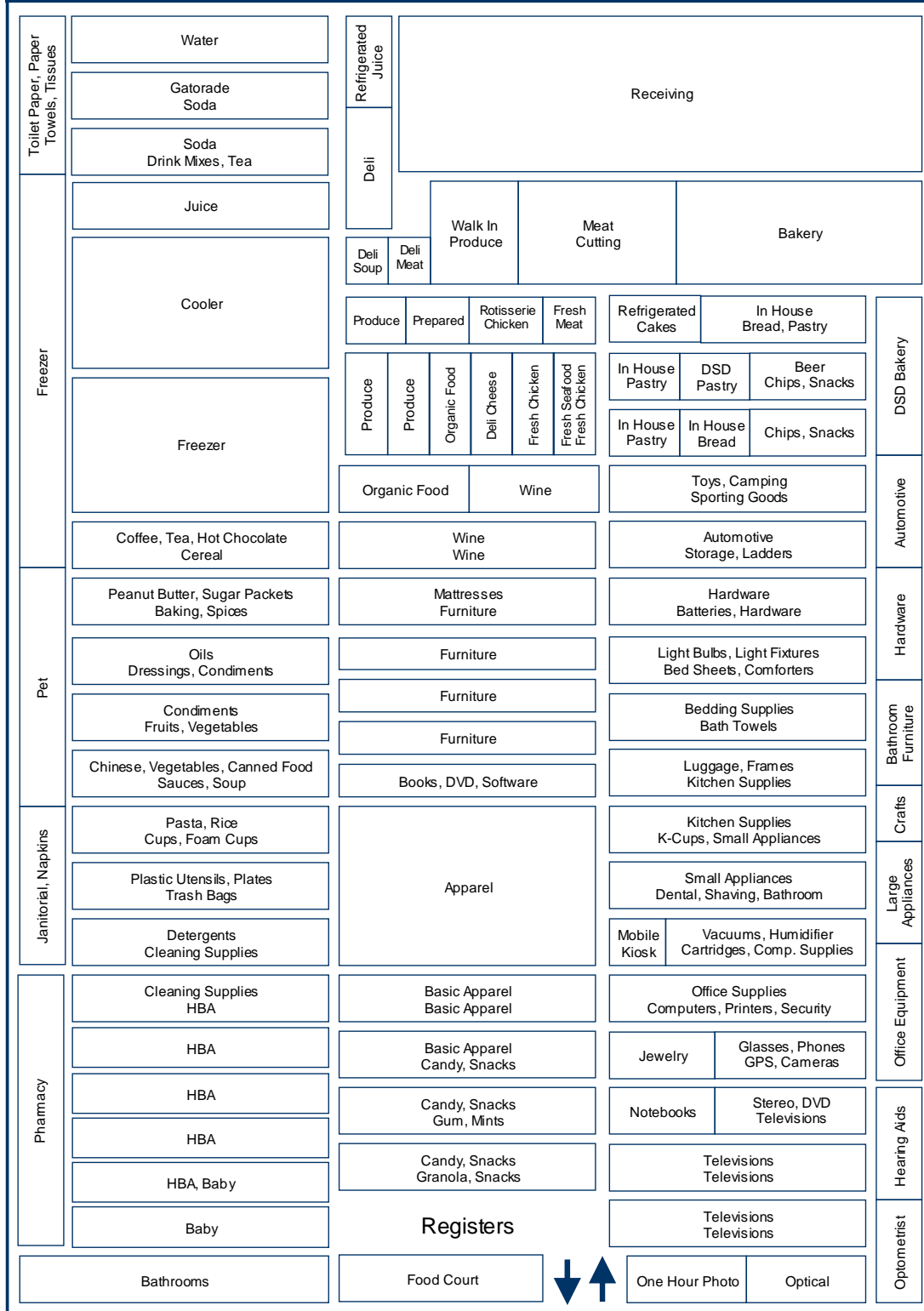
Fiscal Year ends August		CAGR 10-14	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Sales Data	Avg Clubs Open During Year (2011 - Mexico)	5%	649	621	600	582	534	520	500	473	446	425
	Yearly Sales per Club (million)		\$170	\$166	\$162	\$150	\$143	\$135	\$142	\$133	\$132	\$122
	Yearly WW Sales/Club (million, 10K)	4%	\$164	\$160	\$155	\$146	\$139	\$131	\$137	\$130	\$127	\$120
	Yearly U.S. Sales per Club (Annual Report)		n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$132	\$130	\$124
	Yearly Operating Income per Club (million)	6%	\$5.0	\$4.9	\$4.6	\$4.2	\$3.9	\$3.4	\$3.4	\$3.9	\$3.4	\$3.5
	Weekly Sales per Club (million)	4%	\$3.3	\$3.2	\$3.1	\$2.9	\$2.7	\$2.6	\$2.6	\$2.7	\$2.6	\$2.3
	Weekly Operating Income/Club (thousand)	6%	\$95.5	\$94.5	\$88.4	\$80.6	\$74.9	\$65.8	\$75.7	\$65.4	\$70.2	\$66.7
	Total Square Footage (thousand)	4%	95,300	90,800	86,900	84,400	81,796	79,937	77,106	72,779	68,180	63,940
	Square Foot per Club (thousand)	0%	144	143	143	143	143	143	142	141	140	139
	Sales per Square Foot	4%	\$1,154	\$1,135	\$1,116	\$1,028	\$988	\$927	\$976	\$920	\$920	\$862
Operating Income per Square Foot	6%	\$34	\$34	\$32	\$29	\$27	\$24	\$27	\$23	\$23	\$25	\$24
Annual Web Site Sales (million)	14%	\$2,950	\$2,500	\$2,100	\$1,920	\$1,740	\$1,600	\$1,686	\$1,240	\$880	\$542	
Employee	Total Employees	7%	195,000	184,000	174,000	164,000	147,000	142,000	137,000	127,000	119,000	110,000
	Merchandise Sales per Employee	2%	\$565,190	\$559,076	\$557,828	\$530,780	\$518,741	\$492,176	\$518,084	\$496,753	\$495,489	\$471,473
	Operating Profit per Employee	4%	\$16,513	\$16,592	\$15,856	\$14,872	\$14,129	\$12,514	\$14,371	\$12,666	\$13,861	\$13,400
	Mexico Division Employees		Included	Included	Included	Included	9,000	9,000	9,000	9,000	8,000	8,000
Sales (Percent from 10K)	Sundries	7%	\$23,145	\$22,529	\$21,354	\$19,151	\$17,539	\$16,074	\$15,615	\$14,510	\$14,151	\$12,966
		-2%	21%	22%	22%	22%	23%	23%	22%	23%	24%	25%
	Food	11%	\$24,247	\$21,500	\$20,383	\$18,280	\$16,014	\$14,677	\$14,195	\$11,987	\$11,203	\$9,854
		1%	22%	21%	21%	21%	21%	21%	20%	19%	19%	19%
	Hardlines	6%	\$17,634	\$16,356	\$15,530	\$14,798	\$13,726	\$13,279	\$13,486	\$13,248	\$11,793	\$10,372
		-3%	16%	16%	16%	17%	18%	19%	19%	20%	20%	20%
	Softlines	12%	\$12,123	\$11,213	\$9,706	\$8,705	\$7,626	\$6,989	\$7,098	\$6,940	\$7,076	\$6,223
		2%	11%	11%	10%	10%	10%	11%	11%	12%	12%	12%
	Fresh Food	12%	\$14,328	\$13,373	\$12,618	\$10,446	\$9,151	\$8,387	\$8,517	\$7,571	\$6,486	\$5,705
		2%	13%	13%	13%	12%	12%	12%	12%	12%	11%	11%
	Ancillary	11%	\$18,736	\$17,899	\$17,471	\$15,669	\$12,201	\$10,483	\$12,066	\$8,832	\$8,255	\$6,742
		2%	17%	17%	18%	18%	16%	15%	17%	14%	14%	13%
Balance Sheet	Inventory (million)	11%	\$8,456	\$7,894	\$7,096	\$6,638	\$5,638	\$5,405	\$5,039	\$4,879	\$4,561	\$4,015
	Inventory Turnover per Year		12.0	12.3	12.6	12.7	12.3	11.9	12.8	12.0	12.3	12.1
	Days in Gross Inventory		30.3	29.8	28.9	28.8	29.6	30.6	28.5	30.5	29.7	30.2
	Inventory per Club (million)	5%	\$12.3	\$11.8	\$11.3	\$10.4	\$10.2	\$9.9	\$9.7	\$9.7	\$9.4	\$8.8
Accounts Payable (million)	9%	\$8,491	\$7,872	\$7,303	\$6,544	\$5,947	\$5,450	\$5,225	\$5,125	\$4,581	\$4,214	
A/P vs Inventory Percent		100%	101%	101%	102%	103%	102%	104%	103%	103%	102%	
Membership	Business Renewal (U.S., Canada)		94.4%	94.0%	93.7%	93.3%	92%	92%	92%	92%	92%	92%
	Group Renewal (U.S., Canada)		89.8%	89.1%	88.7%	88.1%	86%	86%	86%	85%	85%	84%
	Overall Renewal (U.S., Canada)		90.6%	89.9%	89.7%	89.0%	88%	n/a	n/a	n/a	n/a	n/a
	Overall Renewal (Worldwide)		87.3%	86.4%	86.4%	85.0%	n/a	n/a	n/a	n/a	n/a	n/a
	Paid Business (thousand)	4%	6,900	6,600	6,400	6,300	5,789	5,719	5,594	5,401	5,200	5,100
	Paid Supplemental Business (thousand)	1%	3,500	3,500	3,800	4,000	3,300	3,400	3,400	3,500	3,600	3,500
	Paid Consumer (thousand)	9%	31,600	28,900	26,700	25,000	22,539	21,445	20,181	18,619	17,300	16,200
	Free Supplemental Consumer (thousand)	7%	34,400	32,200	30,100	28,700	26,400	25,400	24,300	22,900	21,600	20,500
	Total Cardholders (thousand)	7%	76,400	71,200	67,000	64,000	58,028	55,964	53,475	50,420	47,700	45,300
	Mexican Cardholders (thousand)		Included	Included	Included	Included	2,900	2,800	2,800	2,700	2,600	n/a
	Worldwide Cardholders (thousand)	6%	76,400	71,200	67,000	64,000	60,928	58,764	56,275	53,120	50,300	n/a
	Executive Members (thousand)	9%	14,800	13,500	12,600	11,800	10,336	8,936	7,630	6,331	5,200	4,300
	Executive Members (percent paid)	2%	39%	38%	38%	36%	33%	33%	30%	26%	23%	20%
	Executive Members (percent of sales)	1%	67%	66%	66%	66%	65%	60%	57%	52%	45%	n/a
Cardholders per Club	2%	117,810	114,654	111,667	109,966	108,769	107,727	106,950	106,596	107,071	106,588	
Annual Sales per Cardholder	2%	\$1,443	\$1,445	\$1,449	\$1,360	\$1,314	\$1,249	\$1,327	\$1,251	\$1,236	\$1,145	
Annual Member Fees per Cardholder	2%	\$32	\$32	\$31	\$29	\$29	\$27	\$28	\$26	\$25	\$24	
Ancillary Businesses (sales in millions)	Pharmacy	5%	\$89	\$85	\$82	\$79	\$75	\$72	\$69	\$66	\$63	\$60
		6%	\$4,650	\$4,391	\$4,350	\$4,110	\$3,705	\$3,450	\$3,265	\$3,050	\$2,600	\$2,250
	Optical	5%	\$61	\$61	\$59	\$57	\$53	\$50	\$46	\$42	\$42	\$41
		6%	\$985	\$910	\$890	\$850	\$780	\$675	\$650	\$575	\$595	\$455
	One-Hour Photo	5%	\$69	\$62	\$51	\$51	\$50	\$48	\$46	\$44	\$42	\$41
		8%	\$365	\$325	\$315	\$295	\$270	\$235	\$225	\$225	\$195	\$175
	Food Court	5%	\$67	\$68	\$62	\$56	\$54	\$51	\$46	\$42	\$42	\$42
		6%	\$1,035	\$955	\$945	\$915	\$835	\$725	\$650	\$595	\$525	\$465
	Hearing Aid	11%	\$49	\$52	\$49	\$47	\$37	\$33	\$31	\$27	\$19	\$16
		16%	\$245	\$210	\$202	\$165	\$136	\$120	\$95	\$80	\$74	\$65
	Print and Copy Centers	0%	\$10	\$10	\$10	\$10	\$10	\$10	\$7	\$8	\$9	\$10
		0%	\$8	\$8	\$8	\$8	\$8	\$8	\$5	\$5	\$6	\$7
	Gas Stations	7%	\$45	\$44	\$39	\$38	\$34	\$32	\$30	\$27	\$25	\$25
	15%	\$11,448	\$11,100	\$10,761	\$9,326	\$6,467	\$5,270	\$7,151	\$4,302	\$4,260	\$3,325	
Car Washes		\$0	\$0	\$0	\$0	\$0	\$0	n/a	n/a	n/a	n/a	
		\$0	\$0	\$0	\$0	\$0	\$0	n/a	n/a	n/a	n/a	
Total Sales (thousand)	11%	\$18,736	\$17,899	\$17,471	\$15,669	\$12,201	\$10,483	\$12,066	\$8,832	\$8,255	\$6,742	
Profits (thousand)		n/a	n/a	n/a	n/a	\$482	\$419	\$404	n/a	n/a	n/a	
Growth Rates	Merchandise Sales		7%	6%	12%	14%	9%	-2%	13%	7%	14%	10%
	Membership Revenue		6%	10%	11%	10%	10%	2%	15%	10%	11%	12%
	SGA		8%	6%	10%	11%	8%	4%	11%	9%	14%	10%
	Cost of Goods		7%	6%	12%	14%	9%	-2%	12%	7%	14%	10%
	Gross Margin		0%	1%	-1%	-2%	0%	3%	0%	0%	-1%	0%
	Operating Income		5%	11%	13%	17%	17%	-10%	22%	-1%	10%	6%
	Total Membership		7%	6%	5%	10%	4%	5%	6%	6%	5%	7%
Worldwide Locations		5%	4%	3%	3%	2%	3%	5%	6%	6%	4%	
Financial	Return on Equity		16%	19%	14%	12%	12%	11%	14%	13%	12%	12%
	Return on Assets			7%	6%	5%	5%	5%	6%	6%	6%	6%
	Stock Closing Price	21%	\$121.08	\$111.87	\$97.87	\$77.21	\$56.19	\$51.77	\$67.06	\$61.75	\$47.35	\$43.12
	Price/Earnings Ratio		26	24	25	23	19	21	23	26	21	20
	Market Capitalization (millions)	21%	\$53,576	\$49,280	\$43,001	\$34,211	\$25,059	\$22,802	\$29,791	\$28,259	\$22,744	\$21,217
Current Ratio		1.2	1.2	1.1	1.1	1.2	1.1	1.1	1.1	1.1	1.2	

WCF Research, Costco Annual Reports

Costco Layout

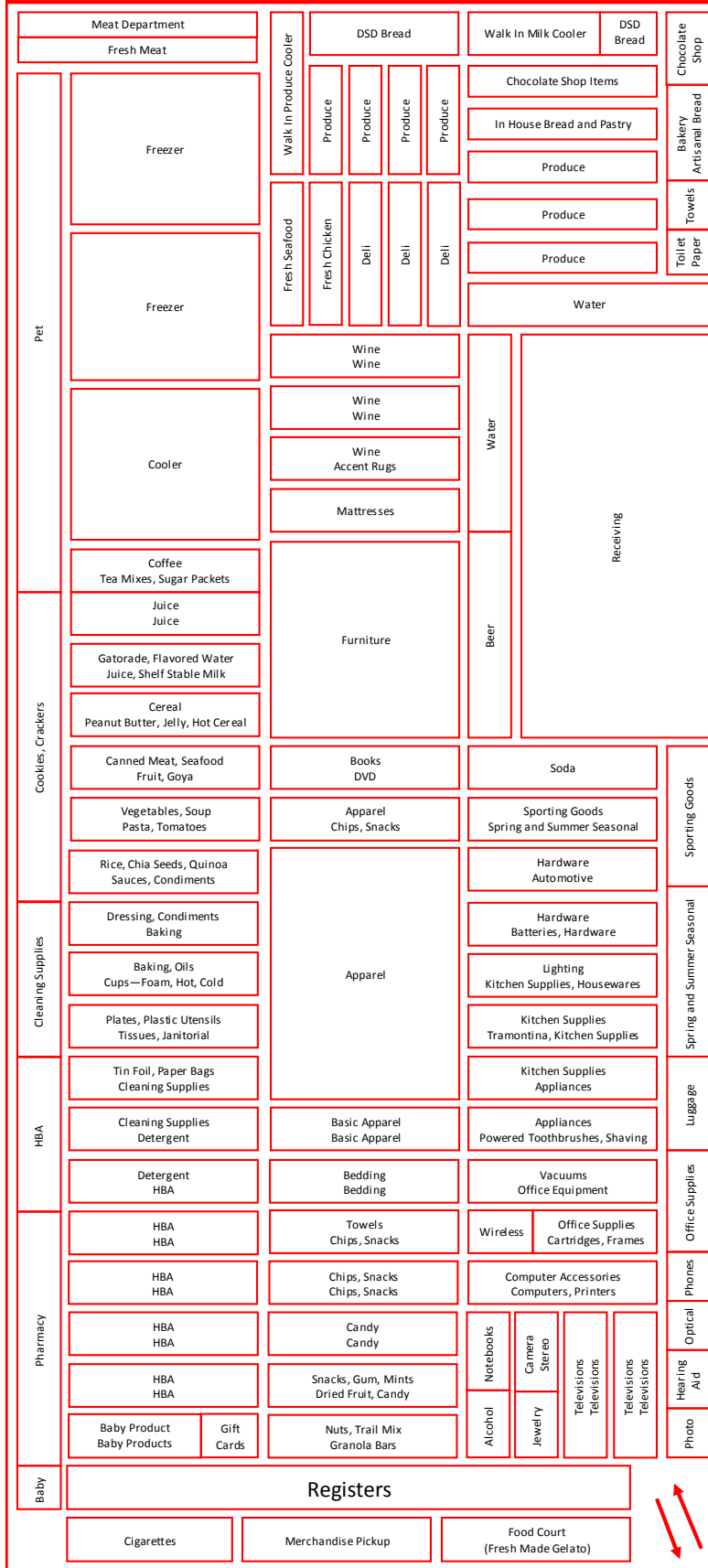
Costco—Nashua, NH

(Opened 2008, Layout—January, 2014)



Costco—Pentagon City, Virginia

(Opened—1994, Layout—February, 2014)



Costco International

Costco's international or non-United States locations play an important role in the company's success. In Costco's 2014 fiscal year (see chart below), international clubs generated 29% of revenues (up from 24% in fiscal 2010) and 42% of operating income (up from 37% in fiscal 2010).

This chapter will provide an overview of Costco's foreign operations and a profile of most countries. The sales, operating profit and location data used for this chapter is from Costco's 2014 fiscal year. Other chapters in the 2014 *Warehouse Club Industry Guide* reference club counts from the end of Costco's 2014 calendar year.

Fiscal Year (millions)	Company Total			U.S. & Puerto Rico			International		
	Clubs	Revenue	Operating Income	Clubs	Revenue	Operating Income	Clubs	Revenue	Operating Income
2010	540	\$77,946	\$2,077	77%	76%	63%	23%	24%	37%
2011	592	\$88,915	\$2,439	72%	73%	57%	28%	27%	43%
2012	608	\$99,137	\$2,759	72%	72%	59%	28%	28%	41%
2013	634	\$105,156	\$3,053	71%	72%	59%	29%	28%	41%
2014	663	\$112,640	\$3,220	71%	71%	58%	29%	29%	42%

2010 - Locations/sales do not include Mexico. 2011-2014 - Locations/sales include Mexico. Source - Costco annual reports.

Overview

Fiscal Year	Total	U.S.	Canada	Mexico	UK	Japan	Korea	Taiwan	Australia	Puerto Rico	Spain
2010	572	412	79	32	22	9	7	6	1	4	n/a
2011	592	425	82	32	22	9	7	8	3	4	n/a
2012	608	435	82	32	22	13	8	9	3	4	n/a
2013	634	447	85	33	25	18	9	10	3	4	n/a
2014	663	464	88	33	26	20	11	10	6	4	1
CAGR	4%	3%	3%	1%	4%	22%	12%	14%	57%	0%	n/a

Costco annual reports.

At the end of its 2014 fiscal year, Costco operated 199 clubs outside the United States, including 88 in Canada, 33 in Mexico, 26 in the United Kingdom, 20 in Japan, 11 in Korea, ten in Taiwan, six in Australia, four in Puerto Rico and one in Spain. The chart on the left lists the number of club locations in each country at the end of each fiscal year since 2010.

The chart below provides revenue and operating income data for the United States/Puerto Rico, Canada and Costco's other international locations (the United Kingdom, Japan, Taiwan, Korea, Australia and Mexico). Through Costco's 2010 fiscal year, United States accounting rules stipulated the profit or loss from joint ventures must be included in the "other income, expense" line of the company's income statement. As a result, due to its 50%/50% Mexican division ownership agreement with Controladora Comercial Mexicana (CCM), Costco did not include revenue and operating income results from its Mexican locations in fiscal 2010.

Fiscal Year (millions)	Company Total			U.S. & Puerto Rico			Canada			Other International		
	Clubs	Revenue	Operating Income	Clubs	Revenue	Operating Income	Clubs	Revenue	Operating Income	Clubs	Revenue	Operating Income
2010	540	\$77,946	\$2,077	416	\$59,624	\$1,310	79	\$12,051	\$547	45	\$6,271	\$220
2011	592	\$88,915	\$2,439	429	\$64,904	\$1,395	82	\$14,020	\$621	81	\$9,991	\$423
2012	608	\$99,137	\$2,759	439	\$71,776	\$1,632	82	\$15,717	\$668	87	\$11,644	\$459
2013	634	\$105,156	\$3,053	451	\$75,493	\$1,810	85	\$17,179	\$756	98	\$12,484	\$487
2014	663	\$112,640	\$3,220	468	\$80,477	\$1,880	88	\$17,943	\$796	107	\$14,220	\$544
CAGR	5%	10%	12%	3%	8%	9%	3%	10%	10%	24%	23%	25%

2010 - Locations/sales do not include Mexico. 2011-2014 - Locations/sales include Mexico. Source - Costco annual reports.

Accounting rules changed and beginning with its 2011 fiscal year, Costco included Mexico in its revenue and operating results. Costco has been reporting consolidated financial results for its other international clubs since it has always owned completely or had a majority position in those divisions.

A food vendor commented on the overall opportunity that selling Costco international presents. He said, "We started selling Costco international this year [2012]. I think it would be wise for vendors to focus some of their energies in this area. Because it is an area that Costco is very focused on, I think just the act of pursuing Costco international can help show your commitment to Costco overall. I would also advise vendors to be upfront with Costco as to what they can and cannot do in term of capabilities with packaging, product formulations, etc... I've found international buyers to be very willing to work with you if you show the willingness to work with them."

Mexico (33 clubs)

In 1992, Price Club (prior to its merger with Costco) opened its first warehouse club in Mexico in a suburb of Mexico City. Price Club owned 50% of this joint venture with Mexican retailer CCM, which owned the remaining 50%. When Price Club and Costco merged in 1993, the newly formed company inherited Price Club's 50% interest in the Mexican operation. Costco retained that 50% interest in the Mexican operation until June, 2012 when it announced an agreement with CCM to purchase its 50% share for \$760.4 million. Costco operates one buying office in the country. Costco opened its 33rd location in the country in Chihuahua in April, 2013.

Canada (88 clubs)

In 1986, Price Club (prior to its merger with Costco) opened its first warehouse club in Canada in Montreal, Quebec. Initially, Price Club opened its Canadian clubs in a joint venture with Canadian retailer Steinberg, Inc. Price Club and Steinberg each owned 50% of the venture. In 1990, Price Club purchased Steinberg, Inc.'s interest in the venture.

Costco's overall growth in Canada the past five fiscal years has been strong. Despite average annual club location growth of 3% from 2010 to 2014, overall Canadian revenues increased an average of 10% annually and Canadian operating income increased an average of 10% annually.

United Kingdom (26 clubs)

In 1993, Costco opened its first location in the United Kingdom in Thurrock, England. At the time, the United Kingdom venture was owned 60% by Costco, 20% by Littlewoods Organization and 20% by Carrefour, the French hypermarket chain. Since that time, Costco purchased the remaining 40% interest owned by Littlewoods and Carrefour.

At the end of its 2014 fiscal year, Costco operated 26 locations in the United Kingdom with one buying office. Expansion has been challenging due to the difficulty Costco has had in gaining planning permission for potential sites. Additionally, local retailers and supermarkets have fought Costco's planned expansion in the country.

More than 70% of Costco's United Kingdom business comes from business members and the bulk of that business is from confectionary, tobacco and newsagents. This is a result of United Kingdom legislation that required a certain percentage of Costco's business to come from business members. To address this membership base, many items including candy, wine, cooking oil and washing detergent are packaged in multi-packs for resale. United Kingdom locations do not offer hearing aid centers, pharmacies or print and copy centers.

Russell Shaw worked for Costco in the United Kingdom for 17 years from 1993 through 2010. He started out as a buyer and left when he was assistant general merchandise manager in charge of candy, tobacco, sundries and alcohol. Russell was interviewed about Costco's United Kingdom division.

Costco's United Kingdom Buying Philosophy – Russell was asked about Costco's United Kingdom buying philosophy. He said, "Costco has the same philosophy globally. Costco sells top quality goods and services at the lowest prices possible."

United States Merchandise – Russell said that a key point of differentiation between Costco and its United Kingdom retail and wholesale competitors is its every changing variety of products from the United States. Russell said, "Prior to Costco's entrance into the UK, no one had seen a 900 gram bag of chips before. Yoshida's BBQ sauce is another item that jumps out as being a typical Costco import that has done very well with UK members. As the United States appears to be two to three years ahead of consumer trends in the UK, there is a demand from Costco UK members for quality United States imports."

Packaging – Commenting on packaging issues facing United States suppliers, Russell said, "All items have to comply with European Union legislation in terms of ingredients and how it is packaged and labeled. As a basic rule of thumb, UK requirements are not too dissimilar to Canadian. It is mandatory to have weight declarations in grams first and nutritional information is given per 100 grams."

Planning – Russell listed seven concepts for United States suppliers to consider when selling Costco United Kingdom:

1. Understand and research the United Kingdom market in relation to the item you plan to sell.
2. Are there similar items in the United Kingdom?
3. What are the retail prices of those competitive products?
4. Does the item in question have a unique selling proposition?
5. What would the net landed cost in the United Kingdom be taking into account packaging, levies, duties and transport?
6. Would that net landed United Kingdom cost create a prohibitive pricing situation compared to competing products?
7. Items that Costco already stocks in the U.S. do have a better chance of success in the UK due in part to its sales history.

Japan (20 clubs)

After the United States, Japan's retail market is the second largest in the world. Costco opened its first location in Japan on April 23, 1999 and since 2010, the company has more than doubled the number of location in the country from nine to 20. One of Costco's biggest challenges in Japan is to overcome higher operating costs. Utilities, services and maintenance expenses are much higher than in the United States. Costco estimates that to make money in Japan, locations need to produce sales that are 20% higher than a profitable United States location. Here are assorted facts and figures from *Costco Wholesale Today* (March, 2012 and May, 2012):

Kyoto and Zama Openings – Opening day sales in Kyoto were \$1.02 million and in Zama were \$1.53 million (an opening day record at the time). In Kyoto, the night before its opening, members began lining up before midnight. The line snaked over 20 city blocks. In Zama, hundreds of members stood in line for more than eight hours before its opening. The volume in these buildings can force Costco to use as many as seven employees directing traffic to the registers.

Fresh Food - Fresh food sales in Japan represent 27% of Costco's overall Japanese business compared to 15% nationally.

Food Court – In a single period (approximately four weeks) an average United States food court will sell 13,500 hot dog and soda meal combinations. Costco's location in Shinmisato, during the same time period, will sell approximately 64,500 hot dog and soda combinations.

Bakery – Shinmisato's bakery space is 2.5-times the average size bakery in the United States. The Shinmisato bakery employs 140 people and has five ovens and a dedicated drive-in freezer and cooler.

Bagels – Craig Jelinek, president and chief executive officer of Costco, said (*The Motley Food*, August 1, 2013), "One of the things we've done is brought U.S. type goods over there. You didn't see many people eat bagels in Japan when we went in there. We took the same bagel recipe that we have here and created it in Japan and it's one of our biggest items over there."

Korea (11 clubs)

In 1994, Costco opened its first location in Seoul, Korea. At the time, Costco had no controlling interest in the project, as it licensed the Price Club name to its partner, Shinsegae Limited. In the spring of 1998, Shinsegae, which had been having financial difficulties, and Costco announced a joint venture to be called Costco Wholesale Korea. Costco purchased 93.75% of the joint venture and Shinsegae would own 6.25%.

Costco's locations in Korea are the only clubs in the company that sell fresh fish which is cleaned and filleted on site. Costco Korea does not offer pharmacy and optical but does offer photo centers and food courts. Costco has developed a strong Korean business. For example, a typical Costco location has approximately 54,440 paid members. Prior to opening its Ilsan location in Korea in 2008, Costco signed up 56,000 paid members. Costco's Yang Jae location in Seoul, Korea generated \$400 million in Costco's 2011 fiscal year.

Taiwan (10 clubs)

Costco opened its first warehouse in Kaohsiung, Taiwan in 1997 and operated ten locations at the end of its 2013 fiscal year through a 55%-Costco owned subsidiary. Costco operates one buying office in Taiwan in Taipei. The two Costco locations opened in 2011 generated \$1 million in sales each on their first day.

Costco's success in Taiwan is due to the mix of U.S. and local products. Approximately 40% of Costco's assortment is from the U.S. Costco's top selling bakery item is its New York style bagels. Costco's country manager in Taiwan said, "What we've done is reflective of what we do in all our international markets. We want to make it as authentic as possible, but we also want to localize. It's proven to be a successful combination."

Another concept that sets Costco apart from its Taiwanese competitors is its return policy. The country manager said, "In Asia, people aren't used to returning [merchandise]. It was hard for people to understand. We are trying to introduce that. People return half of a watermelon because it's not sweet enough. We say we are happy to do it. We make that return so pleasurable that you are going to tell your family and friends. That something money can't buy. We consider that part of our advertising."

Australia (6 clubs)

Costco's first location in Australia opened in Melbourne in August, 2009. According to Costco's 2009 annual report, Costco's Melbourne location had the best "opening day sales for a new country" at \$841,000 (U.S. dollars). In that annual report, Jim Sinegal, co-founder, former president and chief executive officer, and Jeff Brotman, chairman of the board of directors, said, "Our most thrilling new opening was in Australia ... where people drove as long as five hours to shop, and lined up to be first through the door. Our Docklands warehouse is in a revitalized area of Melbourne, the country's second-largest city. The Australian market is particularly well-suited to Costco's business model. The population is young and affluent; other retailers' goods are expensive; and the variety of merchandise imported from the U.S. is limited."

In July, 2011, Costco opened two more locations in Auburn (a suburb of Sydney) and Canberra. Patrick Noone, country manager for Costco Australia, said, "I see a lot of opportunity in the Australian market and in bringing new branded goods to market ... We'll focus on these two new buildings now, but we can see a number of new outlets in the future in Australia."

Australia has six states: Queensland, South Australia, New South Wales, Tasmania, Victoria and Western Australia. The country also has two mainland territories which act like but are not states: Australian Capital Territory and Northern Territory. Costco currently operates six locations in Australia: two in New South Wales, two in Victoria, one in the Australian Capital Territory and one in Queensland. The company is planning to open three additional locations in South Australia.

Australian Exports – Noone said, “Every month I go to Seattle and I show off our best selling items to all the countries that Costco operates in ... Once we create the item here, we can start looking at introducing our items overseas and, if they do well, then we can step up supply.” Costco is already the biggest seller of Australian lamb internationally.

One of Costco's successful Australian exports is abalone (the common name for small to large edible sea snails). Marcel Moodley, Costco's assistant general merchandise manager for fresh foods, said, “We started three years ago with doing five [tons] a year of abalone. We are up to about 50 [tons] a year in Australia and exporting that product into San Francisco and the LA area.”

Costco is now preparing to significantly increase its exports of Australian beef to Asia. Moodley said, “We've increased our amount of head [cattle] count ... We're [currently] processing about 500 heads per week for Australia and we'll be taking that in February to a thousand head per week. So we are going to double our production of our full Angus program in February to make sure we can service our Asian market, particularly South Korea.”

Spain *(1 club)*

Spain – Costco opened its first location in Spain in Seville (the country's fourth largest city) on May 15, 2014. There are approximately 1.3 million people within a 30 minute drive of the location with many small businesses and Portugal is a 90 minute drive away. The Seville market, however, has a 34% jobless rate.

The 145,000 square foot warehouse employs 250 people. Costco received more than 148,000 applications for those positions. Costco's average annual starting salary at \$25,000 is more than twice Spain's minimum wage. Prior to the opening, Costco signed up 14,000 members. Costco is planning to open a second Spanish location in Madrid, the capital of Spain and its largest city. The Madrid location could open in 2015.

Potential Countries

France – Gary Swindells, head of Costco's division in France, discussed the company's expansion plans in that country at a real estate conference (*Yahoo.com*, November 13, 2013). Costco is planning to open its first location in France in a Paris suburb in 2015 and hopes to operate up to 15 locations in the country within ten years. Of those locations, six could be located within the Paris market.

Iceland – Costco is potentially opening its first location in Iceland in Kauptún in Garðabær just outside Reykjavik. While Costco has not commented on opening in Iceland, a few news outlets in the country indicate Costco purchased property.

There are some legal issues that Costco will have to overcome. Costco has requested a special license to import fresh meat into the country despite it being against the law. Icelandic drug code would currently prevent Costco from operating its pharmacy inside a non-medical establishment. Currently, alcohol sales are restricted to government-operated stores which Costco would want an exemption for and food labeling laws are particularly stringent in Iceland compared to the United States. In return for those concession, Costco has discussed the possibility of stocking Icelandic fish in all their worldwide locations.

Costco Locations

Worldwide Locations – December 31, 2014 – 671

Australia – 7

Country	Address	Town	Alternate Name	State	Zip	Opened	Business Center
Australia	Lot 4, Spitfire Ave	Canberra		ACT	03008	2011	
Australia	404-406 Churchill Rd	Adelaide	South Australia	Kilburn	05084	2014	
Australia	20 Parkers Farm Place	Casula	Crossroads/Sydney	New South Wales	02170	2013	
Australia	15-21 Parramatta Road	Lidcombe	Auburn	New South Wales	02141	2011	
Australia	17 -39 Cook Court	North Lakes		Queensland	04509	2014	
Australia	331-383 Footscray Rd	Melbourne	Docklands	Victoria	03008	2009	
Australia	29 Bond Street	Ringwood	Melbourne 2	Victoria	03134	2013	

Canada – 88

Country	Address	Town	Alternate Name	State	Zip	Opened	Business Center
Canada	13650 50th Street	Edmonton		AB	T5A-4Y3	1992	
Canada	9901 116st Street	Grande Prairie		AB	T8V-5W3	1996	
Canada	3200 Mayor McGrath Drive South	Lethbridge		AB	T1K-6Y6	1993	
Canada	2350 Box Springs Blvd	Medicine Hat		AB	T1C-0C8	2007	
Canada	2853 32nd Street NE	N. Calgary		AB	T1Y-6T7	1990	
Canada	12450 149th Street	N. Edmonton		AB	T5V-1G9	1992	
Canada	11588 Sarcee Trail NW	NW Calgary		AB	T3R-0A1	2006	
Canada	202-104 Southbank Blvd	Okotoks		AB	T1S-0G1	2010	
Canada	162 37400 Highway #2	Red Deer		AB	T4E-1B9	1996	
Canada	300-261200 Crossiron Blvd	Rocky View		AB	T4A-0J6	2010	
Canada	99 Heritage Gate Southeast	S. Calgary		AB	T2H-3A7	2003	
Canada	2616 91st Street NW	S. Edmonton		AB	T6N-1N2	2004	
Canada	2201 Broadmoor Blvd	Sherwood Park		AB	T8H-0A1	2006	
Canada	1075 Saint Albert Trail	St. Albert		AB	T8N-4K6	2013	
Canada	7259 Winterburn Road NW	West Edmonton		AB	T5T 6T7	2012	
Canada	1127 Sumas Way	Abbotsford		BC	V2S-4N2	1995	
Canada	3550 Brighton Avenue	Burnaby		BC	V5A-4W3	1985	
Canada	4500 Still Creek Drive	Burnaby		BC	V5C-0E5	2008	
Canada	588 Crown Isle Blvd	Courtenay		BC	V9N-0A6	2011	
Canada	1675 Versatile Drive	Kamloops		BC	V1S-1W7	1994	
Canada	2479 N Highway 97	Kelowna		BC	V1X-4J2	1991	
Canada	799 McCallum Road	Langford		BC	V9B-6A2	1999	
Canada	20499 64th Avenue	Langley		BC	V2Y-1N5	2005	
Canada	6700 Island Highway North	Nanaimo		BC	V9V-1K8	1993	
Canada	2370 Ottawa St	Port Coquitlam		BC	V3B-7Z1	1998	
Canada	2555 Range Road	Prince George		BC	V3N-4G8	1993	
Canada	9151 Bridgeport Road	Richmond		BC	V6X-3L9	1988	
Canada	7423 King George Highway	Surrey		BC	V3W-5A8	1989	
Canada	605 Expo Blvd	Vancouver		BC	V6B-1V4	2006	
Canada	2365 McGillivray Blvd	S. Winnipeg		MB	R3Y-0A1	2007	
Canada	1315 St. James Street	Winnipeg		MB	R3H-0K9	1990	
Canada	1499 Regent Avenue	Winnipeg		MB	R2C-4M4	1992	
Canada	25 Wayne Squibb Blvd	Fredericton		NB	E3C-0G8	2011	
Canada	25 Trinity Drive	Moncton		NB	E1G-2J7	1995	
Canada	300 Retail Drive	St. John		NB	E2J-2R2	2010	
Canada	28 Stavanger Drive	St Johns		NFL	A1A-5E8	1995	
Canada	137 Countryview	Dartmouth		NS	B3B-0E7	2009	
Canada	230 Chain Lake Drive	Halifax		NS	B3S-1C5	1992	
Canada	150 Kingston Road East	Ajax		ON	L1Z-1E5	1993	
Canada	100 Legend Court	Ancaster		ON	L9K-1J3	2012	
Canada	41 Molson Park Drive	Barrie		ON	L4M-6E7	1993	
Canada	100 Biscayne Crescent	Brampton		ON	L6W-4S1	1994	
Canada	1225 Brant Street	Burlington		ON	L7P-1X7	1995	
Canada	65 Kirkham Dr	E. Markham		ON	L3S-0A9	2007	
Canada	50 Queen Elizabeth West	Etobicoke		ON	M2Z-1M1	1995	
Canada	1900 Cynville Road	Gloucester		ON	K1B-1A5	1991	
Canada	19 Elmira Road	Guelph		ON	N1K-0B6	2014	
Canada	770 Silver Seven Road	Kanata		ON	K2V-1A5	2005	
Canada	1015 Centennial Drive	Kingston		ON	K7P-2S5	1997	
Canada	4438 King Street East	Kitchener		ON	N2G-3W6	1991	
Canada	4313 Wellington Road South	London		ON	N6E-2Z8	1990	
Canada	#1 York Tech Drive	Markham		ON	L6G-1A6	1994	
Canada	1570 Dundas Street East	Mississauga		ON	L4X 1L4	2013	
Canada	5900 Rodeo Drive	Mississauga North		ON	L5R-3S9	1993	
Canada	3180 Laird Road	Mississauga South		ON	L5L-5P8	2004	
Canada	1849 Merivale Road	Nepean		ON	K2G-1E3	1996	
Canada	18182 Yonge Street	NewMarket		ON	L3Y 4V8	2002	
Canada	693 Wonderland Road North	North London		ON	N6H-4L1	2004	
Canada	100 Billy Bishop Way	North York	Downsview	ON	M3K-1E2	2001	

Country	Address	Town	Alternate Name	State	Zip	Opened	Business Center
Canada	130 Ritson Road North	Oshawa		ON	L1G-1Z7	2012	
Canada	485 The Parkway	Peterborough		ON	K9J-0B3	2008	
Canada	35 John Birchall Rd	Richmond Hill		ON	L4S-0B2	2007	
Canada	1411 Warden Avenue	Scarborough		ON	M1R-5C6	1995	
Canada	3 North Service Road	St. Catherines		ON	L2N-7R1	1994	
Canada	1465 Kingsway	Sudbury		ON	P3A-6B3	1999	
Canada	71 Colossus Drive	Vaughn		ON	L4L-8N6	1990	
Canada	1865 Provincial Road	Windsor		ON	N9A-6J3	1995	
Canada	7373 Bombardier	Anjou		QU	H1J-2V2	1989	
Canada	3600 Ave Des Grandes Tourelles	Boisband		QU	J7H-0A1	2006	
Canada	635 Chemin de Touraine	Boucherville		QU	J4B-5E4	2005	
Canada	94300 Taschereau	Brossard		QU	J4X-2W2	1995	
Canada	60 rue Strasbourg	Candiac		QU	J5R-0B4	2007	
Canada	2500 Boul Talbot RR #4	Chicoutimi		QU	G7H-5B1	1995	
Canada	105 Rue-Robert-Bernard	Drummondville		QU	J2C-8N1	2012	
Canada	1100 Boul. Maloney Ouest	Gatineau		QU	J8T-6G3	2006	
Canada	2999 Autoroute 440	Laval		QU	H7P-5P4	1989	
Canada	1015 Rue Du Marchecentral	Montreal	Marche Central	QU	4HN-3J4	1994	
Canada	300 Bridge	Montreal		QU	H3K-2C3	1992	
Canada	5701 Transcanada Nord	Pointe Claire		QU	H9R-1B7	1994	
Canada	3233 Watt Street	Quebec	Saint-Foy	QU	G1X-4W2	1992	
Canada	440 Rue Bouvier	Quebec		QU	G2J-1E3	1988	
Canada	5025 Boul Cousineau	Saint Hubert		QU	J3Y-3K7	1987	
Canada	1100 Jean Baptiste Roland	Saint Jerome		QU	J7Y-4Y7	1997	
Canada	3400 king Quest	Sherbrooke		QU	J1L-1C3	1993	
Canada	870 Montée Des Pionniers	Terrebonne		QU	J6V-1N9	2003	
Canada	3000 Des Recollets	Trois-Rivieres Quest		QU	G9A-6J2	1992	
Canada	665 University Park Drive	Regina		SK	S4V-2V8	1993	
Canada	115 Marquis Avenue	Saskatoon		SK	S7K-3J7	1991	

Japan – 20

Country	Address	Town	Alternate Name	State	Zip	Opened	Business Center
Japan	1-25-14 Rinku-cho Tokoname City, A	Tokoname City	Chubu Airport	Aichi	479-0882	2013	
Japan	1-4 Toyosuna Mihama-ku	Chiba-city	Makuhari	Chiba	261-0024	2000	
Japan	503-2 (Gakuen-no-mori B61-1) Nishihiratsuka	Tsukuba City		Chiba	305-0814	2013	
Japan	1152-1 Takayanagi, Yamada	Hisayama		Fukuoka	811-2502	1999	
Japan	1-2-12 Honjogakkendai Yahatanishi-ku	Kitakyushu City		Fukuoka	807-0807	2013	
Japan	137-2 Tsurukoji-machi	Maebashi-Shi		Gunma	379-2141	2011	
Japan	2-3-4 Minami-Kaniya Minami-ku	Hiroshima City		Hiroshima	732-0803	2013	
Japan	9-3-1 Utsukushigaoka, Ichijyou Kiyota-ku	Sapporo City		Hokkaido	004-0811	2008	
Japan	Tsugiyu 3-13-55	Amagasaki City		Hyogo	661-0965	2003	
Japan	868-26 Aza-Kotsukayama, Tamon-cho, Tarumi-ku	Kobe-City		Hyogo	655-0001	2012	
Japan	41-2 Shinko-cho	Hitachinaka-city		Ibaraki	312-0005	2014	
Japan	3-1186-4 Izumino, Inzai City	Chiba New Town		Japan	270-1360	2013	
Japan	2-6 Sachiura, Kanazawa-ku	Yokohama City	Kanazawa-Seaside	Kanagawa	236-0003	2004	
Japan	3-1-4 Ikegami-Shinmachi	Kawasaki City		Kanagawa	210-0832	2007	
Japan	1-13-3 Higashihara	Zama City		Kanagawa	252-0004	2011	
Japan	5 Kinmeidai Kita	Yawata City		Kyoto	614-8294	2011	
Japan	4-4-45 Ayumino Izumi City	Izumi		Osaka	594-1157	2014	
Japan	3169-2 Miyadera	Iruma City		Saitama	358-0014	2008	
Japan	3-1-2 Lala City Shinmisato	Misato City		Saitama	341-0009	2009	
Japan	3-6-1 Oyamagaoka	Machida City		Tokyo	194-0215	2012	

Mexico – 34

Country	Address	Town	Alternate Name	State	Zip	Opened	Business Center
Mexico	Boulevard Aguascalientes Norte #802	Aguascalientes		Mexico	20120	1994	
Mexico	4.5 km Oarretera Transpenisular, Caseta de Obra	Cabo San Lucas, Baja California		Mexico	23410	2003	
Mexico	Av. Kabah ESQ. Av. Yaxchilan	Cancun, Quintana Roo		Mexico	77500	1999	
Mexico	AV. Tecnológico #651, Col. Industrial	Celaya, Guanajuato		Mexico	38010	2002	
Mexico	Av de la Juventud # 7513	Chihuahua		Mexico	31115	2013	
Mexico	Calle Puente #186	Coapa, Mexico DF		Mexico	11480	1993	
Mexico	Ave. Vicente Guerrero #205, Col.Lomas de la Selva	Cuernavaca, Morelos		Mexico	62270	2003	
Mexico	Carr. Transpenisular, La Paz 4179	Ensenada, Baja California		Mexico	22832	2005	
Mexico	Avenue Vallarta #4775	Guadalajara, Jalisco	Guadalajara I	Mexico	45020	1993	
Mexico	Boulevard Luis Donaldo Colosio #416	Hermosillo, Sonora		Mexico	83200	1994	
Mexico	Av. Magnocentro S/N	Interlomas, Mexico		Mexico	52765	1998	
Mexico	Rancho Aguacaliente # 6911	Juarez, Chihuahua		Mexico	32610	2006	
Mexico	Boulevard Juan Lose Landa #4137	Leon, Guanajuato	Leon 1	Mexico	37229	1994	
Mexico	Boulevard Eugenio Garza Sada No. 102	Leon, Guanajuato	Leon 2	Mexico	37150	2014	
Mexico	Calle 60 #220	Merida, Yucatan		Mexico	97126	1995	
Mexico	Carr. San Luis Rio col Km. 7.5	Mexicali, Baja California		Mexico	21397	1993	
Mexico	Boulevard A Lopez Mateos #1181	Mixcoac, Mexico DF		Mexico	01180	1994	
Mexico	Alegandro de Rodas 6767	Monterrey, Nuevo Leon		Mexico	64340	2005	
Mexico	Alejandro de Rodas 6767	Monterrey		Mexico	64340	2013	
Mexico	Lazaro Cardenas 800	Monterrey, Nuevo Leon		Mexico	66269	1997	
Mexico	Avenida Camelinas #690	Morelia, Michoacan		Mexico	58090	1995	
Mexico	Bld. Miguel de Cervates	Polanco, Mexico DF		Mexico	11500	1998	
Mexico	Bld. Del Nino Poblano #2904, Col. U Territorial Atlixcayotl	Puebla		Mexico	72197	2001	
Mexico	Fluval Vallarta 134, Esquina con Francisco Villa	Puerta Vallarta, Jalisco		Mexico	48312	2008	
Mexico	Boulevard Bernardo Quintana #4107	Queretaro		Mexico	09194	1993	

Country	Address	Town	Alternate Name	State	Zip	Opened	Business Center
Mexico	Av. Chapultepec 200	San Luis Potosi		Mexico	78260	2005	
Mexico	Circuito Centro Comercial	Satellite, Mexico		Mexico	53100	1992	
Mexico	Blvd. Rodolfo Sanchez Taboada 8943	Tijuana, Baja California		Mexico	22320	2004	
Mexico	Calle Las Rocas #14000	Tijuana, Baja California		Mexico	22548	1994	
Mexico	Av. San Nicolas 10	Tlainebantia, Mexico	Arboledas	Mexico	54030	2004	
Mexico	Blvd Adolfo Lopez Mateos 3100, Col. Nueva Galicia	Tlajomulco de Zuniga, Jalisco	Guadalajara II	Mexico	45645	2009	
Mexico	Calle Av SS Juan Pablo II N. 501 N	Toluca, Mexico		Mexico	52140	2006	
Mexico	Blvd. Adolfo Ruiz Cortinez 1228	Veracruz		Mexico	94294	2005	
Mexico	Carr. Xalapa-Veracruz 366, Fracc. Las Animas	Xalapa, Veracruz		Mexico	91190	2000	

South Korea – 11

Country	Address	Town	Alternate Name	State	Zip	Opened	Business Center
South Korea	475 Mangmi 2-dong, Suyeong-gu	Busan City		Korea	613-130	2009	
South Korea	77, 3gongdan 6-ro	Cheonan		Korea	n/a	2014	
South Korea	1817 Sankyock-dong, Buk-gu	Daegu		Korea	n/a	1997	
South Korea	116-3 Oryu Dong, Chung Gu	Daejeon		Korea	n/a	1998	
South Korea	40, Iljik-ro, Gyeonggi Province	Gwangmyeong City		Korea	n/a	2012	
South Korea	9, Yongmin-ro 489beon-gil	Gyeonggi Province	Euijeongbu City	Korea	n/a	2014	
South Korea	1312 Baekseok-dong	Ilсандong-gu, Goyang City	Ilisan	Korea	n/a	2008	
South Korea	217-6 Yangjae Dong	Seoul	Yang Jae	Korea	n/a	2000	
South Korea	65, 3-KA, Yangpyungdong, Youngdeung Poku	Seoul	Yangpyung	Korea	n/a	1994	
South Korea	81 Sangbong-dong	Seoul	Sangbong	Korea	n/a	2001	
South Korea	78-12, Jinjangyutong-ro, Buk-gu	Ulsan		Korea	n/a	2012	

Spain – 1

Country	Address	Town	Alternate Name	State	Zip	Opened	Business Center
Spain	Calle Ganimedes n 9	Seville		Sevilla	41015	2014	

Taiwan – 10

Country	Address	Town	Alternate Name	State	Zip	Opened	Business Center
Taiwan	No. 668, Zhongxiao Road, East District	Chiayi		Taiwan	n/a	2013	
Taiwan	No. 347 Sec 2, Chung Shan Road	Chung Ho City, Taipei		Taiwan	n/a	2005	
Taiwan	188 Cihyun Rd East District, Hsinchu City 300	Hsinchu		Taiwan	n/a	2009	
Taiwan	656 Chung-Hwa Road	Kaohsiung		Taiwan	n/a	1997	
Taiwan	289 Wenxin South 3 Rd	Nantun District, Taichung		Taiwan	n/a	2007	
Taiwan	No. 268, Jiu Zong, Sec1	Neihu		Taiwan	n/a	2000	
Taiwan	No. 111, Dashun 1st Rd, Gushan Dist, Kaohsiung City	North Kaohsiung		Taiwan	n/a	2011	
Taiwan	No. 8, Hewei Rd Sec. 4, North District	Tainan		Taiwan	n/a	2011	
Taiwan	No. 158 Da Tung Road	Taipei	Shih Chih	Taiwan	n/a	1999	
Taiwan	No. 369, Sec, 1, Nankan Rd., Luzhu Township	TaoYuan County		Taiwan	n/a	2012	

United Kingdom – 26

Country	Address	Town	Alternate Name	State	Zip	Opened	Business Center
United Kingdom	100 Watson Road Neachells	Birmingham		England	B7-5SA	2002	
United Kingdom	St Brendan's Way, Avonmouth	Bristol		England	BS11 9EZ	2005	
United Kingdom	Dunkirk Trading Estate Chester Gts	Chester		England	CH16LT	2006	
United Kingdom	51 Torrington Ave	Coventry		England	CV4 9AQ	2010	
United Kingdom	Imperial Way	Croydon		England	CR9 4LN	2008	
United Kingdom	Wyvern Way	Derby		England	DE21 6NZ	2000	
United Kingdom	West Thurrock Way	Essex	Thurrock	England	RM16-8WY	1993	
United Kingdom	2 Temple Avenue	Farnborough		England	GU14 6FE	2013	
United Kingdom	Mandela Way	Gateshead		England	NE11 9DH	2000	
United Kingdom	Andover Road	Haydock		England	WA11 9FA	2000	
United Kingdom	Western International Park, Hayes Road	Hayes		England	UB2-5XJ	2014	
United Kingdom	Leathley Road	Leeds		England	LS10-1PX	1997	
United Kingdom	3 Westmoreland Avenue, Thurmaston	Leicester		England	LE4 8PH	2012	
United Kingdom	30 Waterloo Road	Liverpool		England	L3-7HY	1995	
United Kingdom	1 Chadbolt Avenue	London	Chingford	England	E4 8GP	2002	
United Kingdom	Barton Dock Road - Trafford	Manchester		England	M41-7PP	1995	
United Kingdom	Junction 14-M1	Milton Keynes		England	MK10 OAP	2005	
United Kingdom	The Broadway Chatterton	Oldham		England	OL9 8AU	2002	
United Kingdom	Green Park	Reading		England	RGU 6UE	2002	
United Kingdom	Unit 8 Parkway One Parkway Dr	Sheffield		England	S9 4WU	2006	
United Kingdom	Regents Park Road	Southampton		England	SO15 8TL	2013	
United Kingdom	Hartspring Lane	Watford Herts		England	WD2-8JS	1994	
United Kingdom	Amhall Business Park	Aberdeen		Scotland	AB32 6UF	2000	
United Kingdom	Straiton Park, Pentland Road	Edinburgh		Scotland	EH20-9QR	1997	
United Kingdom	15 Cobden Road Springburn	Glasgow		Scotland	G21-1YX	1995	
United Kingdom	Capital Retail Park, Leckwith Road	Cardiff		Wales	CF11 8AZ	2008	

United States, Puerto Rico – 474

Country	Address	Town	Alternate Name	State	Zip	Opened	Business Center
United States	330 W. Dimond Blvd	Anchorage		AK	99515	1984	
United States	4125 Debarr Road	Anchorage		AK	99508	1992	
United States	5225 Commercial Way	Juneau		AK	99801	1993	
United States	3650 Galleria Circle	Hoover		AL	35244	2003	
United States	1205 N. Memorial Parkway	Huntsville		AL	35801	2000	
United States	8251 Eastchase Parkway	Montgomery		AL	36117	2007	
United States	10000 W. McDowell	Avondale		AZ	85323	2002	
United States	595 S. Galleria Way	Chandler		AZ	85226	2005	
United States	1414 North Arizona Avenue	Gilbert		AZ	85233	1999	
United States	2887 S Market St	Gilbert	Southeast Gilbert	AZ	95234	2006	
United States	17550 N 79th Avenues	Glendale		AZ	85308	2001	
United States	1235 South Power Road	Mesa	Superstition Springs	AZ	85206	2008	
United States	1646 W. Montebello	Phoenix		AZ	85015	2000	
United States	19001 N. 27th Avenue	Phoenix	North Phoenix	AZ	85027	1999	
United States	2450 E. Beardsley Road	Phoenix	Cave Creek	AZ	85050	2005	
United States	3801 N 33rd Ave	Phoenix		AZ	85017	2001	x
United States	4502 East Oak Road	Phoenix	Thomas Road	AZ	85008	1994	
United States	4570 East Cactus Road	Phoenix	Paradise Valley	AZ	85032	2009	
United States	3911 Highway 69	Prescott		AZ	86301	1996	
United States	15255 North Hayden Road	Scottsdale		AZ	85260	1987	
United States	1445 W. Elliot	Tempe		AZ	85284	1989	
United States	1650 E Tucson Marketplace	Tucson		AZ	85713	2011	
United States	3901 W Costco Drive	Tucson	Northwest Tucson	AZ	85741	1989	
United States	6255 E. Grant Road	Tucson		AZ	85712	1982	
United States	2207 W. Commonwealth	Alhambra		CA	91803	1987	
United States	2201 Verne Roberts Circle	Antioch		CA	94509	2008	
United States	1220 W Foothill	Azusa		CA	91702	1983	
United States	3800 Rosedale Highway	Bakersfield		CA	93308	2002	
United States	4900 Panama Lane	Bakersfield	SW Bakersfield	CA	93308	2006	
United States	1051 Burbank Boulevard	Burbank		CA	91506	2001	
United States	21300 Roscoe Boulevard	Canoga Park		CA	91304	1986	
United States	951 Palomar Airport Road	Carlsbad		CA	92001	1992	
United States	2100 Dr Martin Luther King Jr Way	Chico		CA	95928	2007	
United States	13111 Peyton Drive	Chino Hills		CA	91709	1997	
United States	1130 Broadway	Chula Vista		CA	91911	2004	
United States	895 East H Street	Chula Vista	Rancho Del Rey	CA	91910	1994	
United States	7000 Auburn Boulevard	Citrus Heights		CA	95621	2003	
United States	17550 Castleton Street	City of Industry		CA	91748	2001	
United States	380 W. Ashlan Boulevard	Clovis		CA	93612	1990	
United States	6333 Telegraph Road	Commerce		CA	90040	2009	x
United States	2400 Monument Boulevard	Concord		CA	94520	2000	
United States	480 McKinley Street	Corona		CA	92879	1988	
United States	5401 Katella Avenue	Cypress		CA	90720	2005	
United States	3150 Fostoria Way	Danville		CA	94526	1989	
United States	2030 N. Imperial Avenue	El Centro		CA	92243	1992	
United States	1006 West Wasbash Avenue	Eureka		CA	95501	1994	
United States	5101 Business Center Drive	Fairfield		CA	94534	1992	
United States	1800 Cavitt Court	Folsom		CA	95630	2003	
United States	16505 Sierra Lakes Parkway	Fontana		CA	92336	2006	
United States	1001 Metro Center Blvd	Foster City		CA	94404	1994	
United States	17900 Newhope Street	Fountain Valley		CA	92708	1983	
United States	43621 Pacific Commons Boulevard	Fremont		CA	94538	2005	
United States	4500 W Shaw	Fresno		CA	93722	1985	
United States	7100 N. Abby Street	Fresno	N Fresno	CA	93720	2002	
United States	900 South Harbor Drive	Fullerton		CA	92832	1984	
United States	11000 Garden Grove Blvd	Garden Grove		CA	92843	1994	
United States	7251 Camino Arroyo	Gilroy		CA	95020	2003	
United States	7095 Market Place Drive	Goleta		CA	93117	1998	
United States	12530 Prairie Avenue	Hawthorne		CA	90250	2009	x
United States	14501 Hindry Avenue	Hawthorne		CA	90250	2000	
United States	22330 Hathaway Avenue	Hayward		CA	94541	1997	x
United States	28505 Hesperian Boulevard	Hayward		CA	94545	2009	
United States	7562 Center Avenue	Huntington Beach		CA	92647	2012	
United States	3560 West Century Boulevard	Inglewood		CA	90303	2003	
United States	115 Technology W Drive	Irvine		CA	92618	1992	
United States	101 N. Beach Blvd	La Habra		CA	90631	2005	
United States	8125 Fletcher Parkway	La Mesa		CA	91941	1997	
United States	79795 Hwy 111	La Quinta		CA	92253	2006	
United States	27220 Heather Ridge Road	Laguna Niguel	Laguna Niguel Marketplace	CA	92677	2002	
United States	27972 Cabot Road	Laguna Niguel		CA	92677	1990	
United States	29315 Central Ave	Lake Elsinore		CA	92532	2006	
United States	340 Lakewood Center Mall	Lakewood		CA	90712	2009	
United States	1141 West Avenue L	Lancaster		CA	93534	2003	
United States	2800 Independence Drive	Livermore		CA	94550	1993	
United States	2680 Reynolds Ranch Parkway	Lodi		CA	95240	2011	
United States	2901 Los Feliz Boulevard, Atwater Village	Los Angeles	Los Feliz	CA	90039	1996	
United States	2440 Daniels St	Manteca		CA	95336	2008	
United States	13463 Washington Boulevard	Marina del Ray	Culver City	CA	90292	1999	
United States	1445 "R" Street	Merced		CA	95340	1993	
United States	3801 Pelandale Avenue	Modesto		CA	95356	2007	
United States	9404 Central Avenue	Montclair		CA	91763	2001	
United States	1345 N. Montebello Blvd	Montebello		CA	90640	1993	

Country	Address	Town	Alternate Name	State	Zip	Opened	Business Center
United States	12700 Day Street	Moreno Valley		CA	92553	1992	
United States	1000 N. Rengstorff Avenue	Mountain View		CA	94043	1992	
United States	8810 Tampa Avenue	Northridge		CA	91324	1989	
United States	12324 Hoxie Avenue	Norwalk		CA	90650	1983	
United States	300 Vintage Way	Novato		CA	94945	1992	
United States	2001 East Ventura Blvd	Oxnard		CA	93036	1985	
United States	13550 W Paxton St	Pacoima		CA	91331	2010	
United States	72-800 Dinah Shore Drive	Palm Desert	Coachella Valley	CA	92211	1991	
United States	12155 Tech Center Drive	Poway		CA	92064	2004	
United States	11260 White Rock Road	Rancho Cordova		CA	95742	1990	
United States	11800 Fourth Street	Rancho Cucamonga		CA	91730	2002	
United States	1300 Dana Drive	Redding		CA	96003	1990	
United States	2300 Middlefield Road	Redwood City		CA	94063	2009	
United States	4801 Central Avenue	Richmond		CA	94804	1999	
United States	5901 Redwood Drive	Rohnert Park		CA	94928	2002	
United States	6750 Stanford Ranch Road	Roseville		CA	95678	1995	
United States	1600 Expo Parkway	Sacramento	Cal Expo	CA	95815	1997	
United States	7981 East Stockton Blvd	Sacramento		CA	95823	1994	
United States	1339 North Davis Road	Salinas		CA	93907	1997	
United States	1099 East Hospitality Lane	San Bernardino		CA	92408	1999	
United States	12350 Carmel Mountain Road	San Diego	Carmel Mountain	CA	92128	1992	
United States	2345 Fenton Parkway	San Diego	Mission Valley	CA	92108	2000	
United States	4605 Morena Blvd	San Diego		CA	92117	1976	
United States	650 Gateway Center Drive	San Diego	SE San Diego	CA	92102	1999	
United States	7803 Othello Avenue	San Diego		CA	91911	2010	x
United States	520 N Lone Hill Ave	San Dimas		CA	91773	2008	
United States	1600 El Camino Real	San Francisco	El Camino Real	CA	94080	2000	
United States	450 10th Street	San Francisco		CA	94103	1993	
United States	1709 Automation Parkway	San Jose	NE San Jose	CA	95131	2007	
United States	2201 Senter Road	San Jose		CA	95112	1994	
United States	5301 Almaden Expressway	San Jose	Almaden	CA	95118	1996	
United States	33961 Doheny Park Road	San Juan Capistrano		CA	92675	1987	
United States	1900 Davis Street	San Leandro		CA	94577	1996	
United States	1540 Froom Ranch Way	San Luis Obispo		CA	93401	2005	
United States	725 Center Drive	San Marcos		CA	92069	2011	
United States	801 Tioga Road	Sand City		CA	93955	1989	
United States	1601 Coleman Avenue	Santa Clara		CA	95050	1995	
United States	18649 Via Princesa	Santa Clarita		CA	91387	1992	
United States	220 Sylvania Avenue	Santa Cruz		CA	95060	1994	
United States	1335 S. Bradley	Santa Maria		CA	93454	1988	
United States	1900 Santa Rosa Avenue	Santa Rosa		CA	95407	1986	
United States	101 Town Center Parkway	Santee		CA	92071	1979	
United States	2200 E. Willow Street	Signal Hill		CA	90705	1986	
United States	2660 Park Center Drive	Simi Valley		CA	93065	1996	
United States	451 South Airport Boulevard	South San Francisco		CA	94080	1987	
United States	1616 East Hammer Lane	Stockton		CA	95210	1986	
United States	150 Lawrence Stn. Road	Sunnyvale		CA	94086	1986	
United States	26610 Ynez Road	Temecula		CA	92591	2000	
United States	2751 Skypark Drive	Torrance		CA	90505	1998	
United States	3250 W. Grant Line Road	Tracy		CA	95377	2002	
United States	2955 North Tenger Road	Turlock		CA	95380	2004	
United States	2655 El Camino Real	Tustin		CA	92782	1992	
United States	2700 Park Ave	Tustin		CA	92782	2007	
United States	1051 Hume Way	Vacaville		CA	95687	2002	
United States	198 Plaza Drive	Vallejo		CA	94591	1989	
United States	6100 Sepulveda	Van Nuys		CA	91411	1989	
United States	14555 Valley Center Drive	Victorville		CA	92392	2007	
United States	1405 W Cameron Ave	Visalia		CA	93277	2007	
United States	1755 Hacienda Drive	Vista		CA	92081	1993	
United States	5700 Lindero Canyon Road	Westlake Village		CA	91362	1996	
United States	2299 Bronze Star Drive	Woodland		CA	95766	2008	
United States	22633 Savi Ranch Parkway	Yorba Linda		CA	92886	1991	
United States	5195 Wadsworth Boulevard	Arvada		CO	80002	2001	
United States	1471 S Havana Street	Aurora		CO	80012	1990	
United States	5050 N Nevada Avenue	Colorado Springs	West	CO	80918	2009	
United States	5885 Barnes Road	Colorado Springs	East	CO	80922	2008	
United States	170 Cooley Mesa Rd	Gypsum		CO	81637	2006	
United States	7900 W. Quincy Avenue	Littleton	SW Denver	CO	80123	1991	
United States	8686 Park Meadows Center Drive	Lone Tree	Douglas County	CO	80124	1997	
United States	18414 Cottonwood Dr	Parker		CO	80134	2008	
United States	4000 River Point Parkway	Sheridan		CO	80110	2008	
United States	600 Marshall Road	Superior		CO	80027	1999	
United States	16375 N Washington St	Thornton		CO	80023	2007	
United States	4705 Weitzel Street	Timnath		CO	80547	2014	
United States	6400 W 92nd Avenue	Westminster		CO	80030	1990	
United States	200 Federal Road	Brookfield		CT	06804	1991	
United States	75 Freshwater Blvd	Enfield		CT	06082	2004	
United States	1718 Boston Post Road	Milford		CT	06460	1993	
United States	779 Connecticut Ave	Norwalk		CT	06854	2001	
United States	3600 East Main Street	Waterbury		CT	06705	1993	
United States	900 Center Boulevard	Newark	Christiana	DE	19702	1998	
United States	741 Orange Avenue	Altamonte Spring		FL	32714	1996	
United States	17800 Congress Avenue	Boca Raton		FL	33487	2002	
United States	10921 Causeway Blvd	Brandon		FL	33511	2000	
United States	2655 Gulf to Bay Blvd	Clearwater		FL	33759	2003	

Country	Address	Town	Alternate Name	State	Zip	Opened	Business Center
United States	1890 S. University Drive	Davie		FL	33324	1989	
United States	10088 Gulf Center Drive	Esterio		FL	33913	2007	
United States	7171 Cypress Lake Drive	Fort Myers		FL	33907	1999	
United States	4901 Gate Parkway	Jacksonville		FL	32246	2000	
United States	13450 SW 120th St	Kendall		FL	33186	2008	
United States	3250 Northlake Boulevard	Lake Park	Palm Beach Gardens	FL	33403	1989	
United States	1873 W Lantana Road	Lantana		FL	33462	1991	
United States	16580 NW 59th Avenue	Miami	Miami Lakes	FL	33014	1992	
United States	8300 Park Boulevard	Miami		FL	33126	1989	
United States	6275 Naples Boulevard	Naples		FL	34109	1999	
United States	14585 Biscayne Boulevard	North Miami	North Miami Beach	FL	33181	1992	
United States	2101 Water Bridge Boulevard	Orlando	South Orlando	FL	32837	1999	
United States	15915 Pines Boulevard	Pembroke Pines		FL	33027	2005	
United States	1800 West Sample Road	Pompano Beach		FL	33064	1988	
United States	11001 Southern Blvd - Ste 160	Royal Palm Beach		FL	33411	2007	
United States	8201 S Tamiami Trail Unit 501	Sarasota		FL	34238	2012	
United States	4067 Lagniappe Way	Tallahassee		FL	32317	2008	
United States	3333 University Boulevard	Winter Park	E. Orlando	FL	32792	1999	
United States	2855 Jordan Court	Alpharetta		GA	30004	2005	
United States	2900 Cumberland Mall	Atlanta	Cumberland Mall	GA	30339	2006	
United States	6350 Peachtree Dunwoody Road NE	Atlanta	Perimeter	GA	30328	1996	
United States	825 Alexander Drive	Augusta		GA	30909	2011	
United States	500 Brookhaven Ave	Brookhaven		GA	30319	2010	
United States	1550 Mall of Georgia Boulevard	Buford	Mall of Georgia	GA	30519	2006	
United States	1211 Bald Ridge Marina Road	Cummings		GA	30041	2014	
United States	3980 Venture Drive	Duluth	Gwinnett	GA	30096	1996	
United States	100 Cobb Parkway	Fort Oglethorpe	Dalton	GA	30742	2010	
United States	645 Barrett Parkway	Kennesaw	Town Center	GA	30144	1997	
United States	1700 Mount Zion Road	Morrow		GA	30260	1999	x
United States	333 "A" Keahole Street	Honolulu	Hawaii Kai, Oahu	HI	96825	1992	
United States	525 Alawaka Street	Iwilei	Oahu, Hawaii	HI	96817	2002	
United States	540 Haleakala Highway	Kahalui	Maui	HI	96732	1995	
United States	73 5600 Maiiau Street	Kailua-Kona	Hawaii, Kona	HI	96740	1993	
United States	4589 Kapolei Parkway	Kapolei		HI	96707	2009	
United States	4300 Nuhou St	Lihue	Hawaii, Kauai	HI	96766	2006	
United States	94-1231 Ka Uka Blvd	Waipahu	Oahu, Hawaii	HI	96797	2000	
United States	2900 Heartland Drive	Coralville		IA	52241	2012	
United States	7205 Mills Civic Parkway	Des Moines		IA	50266	2004	
United States	2051 S. Cole Road	Boise		ID	83709	2003	
United States	355 East Neider Avenue	Coeur d'Alene		ID	83815	2004	
United States	16700 N Marketplace Blvd	Nampa		ID	83687	2006	
United States	305 West Quinn Rd	Pocatello		ID	83202	2008	
United States	731 Pole Line Drive	Twin Falls		ID	83301	1993	
United States	7300 S. Cicero Ave	Bedford Park		IL	60629	2000	
United States	505 W. Army Trail Road	Bloomington		IL	61018	2001	
United States	830 E Boughton Rd	Bolingbrook		IL	60440	2010	
United States	1430 S Ashland Avenue	Chicago	Chicago (South Loop)	IL	60608	2012	
United States	2746 N. Clybourn Avenue	Chicago	Lincoln Park	IL	60614	2001	
United States	301 West Washington	East Peoria		IL	61611	2012	
United States	2900 Patriot Boulevard	Glenview		IL	60026	2002	
United States	250 N. Randall Road	Lake in the Hills		IL	60156	2004	
United States	680 S. Rand Road	Lake Zurich		IL	60047	2001	
United States	8400 W North Ave	Melrose Park		IL	60160	2010	
United States	25901 Riverwoods R	Mettawa		IL	60045	2010	
United States	999 N. Elmhurst Road	Mount Prospect		IL	60056	2004	
United States	1324 S. Route 59	Naperville		IL	60564	2003	
United States	7311 Melvin Avenue	Niles		IL	60714	2000	
United States	2500 South Harlem Avenue	North Riverside		IL	60546	2013	
United States	1901 West 22nd Street	Oak Brook		IL	60523	1998	
United States	991 West 159th Street	Orland Park		IL	60462	2006	
United States	1375 N. Meacham Drive	Schaumburg		IL	60193	1998	
United States	221 South Randal Road	St. Charles		IL	60714	2008	
United States	6110 East 86th Street	Castleton		IN	46250	2002	
United States	Lima Road	Fort Wayne		IN	46808	2013	
United States	625 East University Drive	Granger	Mishikawa	IN	46530	2014	
United States	9010 Michigan Road	Indianapolis	NW Indianapolis	IN	46268	2002	
United States	1310 E. 79th Avenue	Merrillville		IN	46410	2001	
United States	9350 Marshall Drive	Lenexa		KS	66215	2001	
United States	12221 Blue Valley Parkway	Overland Park		KS	66213	2002	
United States	Man O'War Boulevard, Polo Club Boulevard	Lexington		KY	40509	2013	
United States	5020 Norton Health Care Boulevard	Louisville		KY	40241	2006	
United States	10000 Dawnadele Ave Bldg A	Baton Rouge		LA	70809-2524	2014	
United States	3900 Dublin Street	New Orleans		LA	70118-4726	2013	
United States	120 Stockwell Drive	Avon		MA	02322	1991	
United States	11 Newbury Street	Danvers		MA	01923	1990	
United States	400 Commercial Circle	Dedham		MA	02026	1998	
United States	#2 Mystic View Road	Everett		MA	02149	2002	
United States	119 Daggett Drive	W. Springfield		MA	01089	1990	
United States	71 Second Avenue	Waltham		MA	02451	1993	
United States	7707 Arundel Mills Circle	Arundel Mills		MD	21076	2001	
United States	9919 Pulaski Highway	Baltimore	White Marsh	MD	21220	1988	
United States	10925 Baltimore Avenue	Beltsville		MD	20705	1990	
United States	7601 Matapeake Business Drive	Brandywine		MD	20613	2008	
United States	6675 Marie Curie Drive	Columbia		MD	21075	2007	
United States	10 Monocacy Boulevard	Frederick		MD	21704	2001	

Country	Address	Town	Alternate Name	State	Zip	Opened	Business Center
United States	880 Russell Avenue	Gaithersburg		MD	20879	1990	
United States	575 East Ordnance Road	Glen Burnie		MD	21060	1985	
United States	2400 Five Lees Lane	Lanham	Woodmore Towne Centre	MD	20706	2010	
United States	11160 Veirs Mill Road	Wheaton		MD	20902	2013	
United States	400 Brown Road	Auburn Hills		MI	48326	2000	
United States	2343 South Telegraph Rd	Bloomfield		MI	48302	2008	
United States	3000 Commerce Crossing Road	Commerce		MI	48382	2003	
United States	5100 28th Street SE	Grand Rapids		MI	49508	2004	
United States	6700 Whitmore Lake Road	Green Oak		MI	48116	2004	
United States	5100 Century Avenue	Kalamazoo		MI	49006	2014	
United States	13700 Middlebelt Road	Livonia	Livonia 1	MI	48150	1998	
United States	20000 Haggerty Road	Livonia	Livonia 2	MI	48152	1998	
United States	30550 Stephenson Highway	Madison Heights		MI	48071	1998	
United States	771 Airport Boulevard	Pittsfield		MI	48108	2012	
United States	27118 Gratiot Avenue	Roseville		MI	48066	1998	
United States	45460 Market Street	Shelby Township	Lakeside	MI	48315	2001	
United States	4901 Wilson Avenue	Wyoming		MI	49418	2005	
United States	13650 Elder Drive	Baxter		MN	56425	2012	
United States	14050 Burnhaven Dr	Burnsville		MN	55337	2010	
United States	12547 Riverdale Blvd	Coon Rapids		MN	55433	2001	
United States	12011 Technology Drive	Eden Prairie		MN	55344	2004	
United States	11330 Fountain Drive North	Maple Grove		MN	55369	2006	
United States	1431 Beam Ave	Maplewood		MN	55109	2008	
United States	2020 Commerce Dr NW	Rochester		MN	55901	2012	
United States	5801 West 16th Street	St. Louis Park		MN	55416	2000	
United States	19040 E. Valley View Parkway	Independence		MO	64055	2001	
United States	241 East Linwood Blvd	Kansas City		MO	64111	2001	
United States	301 Highlands Boulevard Drive	Manchester		MO	63011	2009	
United States	4200 Rusty Road	St. Louis		MO	63128	2002	
United States	200 Costco Way	St. Peters		MO	63376	2001	
United States	2290 King Avenue	Billings		MT	59102	1991	
United States	2505 Catron Street	Bozeman		MT	59718	1997	
United States	2195 E Custer Ave	Helena		MT	59602	2006	
United States	2330 US Highway 93 N	Kalispell		MT	59901	2005	
United States	3220 North Reserve Street	Missoula		MT	59808	1991	
United States	500 Tyvola Road	Charlotte		NC	28217	2001	
United States	1510 North Pointe Drive	Durham		NC	27705	2000	
United States	4201 West Wendover Ave	Greensboro		NC	27407	2003	
United States	2125 Matthews Township Parkway	Matthews		NC	28105	2001	
United States	2838 Wake Forest Road	Raleigh		NC	27609	2006	
United States	5351 Gingerwood Dr	Wilmington		NC	28405	2006	
United States	1085 Hanes Mall Boulevard	Winston-Salem		NC	27103	2001	
United States	750 23rd Ave East	West Fargo		ND	58078	2012	
United States	12300 West Dodge Rd	Omaha		NE	68154	2007	
United States	311 Daniel Webster Highway	Nashua		NH	03060	1992	
United States	465 Route 70	Brick Township		NJ	08723	2008	
United States	325 Promenade Blvd	Bridgewater		NJ	08807	1999	
United States	20 Bridewell Place	Clifton		NJ	07014	1992	
United States	156 SR-10 West	E. Hanover		NJ	07936	1997	
United States	2210 Route 27 North	Edison		NJ	08817	2001	
United States	80 South River Street	Hackensack		NJ	07601	1994	
United States	2835 Route 35 South	Hazlet		NJ	07730	1991	
United States	18 Route 9 North	Morganville	Marlboro	NJ	07751	2011	
United States	100 Centeron Road	Mount Laurel		NJ	08054	2005	
United States	100 Grand Avenue	North Brunswick		NJ	08902	2014	
United States	1290 US Highway 22E	North Plainfield		NJ	07060	2013	
United States	2361 Route 66	Ocean Township		NJ	07712	2003	
United States	245 Stafford Park Blvd	Stafford Township	Manahawkin	NJ	08050	2008	
United States	1055 Hudson Street	Union		NJ	07083	1998	
United States	77 Willowbrook Boulevard	Wayne		NJ	07470	2014	
United States	315 Route 15	Wharton		NJ	07885	1993	
United States	1420 Renaissance Blvd NE	Albuquerque		NM	87107	1999	
United States	500 Eubank Blvd SE	Albuquerque		NM	87123	2000	
United States	9955 Coors Blvd Bypass NW	Albuquerque	W. Albuquerque	NM	87114	2007	
United States	700 Old Clear Creek Road	Carson City		NV	89705	2000	
United States	6555 N. Decatur Blvd	Centennial		NV	89131	2005	
United States	941 Marks Street	Henderson		NV	89014	2001	
United States	222 S Martin Luther King Boulevard	Las Vegas		NV	89106	2009	x
United States	801 S. Pavilion Center Drive	Las Vegas	Summerlin	NV	89144	2001	
United States	2200 Harvard Way	Reno		NV	89502	1988	
United States	4810 Galleria Parkway	Sparks		NV	89436	2006	
United States	976 Third Avenue	Brooklyn		NY	11232	1996	
United States	120 Township Boulevard	Camillus	Syracuse	NY	13031	2014	
United States	10 Garret Place	Commack		NY	11725	1995	
United States	125 Beacon Drive	Holbrook		NY	11741	1993	
United States	605 Rockaway Turnpike	Lawrence		NY	11559	1993	
United States	32-50 Vernon Blvd	Long Island City	Queens	NY	11106	1996	
United States	625 Broad Hollow Road	Melville		NY	11747	1994	
United States	50 Overlook Boulevard	Nanuet		NY	10954	1992	
United States	3000 Middle Country Road	Nesconset		NY	11767	1987	
United States	One Industrial Lane	New Rochelle		NY	10805	1999	
United States	517 E 117th Street	New York	Manhattan	NY	10035	2009	
United States	1 Westchester Avenue	Port Chester		NY	10573	2002	
United States	61-35 Junction Boulevard	Rego Park	Queens	NY	11374	2010	
United States	1768 Old Country Road	Riverhead		NY	11901	2014	

Country	Address	Town	Alternate Name	State	Zip	Opened	Business Center
United States	2975 Richmond Avenue	Staten Island		NY	10314	1995	
United States	1250 Old Country Road	Westbury		NY	11590	1992	
United States	20 Stew Leonard Drive	Yonkers		NY	10710	1999	
United States	35804 Detroit Road	Avon		OH	44011	2002	
United States	5300 Cornerstone North Boulevard	Centerville		OH	45440	2014	
United States	9691 Waterstone Boulevard	Cincinnati	Deerfield Township	OH	45249	2000	
United States	1409 Golden Gate Blvd	Cleveland	Mayfield Heights	OH	44124	2002	
United States	1500 Gemini Place	Columbus		OH	43240	2006	
United States	3888 Stelzer Road	Columbus	Easton, NE Columbus	OH	43219	2013	
United States	1100 East Kemper Road	Springdale		OH	45246	2000	
United States	16690 Royalton Road	Strongsville		OH	44136	2009	
United States	3405 West Central Ave	Toledo		OH	43606	2007	
United States	3031 Kildeer Avenue	Albany		OR	97321	2001	
United States	15901 SW Jenkins	Aloha		OR	97006	1985	
United States	2500 NE Highway 20	Bend		OR	97701	1993	
United States	13130 SE 84th Avenue	Clackamas		OR	97015	1997	
United States	2828 Chad Drive	Eugene		OR	97408	1989	
United States	1225 NE 48th Avenue	Hillsboro		OR	97124	2005	
United States	3639 Crater Lake Highway	Medford		OR	97504	1991	
United States	4849 NE 138th Avenue	Portland		OR	97230	1983	
United States	4141 NE Stephens	Roseburg		OR	97470	2010	
United States	1010 Hawthorne Ave SE	Salem		OR	97301	1992	
United States	7855 SW Dartmouth	Tigard		OR	97223	1994	
United States	1804 SE Ensign Lane	Warrenton		OR	97146	2009	
United States	25900 SW Heather Place	Wilsonville		OR	97070	2003	
United States	100 Veterans Way	Bucks County		PA	18974	2011	
United States	700 Evergreen Drive	Concordville		PA	19342	2012	
United States	1050 Cranberry Square Drive	Cranberry Township		PA	16066	2001	
United States	5125 Jonestown Road Suite 221	Harrisburg		PA	17112	2001	
United States	201 Allendale Road	King of Prussia		PA	19406	1997	
United States	1875 Hempstead Road	Lancaster		PA	17601	1996	
United States	740 Upper State Road	North Wales	Montgomeryville	PA	19454	1999	
United States	202 Costco Drive	Pittsburgh	Robinson	PA	15205	2002	
United States	14 West Lightcap Road	Pottstown	Sanatoga	PA	19464	2011	
United States	501 W Waterfront Dr	West Homestead		PA	15120	2007	
United States	2399 Route #2	Bayamon	West Baymon	Puerto Rico	00961	2001	
United States	125 Calle A	Bayamon	East Baymon	Puerto Rico	00959	2006	
United States	200 Avenida Rafael Cordero #140	Caguas		Puerto Rico	00725	2001	
United States	1185 Ave 65 Infanteria	Carolina		Puerto Rico	00924	2002	
United States	3050 Ashley Town Center	Charlestown		SC	29414	2001	
United States	1025 Woodruff Rd	Greenville		SC	29607	2007	
United States	1021 Oak Forest Lane	Myrtle Beach		SC	29577	2004	
United States	211 W Blackstock Rd	Spartanburg		SC	29301	2007	
United States	3700 S. Grange Avenue	Sioux Falls		SD	57105	2013	
United States	98 Seaboard Lane	Brentwood		TN	37027	1999	
United States	2431 Germantown Parkway	Cordova	NE Memphis	TN	38018	1999	
United States	10745 Kingstom Pike	Farragut		TN	37934	2012	
United States	3775 Hacks Cross Road	Memphis	SE Memphis	TN	38125	1999	
United States	6670 Charlotte Pike	Nashville	West Nashville	TN	37209	2006	
United States	600 W. Arbrook Boulevard	Arlington		TX	76014	2001	
United States	10401 Research Boulevard	Austin		TX	78759	2001	
United States	4601 183A Toll Road	Cedar Park		TX	78613	2013	
United States	250 West Highway 67	Duncanville		TX	75137	2006	
United States	3800 N. Central Expressway	E. Plano		TX	75074	2000	
United States	6101 Gateway West Blvd	El Paso		TX	79925	2003	
United States	5300 Overton Ridge Boulevard	Fort Worth		TX	76132	2000	
United States	8900 Tehama Ridge Pkwy	Fort Worth	North Fort Worth	TX	76177	2014	
United States	11220 Dallas Parkway	Frisco		TX	75033	2011	
United States	1150 Bunker Hill Road	Houston	Katy Freeway	TX	77055	2001	
United States	12405 N. Gessner Road	Houston	Willowbrook	TX	77064	2001	
United States	3836 Richmond Avenue	Houston	Galleria	TX	77027	2008	
United States	23645 Katy Freeway	Katy		TX	77494	2014	
United States	851 S. State Hwy 121	Lewisville		TX	75067	2004	
United States	6020 34th Street	Lubbock		TX	79407	2013	
United States	1501 West Kelly Avenue	Pharr		TX	78577	2012	
United States	1701 Dallas Parkway	Plano	West Plano	TX	75093	2001	
United States	1225 State Highway 276	Rockwall		TX	75032	2009	
United States	1201 North Loop 1604 East	San Antonio	Sonterra Park	TX	78232	2002	
United States	5611 Utsa Boulevard	San Antonio	NW San Antonio	TX	78249	2001	
United States	15330 IH-35 North	Selma		TX	78154	2007	
United States	4301 W William Cannon Dr, Ste 100	South Austin		TX	78749	2006	
United States	2601 E. State Hwy. 114	Southlake		TX	76092	2001	
United States	17520 Southwest Freeway	Sugar Land		TX	77479	2013	
United States	8185 SH 242	The Woodlands		TX	77385	2014	
United States	198 North 1200 East	Lehi		UT	84043	2006	
United States	5201 South Intermountain Drive	Murray		UT	84107	2003	
United States	3656 Wall Avenue	Ogden	South Ogden	UT	84405	2003	
United States	648 E 900 South	Orem		UT	84097	1999	
United States	1818 South 300 West	Salt Lake City		UT	84115	1995	
United States	11100 S. Auto Mall Drive	Sandy		UT	84070	2000	
United States	3571 W 1040 South	South Jordan		UT	84095	2014	
United States	273 East 1000 North	Spanish Fork		UT	84660	2012	
United States	835 North 3050 East	St. George		UT	84790	2000	
United States	573 West 100 North	West Bountiful		UT	84087	2005	
United States	3747 South 2700 West	West Valley		UT	84119	2007	

Country	Address	Town	Alternate Name	State	Zip	Opened	Business Center
United States	7940 Richmond Highway	Alexandria	Mount Vernon	VA	22306	2013	
United States	1200 S. Fern Street	Arlington	Pentagon City	VA	22202	1994	
United States	14390 Chantilly Crossing Lane	Chantilly		VA	20151	2003	
United States	1401 Mall Drive	Chesterfield		VA	23235	2011	
United States	4725 West Ox Road	Fairfax		VA	22030	1986	
United States	3102 Plank Road, #600	Fredericksburg		VA	22407	2002	
United States	9650 West Broad Street	Glen Allen	West Henrico	VA	23060	1991	
United States	1830 Reservoir Road	Harrisonburg		VA	22801	1995	
United States	1300 Edwards Ferry Road	Leesburg		VA	20176	2004	
United States	10701 Sudley Manor Drive	Manassas		VA	20109	1992	
United States	12121 Jefferson Avenue	Newport News		VA	23606	1999	
United States	850 Glenrock Road	Norfolk		VA	23502	1984	
United States	2700 Potomac Mills Circle - Ste 200	Potomac Mills		VA	22192	2007	
United States	7373 Boston Boulevard	Springfield	Newington	VA	22153	1992	
United States	21398 Price / Cascades Plaza	Sterling		VA	20164	1990	
United States	2441 Market St NE	Washington, DC		VA	20118	2012	
United States	251 Front Royal Pike	Winchester		VA	22602	1995	
United States	218 Lower Mountain View Drive	Colchester		VT	05446	1993	
United States	4299 Guide Meridian Street	Bellingham		WA	98226	1991	
United States	1725 S. Burlington Blvd	Burlington		WA	98233	2000	
United States	301 5th Street	Clarkston		WA	99403	1993	
United States	27520 Covington Way SE	Covington		WA	98042	2008	
United States	19610 SE 1st St	E. Vancouver		WA	98607	2010	
United States	375 Highline Drive South	East Wenatchee		WA	98802	1995	
United States	10200 19th Avenue SE	Everett		WA	98208	1996	
United States	35100 Enchanted Parkway S	Federal Way		WA	98003	1989	
United States	3900 20th St. East	Fife		WA	98424	2003	x
United States	10990 Harbor Hill Dr	Gig Harbor		WA	98335	2007	
United States	1801 10th Avenue NW	Issaquah		WA	98027	1994	
United States	805A West Gage Boulevard	Kennewick		WA	99336	1999	
United States	8629 120th Avenue NE	Kirkland		WA	98033	1985	
United States	1470 Marvin Road NE	Lacey		WA	95816	2006	
United States	19105 Highway 99	Lynnwood		WA	98036	1996	x
United States	16616 Twin Lakes Avenue	Marysville		WA	98271	2006	
United States	1201 39th SW	Puyallup		WA	98373	2000	
United States	1175 North 205th	Seattle	Aurora Village	WA	98133	1994	
United States	4401 4th Avenue South	Seattle		WA	98134	2005	
United States	955 West Washington St	Sequim		WA	98382	2006	
United States	10000 Mickelberry Road NW	Silverdale		WA	98383	1986	
United States	5601 East Sprague Avenue	Spokane		WA	99212	2001	
United States	7619 N. Division Street	Spokane	North Spokane	WA	99208	1992	
United States	2219 S. 37th Street	Tacoma		WA	98409	2000	
United States	400 Costco Drive, Suite 150	Tukwila		WA	98188	1984	
United States	5500 Little Rock Road	Tumwater		WA	98512	2006	
United States	2310 Longfibre Rd	Union Gap		WA	98903	2007	
United States	6720 NE 84th Street	Vancouver		WA	98665	2004	
United States	24008 Snohomish-Woodinville Rd SE	Woodinville		WA	98072	2006	
United States	Monroe Road	Bellevue	Green Bay	WI	54311	2013	
United States	950 Port Washington Rd	Grafton		WI	53024	2007	
United States	2150 Deming Way	Middleton		WI	53562	2008	
United States	443 Pewaukee Rd	Pewaukee		WI	53072	2011	
United States	2850 Hoepker Road	Sun Prairie		WI	53590	2012	

Notes

Jim Sinegal

On January 1, 2012 (the day he turned 76), Jim Sinegal, co-founder and former president and chief executive officer of Costco, became an advisor to the company ceding day-to-day control to Craig Jelinek, president and chief executive officer. Sinegal remained in his advisory role for one year but continues to serve on Costco's board of directors.

Sinegal along with Jeff Brotman, co-founder and chairman of the board of directors, opened the first Costco location in Seattle, Washington in 1983. At the time, it is likely that no one involved in opening that first building could have imagined what the company would become in 30 years. In an interview with *The Motley Fool* on January 6, 2012, Jelinek was asked what he knew about Costco when he was hired. Jelinek said, "I just made the decision to move [from California] after talking with Jim. Jim had said, 'Look, we'll probably have 20 of these Costco's, and one day, there will be a little profit sharing of some kind, who knows.'"

During those 30 years, there have been countless quotes from Sinegal on his beliefs about running Costco. For as long as the *Warehouse Club Industry Guide* continues to be published annually, those beliefs, quotes and knowledge will continue to seep into the publication because they will continue to be relevant.

However, for this chapter, we want to briefly explain what we believe are two important and lasting qualities that Sinegal leaves behind. These two qualities help to answer the simple question, "Will Costco change under new leadership?" The answer is "no" because Sinegal was a teacher and a planner.

Teacher

Sinegal believed Costco's strategy must be communicated throughout the organization. In a September 26, 2011 article in *Supermarket News*, Jelinek commented on whether Costco's philosophy will change with Sinegal's retirement. He said, "We've always been open to trying things if they have been thought through ... We want to keep the business pretty much the way it is ... We will run the business to give the best possible value to our members, which means we want to be the last ones to raise prices. But we're not in business to get more margin and we will never sell below cost."

Ginnie Roeglin, senior vice president of ecommerce and publishing and publisher of *The Costco Connection*, said the following in the January, 2012 issue of Costco's magazine. Roeglin said, "[Jim] ... frequently reminds us that we must spend 90 percent of our jobs teaching our employees ... We will miss Jim and honor him by striving for excellence every day, and providing our members with great service and great value on top-quality items, just as he taught us."

Those two quotes show Sinegal as a teacher because he has been quoted numerous times saying the same things. Through that focus, Sinegal has potentially ensured that his philosophy and his concept for what Costco is and what Costco should continue to be will not only endure while Jelinek is running the business but for whomever succeeds him.

Planner

When a founder/entrepreneur approaches the time when he must hand over leadership of his business, that transition can potentially be problematic and challenging. That transition must be planned. In April, 2003, in an interview with *Ethix*, Sinegal provided a glimpse as to how important he believes it is to plan. He said, "You have to schedule it. You have to plan the opportunity to think about your business and plan what you're going to do. Otherwise you're just a hamster running on a treadmill, you're never going to get anywhere."

Sinegal's succession plan began with his management team. In an interview with Jim Cramer, host of CNBC's *Mad Money* (as mentioned in the January, 2012 issue of *The Costco Connection*), Sinegal said, "I think the thing we're most proud of is the fact that Jeff Brotman and I built a team that's capable of running a business this size. There's a management team that's in place that is very, very good and that has enabled us to sustain the business for a long time."

The combination of planning and the desire to build a capable management team were contributing factors in Sinegal's decision to retire. In an interview with *The Seattle Times* in December, 2011, Sinegal was asked what made him decide to retire now. He said, "There are no guarantees in life. There's no guarantee of my health, there's no guarantee that the team is going to be as set as I think they are [now]. Things could go wrong in one fashion or another. So I feel a lot better about doing it at a point in time when that's set perfectly in place."

The Result

The end result of Jim Sinegal's focus on teaching and planning is a seamless and uneventful leadership transition at Costco that can be argued is as equally important as the 29 years he spent building the business.

Sol Price

For anyone involved in the warehouse club business, knowing about and understanding Sol Price's contribution to this industry is important. Sol Price is universally credited with being a leading force behind discount retail merchandising and he co-founded Price Club with his son Robert Price, creating the warehouse club industry. On December 14, 2009, Sol Price passed away at the age of 93 at his home in La Jolla, California.

FedMart

In the early 1950's, Sol Price was an attorney with a law firm in San Diego. One of his clients sold watches and jewelry to a members only general merchandise membership retail chain in Los Angeles called Fedco. Sol Price was very intrigued by Fedco and believed the concept would be successful in San Diego. In addition to a personal \$5,000 investment, Sol Price raised \$45,000 from a number of investors to open a membership retail store. That first location was actually a building his mother-in-law owned. In November, 1954, at the age of 38, Sol Price opened his own members only general merchandise retail chain called FedMart.

FedMart's first year sales were approximately \$4.5 million. Robert Price joined FedMart in 1965. Over the years, FedMart tested various services, such as gasoline sold at wholesale prices, an in-store pharmacy, an in-store optical department and the sale of food products. By 1974, FedMart had grown to 46 stores with annual sales of \$300 million. In 1975, a German company, Hugo Mann, purchased Fed Mart. Sol Price remained as president of FedMart and served on the board of directors. During the second board meeting, Sol Price was fired as the company's president. A week later, Sol Price resigned from the board of directors and Robert Price also resigned from the board of directors and as executive vice president.

Price Club and Jim Sinegal

After leaving FedMart, Sol Price rented office space in San Diego for himself, Robert Price and others. They formed a company called The Price Company and worked on plans for their next business venture. Many ideas were discussed but Sol Price and Robert Price saw a potential opportunity with a retail business that concentrated on the more successful aspects of FedMart.

The most important concept was FedMart's distribution business (Jim Sinegal as vice president of wholesale operations at FedMart managed this business). The distribution operation was a separate business generating a small profit from the gross margins it applied to the products it sold to FedMart stores.

Their research was also influenced by two retail operators. In the process of getting to know Hugo Mann, Sol Price visited Makro, a membership wholesale business based in Europe selling merchandise to small businesses. Additionally, Smart & Final operated locations in Southern California at this time also selling merchandise to small businesses. In January, 1976, their business concept was formed. The Price Club would be a membership wholesale operation that sold products to small businesses.

Sol Price would say that Robert Price (president of The Price Company), Giles Bateman (chief financial officer of The Price Company) and Rick Libenson (executive vice president of merchandising of The Price Company) were primarily responsible for the strategy behind the first Price Club in San Diego, California (opened July, 1976). The Price Club was the first members only wholesale warehouse club.

That first location was 102,000 square feet and was located in a building originally built in 1954 for Convair Corporation, an aircraft manufacturer. Weekly sales disappointed the owners, as they averaged only \$28,000. However, Sol and Robert Price were committed to their new concept (see picture on the right of Sol Price at the company's second location in Phoenix, Arizona).



Sol Price – The Price Club, Phoenix, Arizona

Sinegal, who founded Costco Wholesale along with Jeff Brotman in 1983, began working for Sol Price at Fed Mart in 1954. Sinegal continued to work at Fed Mart through 1975 and with the Price's at Price Club through 1978, ultimately becoming an executive vice president at the warehouse club company. Sinegal left Price Club in 1978 to pursue other opportunities which ultimately led to him co-founding Costco Wholesale.

By 1993, Price Club operated 75 clubs in the United States and three locations in Mexico generating annual sales of \$7.85 billion. In June, 1993, Costco Wholesale and Price Club announced the two organizations would merge and in time, the Price Club banner would cease to exist.

PriceSmart

As a result of the merger agreement with Costco Wholesale, Sol Price and Robert Price ceded operating control of the company. Through a retail venture that began as a spinoff from Costco Wholesale, the Price's eventually established PriceSmart as a warehouse club serving Central America and the Caribbean.

Philanthropy

Many people will remember Sol Price for his philanthropy work and not his business success. Sol Price's charitable work included the Weingart Foundation, the Aaron Price Fellows Program, Price Charities and City Heights. Jerry Sanders, the mayor of San Diego from 2005 to 2012, said, "Sol Price was a standard setter in both business and philanthropy. Sol will be remembered not only for his incredible generosity, but also for an approach to charity that emphasizes community involvement, self reliance and taking ownership of solutions."

The Weingart Foundation – In 1980, after the death of Sol Price's business friend, Ben Weingart, Sol Price and two associates organized the Weingart Foundation in Los Angeles, California. The charitable organization existed under a different name when it was formed in 1951 by Ben Weingart and his wife, Stella. According to the foundation's web site, "The foundation has focused its grant making on programs that address the needs of the under-served and the general community."

Aaron Price Fellows Program – Sol Price created the Aaron Price Fellows Program after Robert Price's son Aaron who passed away in 1989 after battling cancer. The program offers a three year program for high school students exposing them to cultural, government and business leaders.

Price Charities – In 2000, Sol Price and his wife, Helen, created the San Diego Revitalization Corporation which was subsequently changed to Price Charities. The organization's mission, according to its web site, "is to improve the lives of families living in low income urban communities."

City Heights – City Heights is an urban community location East of downtown San Diego with a population of approximately 74,000 people. Sol Price became interested in the community in 1994 when Vons, a grocery store chain, announced it was closing its location in City Heights. At the time, City Heights had the highest crime rate in San Diego County.

The City Heights Initiative, funded by Price Charities, is (according to its web site) "conceived as a holistic approach to the revitalization of an urban community. The Initiative focuses on improving housing, retail, healthcare, education, social services, public safety, job opportunities, and other quality of life issues and services." City Heights was Sol Price's primary philanthropic work until he passed away.

Management Approach, Business Philosophy

One of the best ways to learn about a person's management approach and business philosophy is to read not only what he has to say but the opinions of others. Here are some quotes:

Fiduciary Relationship – A foundational feature of FedMart's business philosophy was based on Sol Price's training and experiences as an attorney as well as his own moral code. Sol Price described his business approach as "the professional fiduciary relationship between us and the member. We felt we were representing the customer. You had a duty to be very, very honest and fair with them." Sol Price taught his employees that to be successful in retail, you need to see through the eyes of your customers and put yourself in the place of a cranky, demanding member.

Intelligent Loss of Sales —Sol Price said, "We think the secret of good mass retailing is the intelligent loss of sales. It means you have to decide what sales you are prepared to live without. Can you live without credit cards that cost you two points? Can you live without advertising? Can you live without \$35 to \$40 [per] foot occupancy costs for a prime location?"

Low Prices – Sol Price described FedMart as a "low margin retailer." Discount stores set their prices in relationship to a percentage off the manufacturer's suggested retail price. FedMart priced its merchandise starting with the product's cost and taking as small a markup as possible while still covering expenses and generating a small profit.

Sol Price summed up his retail pricing philosophy, which continues today. Sol Price said, "I sell things as cheaply as I can. We never advertised sales. We just always tried to carry honest merchandise at an honest price. I've always felt we had an obligation to our members to get them the best goods at the best price and not try to take an extra nickel out of them."

Sol Price had a rule against selling below cost. He believed that if some products were sold below cost, other items would have to be sold at a higher than normal margin to make up for the loss which was directly in contrast to his low margin philosophy. When competing grocery stores sold items such as coffee or sugar below cost, FedMart didn't take its prices down. Instead, managers placed signs next to those similar items at FedMart advising customers to purchase these items at those competitors.

Price Club Concept—Sinegal said, “Sol took some of the more successful concepts from Fed Mart and combined them with concepts he had discovered at cash-and-carry outlets in Europe, particularly the idea of selling to small businesses with a limited selection.” Sol Price said, “We knew there was a market for the small business owner who needed goods like office supplies and other things to help them run their business. We also knew they could use consumer goods like food and housewares at great values.”

Although many people credit Sol Price for creating the warehouse club industry, he clearly believes the credit should go to Robert Price, his son. Sol Price said, “Many, many people get credited for things they only had partial responsibility for. I have a big mouth, and people give me credit for things I'm not totally responsible for.”

Advertising and Promotion – Around the time that FedMart was due to open its first location in San Diego, California in November, 1954, a purported state bedding inspector visited the location to inspect pillows and mattresses for “deleterious stuff in them”. Sol Price asked the person to leave. However, Sol Price realized that FedMart's low price philosophy would draw unwanted attention to the retailer.

Sol Price said, “We had to be super careful about what we did. We started developing rules of behavior especially with regard to representations or things we were putting out to the public ... Never once did we use a superlative (best, lowest, cheapest); we did not use any comparative pricing. As a result of that [bedding inspector incident] our whole approach to the way we marketed people from then on up to the present day was totally different from the conventional approach.”

Finder's Fee – Commenting on a visit from Sam Walton, Sol Price said, “He spent all this time telling me how impressed he's been with FedMart and how he'd never have all these Walmarts and be worth \$700 million without that model. 'I owe it all to you,' he said. I told him, 'Then don't you think I'm entitled to a finder's fee?’”

Expansion—Sol Price commented on the size of Price Club by saying, “Bigness is a serious danger. Pretty soon one is trying to control the animal instead of keeping the stores exciting. We had only 46 outlets when I left Fed Mart but it was already becoming too complicated, what with running trucks to and from distribution centers, keeping track of enormous number of items. We plan to keep Price Club simple.”

Perseverance—Sinegal said, “Sol has an enthusiasm for seeing something grow and making what he believes in work. But he's also a realist and he knew it wasn't going well at first, but he didn't let that deter him. He continued to be optimistic and kept us all going with the attitude that we could make this operation work.”

Respect—Sam Walton, in his 1992 autobiography titled *Made in America*, said, “I guess I've stolen – I actually prefer the word 'borrowed' – as many ideas from Sol Price as from anybody else in the business.” Sinegal, in the book *The Inner Work of Leaders: Leadership as a Habit of Mind* by Barbara Mackoff and Gary Wenet, said, “Sol was the brightest and most honest person I ever met. He was passionate about the business, recognized talent and was quick to hand out the credit to someone else.”

Teacher – Sinegal said the following at Price's memorial service, “I did not learn a lot [from Price], I learned everything, everything I know. That was the impact he had on me.”

Motivator – Sinegal said on another occasion, “He motivated us to do our very best, not just because he had a formidable presence, but [because] we really did not want to let him down. We idolized the guy. We thought about him on a continual basis. What would he do? How would he handle the situation? And it influenced our lives.”

Employee Focus – Sol Price said the following in a FedMart employee bulletin, “You must feel confident that you are working for a fine and honest company ... You will be permitted, encouraged and sometimes even harassed into growing with the company to the limit of your ability ... We believe you should be paid the best wages in your community for the job you perform ... We believe you should be encouraged to express yourself freely and without fear of recrimination or retaliation.”

Robert Price said, “While he cared about giving a good return to shareholders, Sol cared deeply about the people he was serving, he genuinely hoped he could make their lives better.”

Risk Taker – Commenting on opening the first FedMart location, “Fortunately, most of us had backgrounds that were alien to retailing ... When we didn't know what we were doing, it only took \$50,000 to start a business. Five years later, when we were really experienced at running FedMart, it took \$5 million to open.”

For a more in depth look at Sol Price's life and legacy, please refer to *Sol Price: Retail Revolutionary & Social Innovator* written by Robert E. Price. The 220-plus page book is not available in general distribution or through online retailers like Amazon.com. If you are interested in purchasing a copy, mail a check for \$20 made out to the Price Family Charitable Fund to 7979 Ivanhoe Avenue, Suite 520, La Jolla, California, 92037.

Price Club History

Sol Price and his son, Robert, pioneered the warehouse club industry with the creation of Price Club. The first Price Club was opened in San Diego, California in 1976. After disappointing sales and operating results in the early 1990s, Price Club merged with Costco in 1993.

Corporate History

1950-1960 – In the early 1950s, Sol Price was an attorney with a law firm in San Diego. One of his clients sold watches to a members-only general merchandise retail chain called Fedco. Sol Price was so intrigued by the concept that he raised money from eight individual investors and from his law firm to open his own members-only general merchandise retail chain, Fed-Mart, in 1954. Over the years, Fed-Mart tested various services, such as gasoline stations, an in-store pharmacy, an in-store optical department and the sale of food products. By 1974, Fed-Mart had grown to 45 stores with annual sales of \$300 million.

1975 – Hugo Mann, a German company, bought Fed-Mart. Sol Price was fired in December after the second board meeting.

1975 – Robert Price conceived of the idea for Price Club while he, Sol Price and Larry Price (Robert's brother) were developing different ideas for their next business venture. The following year, the club industry was born.

1976 – Sol and Robert Price raised \$2.5 million from friends and family to open the first Price Club on July 12 in San Diego, California. Sol, Robert, Giles Bateman and Rick Libenson were responsible for the design, development and operations of that first Price Club. The Price Club was the first members-only wholesale club. At 102,000 square feet, that first Price Club was located in a building originally built in 1954 for Convair Corporation, an aircraft manufacturer (see picture on the right).



Price Club – Moreno Boulevard, San Diego

1980 – The Price Company went public in June on NASDAQ.

1992 – In the spring, Price Club and Costco executives met secretly to discuss merger possibilities. Although these discussions were abandoned, they did act as a precursor to future merger talks in 1993.

1993 – In April, Costco and Price Club began merger talks for the second time as both companies sought the efficiencies and leverage that a larger organization would provide. In June, Costco and Price Club announced an agreement to merge into a new holding company called PriceCostco. Costco shareholders would receive 52% and Price shareholders would receive 48%. The new company would have dual headquarters in Kirkland, Washington and San Diego, California.

Jim Sinegal, Costco's chief executive officer, would become president and chief executive officer of the new company and would be responsible for warehouse operations and merchandising, financial reporting and investor relations. Sinegal would manage those areas out of Costco's Kirkland offices. Robert Price would be chairman of PriceCostco and would be responsible for the Mexican joint venture, non-warehouse club real estate, expansion of Price Club Industries and development of business delivery. He would be based in Price Club's San Diego, California headquarters.

2009 – On December 14, Sol Price passed away at the age of 93 at his home in La Jolla, California.

Financial History

1977 – Price Club ended its first fiscal year with sales of \$13.3 million in its single San Diego location. The company produced a net loss of \$400,000. This was the only time that the Price Club would produce a fiscal year loss in its history.

1980 – Price Club ended its fiscal year with four clubs. Total sales more than doubled to \$148.3 million.

1983 – Fiscal year sales increased 74% to \$643.4 million. Average warehouse sales were over \$70 million annually, comparable sales increased 34%, gross margins were at 10.7% and the company had 950 million paid members.

1983 – The company's best-performing club generated over \$100 million per year in sales. The location generated \$1,000 in sales per square foot and turned its inventory 16 times per year.

1986 – Fiscal year sales were \$2.66 billion with net income of \$58.9 million (2.2% of sales). Comparable sales grew 22%.

1988 – Average sales per location were \$107 million, equivalent to sales of \$1,150 per square foot. There were two clubs that averaged close to \$200 million per year in sales or \$4 million per week. The company's average transaction was \$112.

1991 – Price Club's fiscal year sales increased 25% to \$6.76 billion. However, comparable warehouse sales increased only 3.7%. Due to an aggressive expansion program, operating income and net income decreased as a percent of overall sales.

1993 – Price Club's financial results deteriorated as comparable sales declined 8.9% and overall sales increased only 4%. Compared to the previous fiscal year, the company had six fewer clubs in operation.

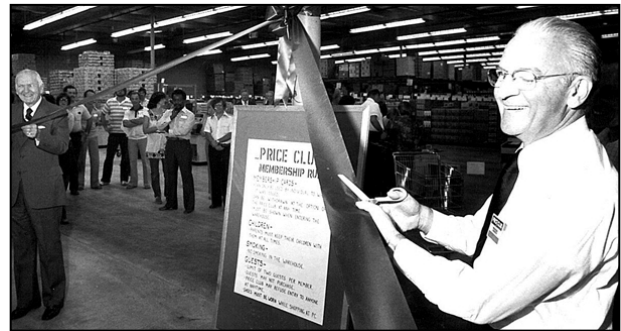
Location History

1978 – Price Club opened its second club in Phoenix, Arizona. Sol Price believed in a conservative expansion strategy. He wanted to understand and fine-tune his business.

1983 – Price Club opened its first locations in Los Angeles and in San Francisco, California.

1984 – Price Club entered two new markets with two clubs in Virginia and one club in New Mexico.

1986 – Price Club opened its first joint venture Canadian club in Montreal, Quebec in November. Price Club and Steinberg, Inc., its Canadian partner, would each own 50% of the venture.



Price Club – Sol Price at Second Club Opening

1990 – The company ended its fiscal year with 57 clubs. It opened its first clubs in Colorado, Pennsylvania and Rhode Island.

1991 – Price Club closed its Buffalo, New York location only a few months after its opening. This was the first time that Price Club had ever closed a location. Competition from a five-year-old BJ's and a new PACE location was too strong.

1992 – Price Club opened in Bensalem, Pennsylvania and Dallas, Texas, competing with Sam's Club for the first time.

1992 – Price Club faced additional competition in its home market of San Diego as Costco planned to open four clubs.

1992 – Price Club opened its first club in Mexico in a joint venture with Controladora Comercial Mexicana. It placed Price Club in another head-to-head battle with Sam's Club, which recently opened its first Mexican club through its own joint venture.

1993 – Price Club wanted to expand outside of North America in an effort to become an international retailer. Littlewoods Organization, PLC, a diversified United Kingdom retailer, purchased a small stake in a Price Club United Kingdom project.

1993 – Price Club closed recently opened locations in Dallas, Texas and Bensalem, Pennsylvania. Stiff competition from Sam's Club had forced the closure of these unprofitable clubs. Price Club closed four locations in the past two years.

Buying and Merchandising History

1976 – First week sales at its initial San Diego location were only \$32,000.

1976 – Libenson and another Price Club executive visited the first location in San Diego before it opened and mapped out Price Club's merchandising plan. During that time, they talked about where they had grown up. Libenson grew up near New York City and remembered a hot dog vendor who sold the best-tasting hot dogs he ever had. The other executive grew up in New England and caddied at a local golf course. He remembered how much he liked the kosher hot dogs that were sold at the golf club. The idea was born to have a hot dog cart with an umbrella stationed outside the club. Approximately two years later, Price Club struck a deal with Hebrew National to sell hot dogs at Price Club locations.

1983 – Some vendors refused to sell products to the Price Club because it sold merchandise for less than the manufacturers' suggested retail price. Sol Price believed that as Price Club continued to grow, these manufacturers would be forced to sell their products to Price Club, as the sales potential would be too difficult to ignore.

1983 – Price Club opened a photo processing plant, the company's first venture into manufacturing its own products.

1987 – Price Club added two member service departments: a pharmacy in its initial location in San Diego and an automobile buying program in which members purchased imported or domestic cars for less than the sticker price. Price Club negotiated the cost with the dealers and the dealers paid Price Club a monthly advertising fee.

1988 – Price Club announced the creation of Price Club Industries (PCI). This division would be responsible for three areas: entrepreneurial concepts, in-house product manufacturing and specialty operations. Specifically, the division's responsibilities included optical centers, gasoline stations, photo processing, ground meat packaging, automotive services and pharmacies.

1989 – Price Club opened two furnishing stores called Price Club Furnishings. The locations were 60,000 square feet and were located near existing clubs in Southern California. Merchandise included home and office furniture, televisions, plants, domestics and lighting fixtures.

1989 – Price Club tested one-hour photo processing at its club in Chula Vista, California. While many competing clubs offered photo processing, few offered one-hour service.

1989 – Since its inception, Price Club's SKU count had not wavered from an average of 3,500 products. Its buying and operational philosophies had not changed. Although consistency can be a good thing, other clubs were beginning to experiment with additional departments, such as frozen, refrigerated, bakery and fresh meat and deli. Innovations in the club industry were now being made by Price Club's competitors and Price Club would have to play catch-up.

1990 – Price Club tested more member services, such as office supply delivery, hearing aid centers and fresh-baked pizza.

1990 – Higher margin private label products had been introduced over the past couple years. Products included Gibson Gourmet Ranch ground beef, Hattie Brooks candy and ice cream and Club Classic clothing.

1990 – Price Club closed its two home furnishing locations in Southern California. Price Club did learn about merchandising home furnishing products even though these locations produced greater losses than anticipated.

1990 – Buyers were taught when a new item was introduced and volume was in doubt, the item should be priced as though it were purchased in the highest volume/lowest cost price bracket. If the product did not sell at the lowest possible retail, it would be discontinued. Buyers negotiated that low cost from the manufacturer with the belief that volume would follow.

1991 – Price Club finally expanded its assortment. New clubs were approximately 115,000 square feet and included pharmacy, optical, one-hour photo departments, a tire center and a Price Club café. It also began to incorporate the fresh bakery and meat departments. These new locations also included front-end scanning.

1991 – Price Club launched a special events program that featured expanded lines of merchandise and specialty items that were stocked in a club for a short period of time, usually three days to one week. This concept allowed Price Club to expand its merchandise without making an inventory investment, since Price Club paid only for merchandise that was sold.

1992 – Price Club introduced business delivery to members in California and Washington, DC.

1992 – Price Club tested the sale of postage stamps at below face value. The U.S. Post Office was seeking ways of lowering costs. The arrangement allowed Price Club to make a little profit and the Post Office saved money on distribution.

1992 – Price Club tested a 400 SKU assortment of hardware/home improvement items in its Northridge, California club.

1992 – Price Club's roll-out of fresh meat and bakery was successful. It planned to remodel existing clubs with these items.

1992 – Price Club's location in Dallas, Texas included: white paint along all of the walls and ceilings that provided an open and bright atmosphere, a technology department that featured telephones, business machines and Dell computers, a home entertainment sound room, a furniture department with beds and dressers and an interactive video shopping system that allowed members to order products that were not stocked in the club.

Membership History

1976 – Initially, Price Club allowed only businesses to become members. However, membership was eventually expanded to include public service employees, government employees and selected banks and financial institutions. This was done in order to increase traffic and sales in the San Diego location. Business, or wholesale, members were charged a \$25 yearly membership fee. Group, or retail, members were not charged an annual fee, but paid a 5% surcharge on all purchases.

1982 – Price Club had 770,000 paid members, which was an average of over 100,000 paid members per location.

1984 – Price Club implemented a \$15 consumer membership fee and continued to impose a 5% surcharge on purchases made by these members. Price Club said the additional membership revenue would be used to reduce margins by approximately 2%. The fee culled out "nickel and dime" members, increased average transactions, increased member loyalty and enhanced Price Club's low price image.

1985 – Price Club’s gross margins were reduced to 8.9% as a result of the \$15 retail membership fee. Those membership fees accounted for 2.0% of sales so Price Club’s overall gross margins remained in the 10% to 11% range. Price Club’s decision to charge a retail member fee worked; its retail prices were reduced and it produced the same overall gross margins.

1992 – In an effort to increase sales and its membership base, Price Club waived its membership requirements in certain markets. It gave its managers the authority to determine how restrictive to be on membership. This was indicative of the problems that Price Club was having in some markets.

Operations History

1976 – To keep gross margins low, Price Club focused on cost reduction and some of those innovations are still used today:

1. **Hours** – The club was open for only eight hours each day. Sol Price believed if the club stretched its hours of operation, it also stretched out sales. Also, with an eight-hour day, Price Club only paid employees for one shift.
2. **Cases** – Instead of buying shopping bags to pack members’ purchases, empty cases were used to pack product.
3. **Advertising** – Since Price Club sold only brand name merchandise, advertising costs were eliminated.
4. **Intelligent Loss of Sales** – If a vendor priced an item too high, Price Club would either find a substitute brand or would not stock that product.
5. **Locations** – To reduce land cost, clubs were located in out-of-the-way areas.
6. **Distribution** – There was no need for a central warehouse or distribution center. Concrete floors with high ceilings allowed for four levels of steel racks that held inventoried merchandise.
7. **Layout** – Wide aisles allowed forklifts to access shelves at all times of the day.
8. **Shipping Costs** – Merchandise was shipped directly to the club, which reduced shipping costs.
9. **Buying** – Price Club carried a wide variety of categories, but only stocked the top selling brands in each category.

1986 – Price Club paid its employees above-market wages. Price Club believed that if it paid well, it received better productivity, lower turnover and more experienced and knowledgeable employees.

1989 – Sol Price commented on the company’s financial and operational control. Price said, “Robert is a bear about trying to keep things simple. We’ve kept the corporate infrastructure lean and tried to erase status differences between management and other organizational levels. Everyone, including Robert, wears a name tag with his first name on it and we address each other by first name. No one has a fancy office with a couch or private toilet. The same philosophy applies to travel expenses. I never charge the company for any of my traveling expenses. When Roberts goes on a trip, he is very careful to reimburse the company the difference between first class and coach.”

1991 – Unlike other membership warehouses, Price Club’s non-management employees at the club level were part of a union. Price Club had always maintained good relations with the union, as its pay scale was above the national average.

Key Personnel

Sol Price – Born in 1916, Price graduated from San Diego State University in 1934 and earned a law degree from the University of Southern California. He was a partner in the law firm Price, Nottbusch, Cory & Schwartz. Unhappy with fair-trade laws that discouraged discounting, Price, at the age of 37, co-founded Fed-Mart, a membership only department store that catered to government employees and their families.

Price presided over Fed-Mart’s growth to a 45-store chain with annual sales of \$300 million. Price was elected to the Discounter Hall of Fame in 1988. In November, 2002, *Supermarket News* listed Price as one of its 50 food retailing visionaries of all-time. In December, 2012, *Supermarket News* inducted Price into its retailing Hall of Fame. Sol Price passed away in December, 2009.

Robert Price – Worked as an executive with his father, Sol Price, at Fed-Mart and left that company with his father in 1975. Robert Price was president of The Price Company and managed day-to-day operations. He eventually relinquished his role as president and was promoted to chairman of The Price Company in 1988. He later became chairman of PriceCostco when Price Club and Costco merged.

In 1994, eight months after the merger of Price Club and Costco, Robert Price and other former Price Club management were spun off into their own separate company called Price Enterprises. In 1997, Price Enterprises spun off its warehouse club operations into a company called PriceSmart. Robert Price is still involved with PriceSmart and serves as chairman of the board of directors.

Yearly Financial Chart

Thr Price Company		1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Sales, Income	Merchandise Sales (million)	\$13	\$28	\$63	\$147	\$227	\$366	\$633	\$1,141	\$1,834	\$2,590	\$3,236	\$4,054	\$4,901	\$5,287	\$6,598	\$7,320	\$7,649
	Membership Fees (million)	\$0	\$0	\$1	\$2	\$4	\$5	\$11	\$23	\$53	\$76	\$87	\$109	\$132	\$126	\$158	\$192	\$200
	Total Revenue (million)	\$13	\$28	\$63	\$148	\$231	\$371	\$643	\$1,164	\$1,887	\$2,667	\$3,323	\$4,162	\$5,033	\$5,412	\$6,756	\$7,512	\$7,848
	Operating Income (million)	n/a	n/a	n/a	n/a	\$9.1	\$15.8	\$26.6	\$52.3	\$80.7	\$102	\$127.0	\$146	\$182	\$199	\$214	\$223	\$202
	Net Income (million)	-\$0.4	\$0.7	\$1.1	\$3	\$5	\$8	\$15	\$29	\$46	\$59	\$73	\$95	\$117	\$125	\$134	\$129	\$114
	Operating Income vs Sales	n/a	n/a	n/a	n/a	3.9%	4.3%	4.1%	4.5%	4.3%	3.8%	3.8%	3.5%	3.6%	3.7%	3.2%	3.0%	2.6%
	Comparable Sales	n/a	n/a	n/a	n/a	n/a	n/a	34.0%	24.0%	22.0%	22.0%	12.0%	5.5%	14.4%	2.1%	3.7%	2.6%	-8.9%
	Membership Margin	n/a	n/a	n/a	n/a	10.4%	10.8%	10.7%	10.1%	9.4%	8.7%	8.9%	8.6%	8.6%	8.9%	8.9%	9.0%	9.0%
	United States Locations	1	1	2	4	4	7	11	15	21	25	32	41	44	57	69	81	75
Mexican Locations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	3	
Worldwide Locations	1	1	2	4	4	7	11	15	21	25	32	41	44	57	69	82	78	
Average Clubs Open During Year	1	1	2	3	4	6	9	13	18	23	29	37	43	51	63	76	80	
Yearly Sales/Avg Club (million)	\$13	\$28	\$42	\$49	\$57	\$67	\$70	\$88	\$102	\$113	\$114	\$111	\$115	\$105	\$105	\$97	\$96	
Avg Weekly Sales/Avg Club (million)	\$0.3	\$0.5	\$0.8	\$0.9	\$1.1	\$1.3	\$1.4	\$1.7	\$2.0	\$2.2	\$2.2	\$2.1	\$2.2	\$2.0	\$2.0	\$1.9	\$1.8	
Members	Paid Members (thousand)	n/a	n/a	n/a	n/a	n/a	770	950	1,375	1,220	1,700	1,960	2,200	2,600	2,900	3,650	4,050	3,950
	Average Members/Club (thousand)	n/a	n/a	n/a	n/a	n/a	140	106	106	68	74	69	60	61	57	58	54	49
	Average Annual Sales per Member	n/a	n/a	n/a	n/a	n/a	\$476	\$666	\$830	\$1,503	\$1,524	\$1,651	\$1,843	\$1,885	\$1,823	\$1,808	\$1,807	\$1,936
	Average Annual Member Fees	n/a	n/a	n/a	n/a	n/a	\$6	\$11	\$16	\$43	\$45	\$44	\$50	\$51	\$43	\$43	\$47	\$51
Growth	Merchandise Sales	n/a	113%	123%	134%	55%	61%	73%	80%	61%	41%	25%	25%	21%	8%	25%	11%	4%
	Membership Fees	n/a	200%	133%	157%	128%	15%	123%	114%	134%	45%	14%	26%	21%	-5%	25%	21%	4%
	Operating Income	n/a	n/a	n/a	n/a	n/a	74%	68%	97%	54%	26%	25%	15%	24%	10%	7%	4%	-10%
	Total Membership	n/a	n/a	n/a	n/a	n/a	n/a	23%	45%	-11%	39%	15%	12%	18%	12%	26%	11%	-2%
	Warehouse Count	n/a	0%	100%	100%	0%	75%	57%	36%	40%	19%	28%	28%	7%	30%	21%	17%	-7%

Financial information is based on company reports and WCF research. All efforts were made to assure accuracy.

Notes

Costco History

Corporate History

1954 – As a San Diego State University student, Jim Sinegal, co-founder and former president and chief executive officer of Costco, began working part time for Sol Price at Fed-Mart. Sinegal continued to work for Price for 24 years at Fed-Mart and Price Club.

1978 – Sinegal, who ultimately became an executive vice president at Price Club, left to pursue other opportunities.

1980 – Jeff Brotman, co-founder and chairman of the board of directors at Costco, was visiting Europe in the early 1980s and was intrigued by hypermarket retail stores that combined supermarket and general merchandise products. Brotman thought a hypermarket type operation would work well in the U.S. and networked to find a retail executive who could run the business.

1982 – Brotman, a University of Washington law school graduate who started a woman's apparel store and was an early investor in Starbucks, moved his family from the Northwest to San Diego, California to study Price Club's operation. During this time, Brotman met Sinegal and plans were developed to start a club in the Northwest.

1983 – Initially, the company was capitalized with credit cards and funds from the co-founders. Brotman said, "We were both all in. If we failed, we'd be broke." Eventually, they raised \$7.5 million from friends and acquaintances to open the first three locations. Sinegal and Brotman actually raised \$11 million but had to return \$3.5 million since the offering documents only reflected a \$7.5 million shareholder investment.

1985 – French retailer Carrefour purchased 20% of Costco's stock. In time, Carrefour executives would serve on Costco's board of directors, and Sinegal and Brotman would serve on Carrefour's board of directors.

1985 – Costco went public and raised \$29.8 million by offering 4.2 million shares at \$10 per share.

1992 – Secret merger talks began between Price Club and Costco, but were abandoned in the spring.

1993 – Costco, in a partnership with Littlewoods Organization and Carrefour, set up a joint venture to operate Costco locations in the United Kingdom. Costco owned 60% of the venture, while the other two companies owned 20% each.



Costco – Kirkland Signature Organic Tomato Sauce

1993 – Merger talks between Costco and Price Club started again in April, but faltered shortly thereafter. However, from May to June, merger discussions increased. Costco felt threatened by the large capital base and history of growth through acquisition by Sam's Club who could have potentially purchased Price Club or Costco making it the largest club operator.

Robert Price, chairman and chief executive officer of Price Club, and Sinegal preferred that their organizations remain part of an "extended family," rather than separately face Sam's Club. In June, the merger was announced to the public. A new holding company, called PriceCostco, was formed. Price Club and Costco would become subsidiaries of the company. Costco shareholders would receive 52% of the new company and Price shareholders would receive 48% of the new company.

1994 – In July, management of the former Price Club and Costco organizations agreed to disagree, citing "philosophical differences." Many former Price Club executives joined a separate public company called Price Enterprises. Price would become chief executive officer of Price Enterprises and Sinegal became chief executive officer of PriceCostco.

1996 – Carrefour sold its 19.5 million-share stake in PriceCostco. Carrefour wanted to concentrate on development of its hypermarkets on a worldwide scale and to avoid a potential conflict of interest with PriceCostco.

1997 – PriceCostco changed its name to Costco Companies, Inc. The company was traded on the NASDAQ under the symbol COST. All future locations would be called Costco Wholesale and all existing clubs would be converted to that name.

1998 – Costco and South Korea-based Shinsegae Department Stores were working under a licensing agreement in which Shinsegae operated two Price Clubs in South Korea. Shinsegae and Costco announced a new joint venture to be called Costco Wholesale Korea. The joint venture, capitalized with \$100 million, was 93.75% owned by Costco and 6.25% owned by Shinsegae. The joint venture purchased the two existing Price Clubs and a third location that would open in Taejeon.

2000 – Costco announced that it increased its ownership stake in its United Kingdom operation from 60% to 80%. Costco purchased Littlewoods' equity interest. Costco's UK division operated five locations in England and three in Scotland.

2003 – Costco purchased Carrefour's 20% interest in its United Kingdom division. With the purchase, Costco now owned 100% of its United Kingdom operation. Of Costco's 15 UK locations, three are located in Scotland and 12 are located in England.

2003 – Commenting on his smartest decision, in an interview with *The Motley Fool*, Sinegal said, "I think our smartest decision was the merger with Price Club. I think it was a difficult process but it turned out to be a great move for us. Not only did we get some very good businesses in there, but just as importantly, we got some great people and some great management that came along with the merger. I doubt that we could have grown to the size we have since that point if we hadn't picked up that very mature management team."

2006 – In an interview with *Advertising Age*, Joel Benoliel, senior vice president of membership and marketing at Costco at the time, commented on the company's lack of advertising. Benoliel said, "It's not our culture. It's like an addiction. Once you start, you can't stop ... When you increase this spending, you decrease profitability ... With us, marketing is really talking to our members. Marketing to us is completely different from the way other retailers view it. It's all about word of mouth."

2006 – Costco is constantly looking at all retail competitors. Sinegal said, "Everyone is on our radar, the Walmarts, the Targets, the other warehouse clubs, the home improvement stores, the office superstores and the leading supermarkets. We're continually looking at all our competitors – not just their pricing, but their new products and concepts as well."

2007 – *Supermarket News* named Sinegal to its retailing Hall of Fame. In an interview with the trade publication, Sinegal talked about his single greatest accomplishment. He said, "The greatest accomplishment I've made in my career is working with my partner [Jeff Brotman] to assemble the right team. Anything I've accomplished is a result of what they have done."

Sinegal went on to comment about Sol Price. Sinegal said, "Costco reflects everything I've learned in business over the years and Sol Price was certainly a big influence. I learned everything from him and I have a tremendous amount of respect for him ... Many of the things we do at Costco began back at Fed-Mart and Price Club and simply evolved, including the concept of membership, limited selection, pricing and the strong private label program."

2008 – In an article with the *New England Journal of Entrepreneurship*, Sinegal commented on his biggest concern running Costco. He said, "My answer is always that I worry most about maintaining the discipline necessary to do the business under the type of margins that we work on. I worry that we don't lose sight of what it is that got us to where we are and continue to keep the same values."

2008 – In an article with the *New England Journal of Entrepreneurship*, Sinegal commented on Costco's advertising policy. He said, "If you advertise, you have to raise the price of the merchandise, it is that simple ... We feel that the most successful type of advertising is word of mouth."

2009 – Costco purchased a 96,000 square foot office building less than a mile from its Issaquah, Washington headquarters. Costco does not currently have plans to use the space but sees a need in five to ten years.

2009 – On December 14, 2009, Sol Price passed away at the age of 93 at his home in La Jolla, California.

2010 – In January, Costco announced the appointment of Craig Jelinek as president and chief operating officer. Sinegal retains his role of chief executive officer. Jelinek, Sinegal, Brotman and Dick DiCerchio, senior executive vice president, will form an office of the president and coordinate major company issues.

2010 – DiCerchio retired from Costco in June. Sinegal said, "Dick has made invaluable contributions to the growth of our company, having spent twenty-seven years in all facets of our operations, culminating with his positions as senior executive vice president and a member of the board of directors. Under his leadership, the company has trained and developed a broad and deep team of executives across the globe."

2010 – In its July, 2010 issue, *Consumer Reports* asked readers to rank the best places to shop for "practically anything". More than 30,000 readers responded ranking eleven retailers based on value, service, checkout, returns, store problems, staff problems and merchandise quality. Costco was the top ranked retailer followed in order by Dillard's, Kohl's, JCPenney, Target, Sam's Club, Sears, Macy's, Meijer, Walmart and Kmart.

2011 – In August, Sinegal announced that effective January 1, 2012 he will retire as the company's chief executive officer and Jelinek will replace him assuming the role of president and chief executive officer. Sinegal will remain with Costco through January, 2013 and will continue to serve on the company's board of directors.

Sinegal said, "Costco has a very strong culture and a deep bench of management talent. I have total confidence in Craig's ability to handle his new responsibilities and feel we are fortunate as a company to have an executive of his caliber to succeed me as chief executive officer of Costco."

2011 – In June, the Associates of the University of Manitoba recognized Sinegal for their 2011 International Distinguished Entrepreneur Award (IDEA). Previous IDEA recipients include: Richard Branson, Akio Morita and Ross Perot.

2011 – In the September issue of *Supermarket News*, Jelinek commented on being named president and chief executive officer of Costco. Jelinek said, "This is not a company that's in trouble. So, there's no need to make a lot of changes ... We've always been open to trying things if they have been thought through. But our view is, we want to keep the business pretty much the way it is ... We will run the business to give the best possible value to our members, which means we want to be the last ones to raise prices. But we're not in business to get more margin and we will never sell below cost."



Costco – Duracell LED Flashlights

2012 – In January, Morningstar named Sinegal as its 2011 CEO of the Year.

2012 – In February, the editors of MMR awarded Sinegal with its Lifetime Achievement Award.

2012 – In June, Costco announced an agreement with Controladora Comercial Mexicana (CCM) to purchase its 50% share of Costco de Mexico (Costco's 32 location Mexican operation co-owned by Costco and CCM) for approximately \$760.4 million.

2013 – Despite operating completely different businesses, Costco and Amazon share some history and similar operations. Both are located in the Seattle, Washington market. Jeff Bezos, Amazon's founder and chief executive officer, was given advice from Sinegal during its early years. In addition, Amazon's two day shipping club called Prime is loosely based on Costco's premium executive membership program.

Costco executives follow Amazon and recognize that both companies share similar strategies such as a focus on building for the future. Brotman said, "[Amazon] doesn't have to make a profit or break even on [Prime]. He's building great loyalty with that, as we have with our executive membership." Paul Latham, vice president of membership, marketing and service at Costco, said, "We view Amazon as one of our primary competitors in almost every category. We all believe we are going to have to adapt in some form. [However] there's a recognition that at some point Amazon has to start making money. They can't continue on their current path of just pouring everything back into more infrastructure."

2013 – Vision Critical, a market research firm, surveyed 20,000 Americans weekly regarding their views on the financial prospects and brand/product perception on approximately 4,000 brands across a wide variety of categories. Costco, Cisco and Movado scored the highest on two key Vision Critical measures: whether a large portion of respondents who have not used the brand would "greatly consider" using it and whether respondents believe the brand has a "bigger future" beyond its current position.

2013 – A consumer survey from Net Promoter ranks an organization's customer service. The 2013 survey included 23,000 United States consumers. In the department and specialty store category, Costco ranked first for the fourth straight year. Respondents commented that they appreciated the shopping experience at Costco, the value it offered and rated the company's reputation as highest within the department and specialty store category.

2013 – According to a February article from *Chain Store Age*, Costco is ranked second behind Apple Computer in a list of best retailers to work for in the United States. The list was compiled by *The Retail Life* which is an online retail community developed by Headway Workforce Solutions. The criteria used to develop the rankings included: salaries, employee reviews, company pride, organizational values and culture, socialization and career advancement.

2013 – Jelinek supports recent legislation to raise the federal minimum wage gradually from its current level of \$7.25 to \$10.10. Once it reaches that plateau, annual increases tied to the cost of living would occur.

Jelinek said, "At Costco, we know that paying employees good wages makes good sense for business. We pay a starting hourly wage of \$11.50 in all states we do business, and we are still able to keep our overhead costs low. An important reason for the success of Costco's business model is the attraction and retention of great employees. Instead of minimizing wages, we know it's a lot more profitable in the long term to minimize employee turnover and maximize employee productivity, commitment and loyalty. We support efforts to increase the federal minimum wage."

2014 – Landor, a San Francisco, California-based brand consulting and design firm, released its annual Breakaway Brands® study which ranks rising brand strength over a three year period. Brand strength is determined using three years of consumer survey data from the Brand Asset Valuator database. Over 3,000 brands were analyzed. The only private label brand on the list is Costco's Kirkland Signature label. It is ranked ahead of Lea & Perrins, Bounty and Under Armour.

Financial History

1984 – With seven locations, Costco generated \$102.4 million in sales and acquired 75,000 members, but it produced an operating loss of \$3.7 million. Selling, general and administrative (SGA) expenses were 13.6% of sales.

1986 – Fiscal year sales more than doubled. This was Costco's first profitable year. It ended its fiscal year with 22 locations and 740,000 members. Comparable warehouse sales increased 28% and SGA expenses were reduced to 10.1% of sales.

1990 – Fiscal year sales surpassed \$4 billion. Comparable sales increased 20% and annual sales per club were \$70 million.

1993 – Costco's fiscal year results were disappointing. Net income declined 3.4% to \$113.4 million. Sales growth increased only 16%, comparable warehouse sales increased only 3% and expenses continued to grow as a percent of sales.

1995 – Fiscal year financial results improved. Total sales increased 11% to \$18.2 billion and comparable sales increased 2%. Operating income increased to 2.4% of sales and the company produced a net profit of \$134 million. PriceCostco ended the year with ten million paid members and annual sales per warehouse of just under \$80 million.

1998 – Fiscal year results were very strong. Sales increased 11% to \$23.83 billion, comparable warehouse sales increased 8%, operating income increased 36% to \$787.3 million and net income increased 47% to \$459.8 million.

2002 – Fiscal year sales increased 11.3% to \$37.99 billion and comparable sales increased 6%. Membership revenues increased 16.5% to \$769.4 million. Operating income increased 14.1% to \$1.13 billion and net income increased 16.3% to \$699.9 million.

2006 – Fiscal year merchandise sales increased 14% to \$58.96 billion and membership revenues increased 11% to \$1.19 billion. Comparable sales increased 8%. Operating income increased 10% to \$1.63 billion and net income increased 4% to \$1.10 billion. Gross margins decreased 8 basis points to 10.54%.

2009 – Fiscal year merchandise sales decreased 1.5% to \$70.98 billion and membership revenues increased 1.8% to \$1.53 billion. Comparable sales decreased 4%. Operating income decreased 9.8% to \$1.78 billion and net income decreased 15.4% to \$1.09 billion. Gross margins increased 56 basis points from 10.29% last year to 10.85% this year.

2011 – Fiscal year merchandise sales increased 14.2% to \$76.26 billion and membership revenues increased 10.4% to \$1.87 billion. Overall comparable sales increased 10% with United States locations increasing 7% and international locations increasing 16%. Operating income increased 17.4% to \$2.44 billion and net income increased 12.2% to \$1.46 billion.

2012 – In November, Costco's board of directors announced a special cash dividend of \$7.00 per share of common stock payable on December 18, 2012 to shareholders of record as of the close of business on December 10, 2012. The aggregate amount of Costco's dividend payment will be approximately \$3.0 billion. The company is taking advantage of low interest rates (at 1.7% and below) and borrowed money to pay the dividend.

2013 – Fiscal year merchandise sales increased 6.0% to \$102.87 billion and membership revenues increased 10.2% to \$2.29 billion. Overall comparable sales increased 6% with United States locations increasing 6% and international locations increasing 6%. Operating income increased 10.7% to \$3.05 billion and net income increased 19.4% to \$2.04 billion. Merchandise gross margins increased four basis points to 10.55%.

2014 – Costco reported that fiscal year merchandise sales increased 7.1% from \$102.87 billion last year to \$110.21 billion this year. Membership revenues increased 6.2% to \$2.43 billion and overall revenues increased 7.1% to \$112.64 billion. Operating income increased 5.2% to \$3.22 billion and net income increased 0.9% to \$2.06 billion. Merchandise gross margins increased four basis points from 10.62% last year to 10.66% this year.

2015 – Costco declared a special cash dividend of \$5 per share of common stock payable February 27, 2015 to shareholders of record as of the close of business on February 9, 2015. The total amount of the payout will be approximately \$2.2 billion and will be funded through cash and additional borrowings. Richard Galanti, Costco's executive vice president and chief financial officer, said, "Today's announcement of a \$5.00 special dividend is our latest step in returning capital to our shareholders while maintaining our conservative capital structure ... [and] while also preserving financial and operational flexibility to grow our business globally."

Location History

1983 – The decision to open in the Northwest was made because it was one of the least competitive markets in the country.

1983 – Costco opened its first three clubs in Seattle and Spokane, Washington and Portland, Oregon.

1983 – Although sales were modest at its first location in Seattle, within ten weeks, weekly sales hit \$1.4 million.

1984 – At the end of its first fiscal year, Costco had seven clubs in operation in the Pacific Northwest.

1985 – Costco's opened its first east coast location in Orlando, Florida as well as its first California locations in Fresno and Bakersfield. It also opened its first locations in Canada in Burnaby, British Columbia and in Edmonton, Alberta.

1987 – Costco opened 20 clubs, almost doubling its location count. Aggressive expansion did have drawbacks. Although sales increased 84% to \$1.40 billion, net income only increased 13.3% to \$5.1 million.



Costco – Tramontina ProLine Forks, Spoons

1987 – A fresh foods test (meat, bakery and produce) proved successful. These new departments required additional space and future locations would need to be approximately 120,000 square feet.

1988 – Costco closed its three Midwest locations in Minneapolis and Milwaukee. These locations were unprofitable and, after Costco had tried different marketing techniques to improve business, it decided to leave the market.

1990 – At year's end, Costco operated 69 clubs compared to Sam's with 147, Price Club with 64 and PACE with 59.

1990 – Its first Massachusetts locations were opened in West Springfield and Danvers.

1990 – Costco closed three unprofitable locations in Florida but continued to operate nine clubs in the state.

1992 – Costco's Hawaiian club was its most productive with annual sales of \$200 million.

1992 – Costco cannibalized sales at its own clubs to secure existing markets. When the sales volume of a particular club reached a maximum level, Costco would open a new club nearby to take pressure off the higher volume location. While the new club took away business, Costco increased its market share, reinforced its position in the market and made it more difficult for competitors to open locations.

1993 – Costco opened its first three mini clubs in Oregon, Washington and Montana. These clubs averaged 75,000 square feet, stocked 3,200 products, required a market population 50,000 to 100,000 people and had a breakeven of \$25 million annually, compared to \$40 to \$50 million annually at an average location. Merchandise margins for these mini locations were slightly higher than for a regular Costco.

1993 – Costco opened its first United Kingdom location in Thurrock.

1994 – PriceCostco closed eight unprofitable locations setting the company up for improved financial results.

1994 – The first PriceCostco location in South Korea was opened in Seoul under a license agreement with Shinsegae Limited. Shinsegae owned 100% of the operation, but paid a licensing fee to PriceCostco. The location was five stories high and was fitted with escalators capable of carrying shopping carts. First-year sales at this location approached \$175 million.

1995 – The United Kingdom division opened two new clubs in Glasgow, Scotland and Liverpool, England. The company now operated four clubs in the United Kingdom.

1996 – PriceCostco converted its location in Lynnwood, Washington to a new format called the Business Center. The business member focused club stocked 4,500 items but had a catalog listing an additional 22,000 items.

1997 – Costco opened a new location in Kaohsiung, Taiwan. The club had five levels, three of which were for parking. This club was a joint venture with President Department Stores. Costco owned 60% of the venture and President owned 40%.

1997 – Costco purchased seven Home Quarters home improvement stores in Detroit, Michigan for \$60 million. Costco converted five buildings to a warehouse club and sold two.

1999 – Costco opened its first location in Japan. The 140,000 square foot club, located in Hisayama, one of Japan's largest cities, was one of two main anchor tenants in the country's largest retail shopping center. First-year sales were projected at approximately 7.2 billion yen, or \$60 million.

2000 – For the first time, Costco reported an average club location generated \$100 million per year in sales.

2000 – Costco opened its first two locations in Texas in Plano and Fort Worth.

2002 – Sinegal, in an interview with *Money Magazine*, commented on expansion at Costco. "There are lots of places for us to grow. We currently have 286 clubs in 36 states in the U.S. I think we could easily double that. One thing we probably underestimated is market penetration. When we did our original business plan for the Puget Sound [Seattle, Washington] area, for example, we figured on four to five units; today we have 14 units doing over \$2 billion in business."

2002 – Costco is researching potential locations in Northern Ireland and Europe. Jim Murphy, Costco's senior vice president in Europe at the time, said, "We are interested in a number of sites in Northern Ireland, and are out there talking to people in France, Germany, Spain, Italy and Poland."

2002 – Costco opened its first Costco Home furniture store in Kirkland, Washington. Sinegal told *The Seattle Times*, "We experiment with stuff all the time. What we don't know is whether it will have a sufficient enough appeal that we would want to roll this out to other communities. The question is whether home furnishings without the allure of all the other things at Costco can be as successful in a free-standing furniture place."

2004 – Costco opened its second Costco Home furniture store in Tempe, Arizona. The location is next to an existing Costco.

2005 – Costco generated average annual worldwide sales of \$120 million per club.

2005 – In an article in *The Ottawa Citizen*, Louise Wendling, senior vice president and general manager of Costco Canada at the time, said, "I think Canada could easily support 100 stores."

2006 – On December 13, Costco's location in Burbank, California generated \$1.7 million in sales and on December 22, Costco's location in Issaquah, Washington generated \$1.67 million in sales. Those single day sales, at the time, were records.

2006 – Costco's new location in Vancouver, British Columbia is the company's second urban location in North America. The club is built on top of a two level parking garage and under a four story, 900-unit luxury condominium complex. Sinegal said, "If we can do it here, we can see where it could have applications in other cities like Manhattan and Chicago."

2006 – Costco's new location in Hillsboro, Oregon, one of Costco's largest, is being used to test products and merchandising concepts. Costco added a number of fresh food items, expanded its cheese and prepared food selection, offered an assortment of bulk flowers for local florist shops and dedicated 45,000 square feet to home furnishings.

2007 – At the company's annual meeting, Sinegal commented on the company's future. Sinegal believes Costco can expand from its current location count of 504 to 1,025 locations worldwide.

2009 – Costco opened its first location in Australia in Sydney in August. Opening day sales were \$841,000 (U.S. dollars); Costco's best opening day sales for a new country.

2009 – Costco opened its sixth business center in Hawthorne, California.

2009 – Costco closed its two Costco Home furniture locations. Sinegal said, "Costco Home has been a valuable experiment for us ... and [we] learned a great deal about home furnishings ... The current economic slowdown and resulting weakness in the home furnishings business ... have led us to conclude that the single-format Costco Home concept does not fit into our long-term expansion plans."

2009 – In July, Costco opened three Asian locations in Japan, Korea and Taiwan. Each location generated more than \$700,000 (U.S. dollars) in sales on opening day and membership signups were especially strong.

2010 – To continue its expansion plans nationally, Costco will be more receptive to locating its clubs in shopping mall locations. Brotman said, "Our preference is to never be in a mall or by a mall but in metro areas there is just not that much land, and we still want to expand ... With no meaningful department store consolidation and a lot of weak players out there, mall owners are starting to think of alternatives to the traditional."

2011 – In March, the Japanese earthquake and tsunami caused the collapse of a parking ramp at Costco's location in Takasaki, Japan. Unfortunately, two customers passed away. Costco closed its Takasaki location for several months to ensure the location sustained no structural damage. Costco's eight other Japanese locations remained open.

2011 – According to Costco's 2011 annual report, the company is evaluating expansion to additional countries to help it realize its goal of operating 1,000 locations in the next 10 to 12 years.

2011 – According to Costco's 2011 annual report, the number of Costco locations generating annual sales of more than \$200 million annually increased from 56 in 2010 to 93 in 2011. For the first time, four Costco locations generate sales of more than \$300 million annually including one that generates \$400 million per year.

2011 – The average annualized sales of locations opened in 2011 was \$103 million, the highest figure ever for Costco.

2011 – The average sales per worldwide club increased from \$139 million in 2010 to \$146 million in 2011.

2012 – Costco had one location that generated \$400 million in sales annually, six locations that generated annual sales between \$300 million and \$399 million, 25 locations that generated annual sales between \$250 million and \$299 million (17 at the end of fiscal 2011) and 94 locations that generated annual sales between \$200 million and \$249 million (72 at the end of fiscal 2011).

2012 – Galanti commented on Costco's plans for Europe. He said, "If all goes well, maybe we'll have ... five years from now, five or six in Europe or eight on the outside ... That's if it continues to progress. There's still a few hurdles to get over ... We will be there is my sense but it will take time."

2012 – Average annual sales per club increased 7% from \$146 million last year to \$154 million this year equating to \$2.96 million per week or \$423,000 per day.

2012 – In 2013, Costco will open its second location in Melbourne and its fourth in Australia. The location will be in Ringwood. Patrick Noone, vice president and Australian country manager at Costco, commented on Costco's long term opportunity in Australia, "We're very interested in Brisbane and Adelaide ... so we've got a lot on the go right now. Then in Sydney, we're looking at another location, too ... There's lots of other opportunities around Sydney, in the north and south and west."

2012 – Costco's ninth business center was opened in August in Morrow, Georgia. Costco converted its existing location in Morrow (1700 Mount Zion Road) to its business center format.

2013 – During the company's first quarter conference call, Galanti commented on Costco's plans to increase the number of new locations it opens annually the next few years to between 30 and 35. He said, "I think five years ago, when we were averaging something in the low 20s, our goal was to see, you know, can we get it up to 30. And we feel pretty comfortable, as I indicated in the last few calls, that both this year and over the next three or four years some number in the low to mid 30s [is something] we feel pretty good about, hopefully starting at 30 and ending at 35 in a few years. And so that strains you a little bit, because you don't want to move some of those people. If anything, we've devoted more people to those areas. ... Five years from now certainly something north of that, assuming the opportunities out there present themselves is certainly [a possibility]."

2014 – In its 2015 fiscal year, Costco plans to open 31 new locations and relocate an additional four clubs. Of the 31 new locations, 19 will be in the United States and 12 will be international (three in Korea, two each in Mexico and Japan and one each in Canada, the United Kingdom, Taiwan, Australia and Spain).

2014 – Costco opened its first location in Spain in Seville (the country's fourth largest city) on May 15, 2014. There are approximately 1.3 million people within a 30 minute drive of the location with many small businesses and Portugal is a 90 minute drive away. The Seville market, however, has a 34% jobless rate. The 145,000 square foot warehouse employs 250 people. Costco received more than 148,000 applications for those positions. Costco's average annual starting salary at \$25,000 is more than twice Spain's minimum wage. Prior to the opening, Costco signed up 14,000 members.

2014 – Costco is planning to open a second Spanish location in Madrid, the capital of Spain and its largest city. The Madrid location could open in 2015.

Buying and Merchandising History

1983 – Costco concentrated on selling non-perishable food, hardlines and softlines merchandise. It operated on gross margins of 9% to 11% and limited merchandise selection to approximately 3,500 items.

1983 – Costco focused on purchasing brand-name products. This emphasis on brand names accomplished three things: brand names project a quality image, they offer purchasing flexibility as limited SKUs create a backlog of well known items and brand-name products have large advertising budgets so Costco did not have to pay to promote those products.

1985 – Costco's first hotdog cart opened. The price for a hotdog and soda was \$1.50.

1986 – Costco tested a pharmacy in its Portland, Oregon club. After the test proved successful, Costco made the decision to expand the department into other clubs. Pharmacy departments increased repeat traffic, as well as impulse purchases.

1986 – Costco tested fresh meat, a scratch bakery and produce departments. Sinegal believed these departments, staffed with butchers and bakers on the premises would increase repeat traffic.

1988 – Costco expanded its fresh food department to two more locations in California. It also continued to expand its pharmacy department and, by the end of the year, 23 clubs contained pharmacies. Costco also experimented with optical departments by testing them in four locations. The optical departments had optometrists on site to fill eyeglass prescriptions.

1989 – Seattle First National Bank opened a test branch in Costco's Federal Way, Washington location. The branch was open seven days a week. However, the test was eventually discontinued due to unsatisfactory results.



Costco – Organic Sourdough Bread

1989 – Costco's first one-hour photo shop opened in Chula Vista, California.

1990 – In a vendor letter, Costco reiterated its policy of not accepting gratuities. Costco did not want to allow its company to become compromised in its business dealings and felt that acceptance of gratuities could impair employee judgment.

1990 – The fresh food departments contributed 8% of company sales. Due to the fresh food success, Sinegal said that the company planned to add the departments to all locations by the end of 1991.

1991 – Costco opened a 31,000-square-foot home improvement center within its Tukwila, Washington club. Costco stocked 800 to 1,000 items including lumber, building materials, electrical supplies, power tools and lighting. The test, which was discontinued, enabled Costco to find items to add to all its locations.

1992 – Costco tested 15-count muffin packages in its scratch bakery. Normally, Costco sold muffins in 12-count packages, but believed members would recognize the better value of a 15-count package.

1993 – Pharmacy sales were strong. Some locations generated \$4 million per year in only 900 square feet.

1994 – Costco opened its first hearing aid center.

1995 – PriceCostco introduced a coupon program called passport. The vendor funded booklet was sent to 11 million members. It offered off-register savings of approximately 20% on a different group of items weekly from June to September.

1995 – PriceCostco tested a self-service gasoline station in Arizona. The station offered savings of 8 to 14 cents per gallon.

1995 – The company introduced its web site, www.pricecostco.com. (This would later be changed to www.costco.com.) The site contained information about PriceCostco but did not offer merchandise for sale.

1995 – PriceCostco introduced a premium private label brand called Kirkland Signature.

1996 – PriceCostco continued to modify its fresh food program and tested deli trays, rotisserie chicken and ready-to-cook meals. All rotisserie chickens unsold after one hour of display were thrown away. This exceeded state and federal guidelines.

1996 – PriceCostco changed the format of its monthly magazine, the *PriceCostco Connection*, to a glossy style. (This would later be changed to *The Costco Connection*.) The magazine was the primary advertising vehicle for vendors.

1996 – PriceCostco tested a private label credit card that doubled as a membership card. The credit card featured a 1% rebate on purchases and could only be used at PriceCostco. Private label credit card sales were 25% higher than cash sales.

1996 – PriceCostco created a member service department whose mission was to develop services for its members.

- 1997** – Gasoline station sales averaged \$8 million to \$11 million annually. This was equivalent, at the time, to an average of 6 to 8 million gallons of gas sold per year per club (an average Mobile station at the time sold an average of 1.5 million gallons annually).
- 1998** – Private label merchandise accounted for 11% of total sales. Costco believed that this figure could grow to at least 15%.
- 1998** – According to the American Petroleum Institute, Costco surveyed members in four locations in California, Arizona and New Mexico. It found that more than half of its members would renew their membership just because the company sold gas.
- 1998** – Costco's Kirkland Signature brand name was printed along with the Tyson name and brand on frozen boneless skinless chicken breast packages. By placing the Kirkland Signature name on one of the best-selling staple food items, Costco was able to associate the Kirkland Signature label with the quality of Tyson.
- 1998** – Costco's web site (www.costco.com) received a complete overhaul during the year. The focus of the new site was on selling products online and included items that were not stocked in the club locations.
- 1999** – Costco's average transaction was \$98, up from the \$90 to \$92 range three years ago.
- 1999** – Costco's ancillary businesses generated \$1.79 billion in sales, a 36% increase over last year's figure.
- 1999** – After 15 years of negotiations, Whirlpool and Costco came to an agreement under which the club would stock Whirlpool products. The 17 "white goods" would be sold under the name Kirkland Signature by Whirlpool.
- 1999** – Costco's, Tukwila Washington location added special-order kiosks, located directly in front of the hardlines department, near the club entrance. The kiosks offered discounted prices on carpeting, window fashions, blinds and kitchen cabinets.
- 1999** – The average transaction on Costco's web site was \$200.
- 2000** – Costco instituted a new rebate program. Products will have rebate signs hanging above the items on the warehouse floor. When a member pays for a product that has a rebate, the register will automatically print a submission form. After the submission form is mailed by the member, a check will arrive in two to four weeks.
- 2001** – In its 2000 fiscal year, Costco sold over 50,000 carats of diamonds and its extra virgin olive oil sales represented 15% of total extra virgin olive oil sales in the United States.
- 2001** – David Andrew, Costco's director of wine (at the time), said that fine wine sales increased 42% compared to last year. Costco is the country's largest retailer of Dom Perignon champagne and Bordeaux wine.
- 2001** – Costco's new business-to-business area on its web site offers delivery (via company trucks) in Seattle, Washington and Los Angeles and San Francisco, California and national delivery by common carrier is available in the rest of the country.
- 2001** – Costco generated annual web site sales of \$76 million, a 43% increase compared to last year.
- 2001** – Costco's private label sales represented 13% to 14% of overall sales and the company plans for private label to account for 18% to 20% of overall sales within a few years.
- 2002** – Costco began selling gift/cash cards. Each card can hold up to \$500. The gift cards will replace paper gift certificates. Last year, the company sold \$40 million in gift certificates.
- 2002** – Costco formed national buying committees comprised of executives and buyers from each region. The buying committees would purchase select items nationally from up to 24 food and sundry categories.
- 2002** – Costco released its own cookbook called *Entertaining the Costco Way*. There are more than 300 recipes, tips and decorating ideas gathered from Costco employees, suppliers, members and celebrity chefs. This is Costco's first book.
- 2002** – Costco began to sell wine on its web site. Product selection includes champagne, domestic red, domestic white and Italian, French, Australian, Spanish, Chilean and New Zealand imports. Costco can currently only deliver wine to California.
- 2003** – Costco works to create strong vendor partnerships. Jonathan Ziegler, a financial analyst, said, "This [partnership] includes everything from working with suppliers on how a product is packaged, reducing shrinkage and bruising of produce and fruit, to creating new uses for products that all work to drop Costco's cost. Costco has worked with vendors to find other outlets, such as other uses for dark meat, so the vendor can charge Costco less for white meat."

- 2003** – Brotman, commenting on Costco's merchandise philosophy, said, "We don't want to put the eggs up front. We want to put the eggs in the back. When you go to pick up the eggs, you're going to see the Waterford Crystal and the flat-screen televisions and things like that. It's designed to be discovered."
- 2003** – Sam's aggressive pricing philosophy during the year has been most prevalent in the Midwest, Texas and Southeast regions and it has focused on key commodity items and the top 100 over-the-counter drugs. Sinegal said that this is the most aggressive pricing posture that he has seen Sam's utilize but reiterated that Costco has zero tolerance for vendors who do not provide Costco with the lowest possible prices. Sinegal said, "[Vendors should] consistently and voluntarily quote Costco the lowest price or at least provide alternatives for purchasing the lowest price [otherwise] they will be discontinued."
- 2004** – Costco added California Closet kiosks in more than 100 clubs. Anthony Vidergauz, president and chief executive officer of California Closets, said, "Given that 94% of Costco members are homeowners with an above average median household income, we believe this sophisticated and affluent market is perfectly aligned with the ideal California Closet client."
- 2004** – Costco's location in Citrus Heights, California included an outdoor garden center. The garden center stocked approximately 98 garden, tree, shrub, fruit tree and plant SKUs.
- 2004** – Costco began selling caskets from Universal Caskets online and through its kiosk program. The caskets come in different colors, are made of 18-gauge steel (medium weight for caskets) and can be delivered within 48 hours.
- 2004** – Costco's web site generated \$388 million, a 64% increase in sales compared to last fiscal year. Only 12% of Costco cardholders are registered on its web site and only 3% have made a purchase. The average web site sale is \$276.
- 2004** – A Citigroup Smith Barney financial analyst report said Costco is the world's largest retailer of VS1 quality diamonds.
- 2004** – Costco has begun stocking Kirkland Signature wine.
- 2005** – Costco introduced a line of Kirkland Signature frozen shrimp. Two of the biggest issues in deciding what manufacturer to choose were how quickly and efficiently shrimp moved from the pond (the place where they are grown) to the processor and whether sodium tripolyphosphate (STTP) is used in the processing. STTP replaces water lost during the freezing process and it unnaturally inflates the shrimp's weight. The manufacturer that Costco chose takes the shrimp directly from the pond to the processor and will not use any preservatives like STTP.
- 2005** – Last year, Costco sold approximately 22 million rotisserie chickens. The manager of one of Costco's locations in Nevada said, "[Members] use them for events and picnics and entertaining at parties and office parties ... At this building, in particular, we get a lot of food service or catering-type companies that purchase them."
- 2005** – A frozen food supplier mistakenly sent Costco an invoice meant for Sam's Club, which showed Sam's receiving lower prices. Sinegal said, "We have not brought that supplier back. We have to be competitive in the toughest marketplace in the world against the biggest competitor in the world. We cannot afford to be timid."
- 2005** – Costco and IRI announced that it is expanding the Costco Collaborative Retail Exchange (CRX) to all food and non-food departments. The program provides the industry's only direct, real-time interactive access to Costco's item sales.
- 2005** – Costco's new private label cosmetic line is manufactured by Borghese (a high-end skincare company). Costco created a kiosk where all the Kirkland Signature by Borghese SKUs are stocked.
- 2006** – Costco opened a car wash at its location in Seattle, Washington. The \$7.99 car wash cost included a tire shine and undercarriage and full body wash.
- 2006** – Costco's Kirkland Signature wine program is constantly changing. Annette Alvarez-Peters, Costco's national director of wine, spirits and beer, said, "I no longer call this a program but a series since we are offering so many collectible wines. All wines selected for the series must represent true expressions of their origins, embody the best of a wine region, come from leading varietals and exceed member expectations."
- 2006** – Costco's interest in organic items is growing. Costco and Anderson Daymon Worldwide hosted 58 organic and natural food and non-food vendors at the company's corporate office in Issaquah, Washington.
- 2006** – Web site sales will surpass \$1.0 billion in fiscal 2007 and will reach \$5.0 billion in five years.
- 2006** – Costco and Stonyfield Farm introduced a Kirkland Signature by Stonyfield Farm organic smoothie. Gary Hirshberg, president and chief executive officer of Stonyfield Farm, said, "I haven't found a retailer in America who seems as similar to us in this unrelenting focus on quality and value."

2006 – Seven Costco locations in California began selling toll road transponders. The transponders, which were available at no charge from the toll-road agency, cost \$44.98 at Costco. Purchasers receive a \$50 credit for future toll charges

2006 – Since Costco now discards rotisserie chickens after two hours, it developed two new items, chicken soup and chicken burritos, which use the still fresh meat. The new items, where they are being sold, have become so successful that sales exceed the use of discarded rotisserie chickens.

2006 – Costco introduced Kirkland Signature private label travel packages.

2006 – Approximately, 70% of Costco's online merchandise is shipped directly from the vendor to the Costco member. That enables Costco to operate just one online distribution center that has 80,000 square feet of space.

2006 – Costco's web site assortment is limited just like its in-club selection. Ginnie Roeglin, senior vice president of e-commerce and publishing at Costco at the time, said, "We will never have hundreds of thousands of SKUs. We have the same discipline online as we do in the warehouse, and you cannot really be the best at what you are doing if you have too much to manage."



Costco – Park City Mountain Resort Gift Card

2006 – Costco introduced Kirkland Signature vodka. It is distilled by a master distiller in Cognac, France, uses wheat from northern France, uses water from a nearby spring, it is distilled five times and it is sent through two filtration systems.

2006 – According to the company's annual report, 11% of organic milk and 40% of Tuscan olive oil sold in the United States was purchased at Costco.

2006 – In an interview with *The Motley Fool*, Sinegal commented on Costco's value proposition. He said, "When we sell someone a 40-inch television set, it is going to be fully loaded with all the latest features ... They can expect that they are going to probably spend as much money as they expected for a 40-inch television set, but they are going to get one of the best brands and one of the best featured sets ... That is where the value concept comes in."

2006 – Costco began selling magazines at locations nationwide. Costco created a magazine pallet program that holds a number of different magazine titles including *Men's Health*, *Fortune*, *Business Week*, *Architectural Digest*, *Rolling Stone*, *Newsweek*, *GQ* and *Glamour*. Members can purchase any magazine in the display for a 30% discount off the cover price.

2006 – Private label merchandise represented approximately 16% of overall sales and Costco believes that number could rise to 25% in the next few years.

2006 – Costco sold more than 1.5 million televisions and \$300 million worth of digital cameras. Additionally, the company filled 26.3 million prescriptions, sold two million pairs of eyeglasses, served 63 million hot dog and soda food court combinations, \$500 million worth of seafood globally, 28 million rotisserie chickens in the United States and Canada, \$805 million worth of wine and 96,000 karats of diamonds.

2007 – Costco released the first edition of the *Costco Household Almanac*, a vendor-advertisement book. In the publisher's section, David Fuller, Costco's publisher, said, "The *Household Almanac* has a simple two-part mission: to assist members in judging the quality of a product or service and to help members get the most out of their purchases."

2007 – Web site sales increased 36% to \$1.2 billion.

2007 – One of the ways that Costco is managing its inventory growth per location is reducing its product assortment. Compared to a year ago, Costco reduced its product assortment by 150 to 200 SKUs.

2008 – At its annual meeting, Costco said it will increase the number of organic items sold under its Kirkland Signature brand.

2008 – Costco is expanding its CRX program to Canada. Ed Maron, executive vice president at Costco at the time, said, "The CRX program offers our vendor community standard, secure access to the most current and detailed information about their business at Costco Wholesale. Through this service, IRI has demonstrated both the value of their innovative technology and their industry expertise by transforming our POS information into actionable business insights for our partners."

2008 – Web site sales increased 34% to \$1.7 billion.

- 2009** – Costco eliminated its passport and wallet coupon programs and now offers eleven multi-vendor mailers. The sales impact from the passport and wallet has decreased and Costco no longer wanted to announce its promotional plans two to three months in advance. Costco will increase the coupon run-time from 14 days currently to 21 days.
- 2009** – Costco's new Kirkland Signature all-beef hot dog replaced the kosher hot dog used in many food court locations nationally. Annual hot dog sales reached 90 million in 2009 and one of Costco's two kosher hot dog suppliers exited the kosher meat business. The remaining kosher hot dog supplier was not capable of supplying Costco nationally.
- 2009** – Private label penetration approached 20% with food and sundry private label penetration at approximately 23%.
- 2009** – Costco.com began offering a "Bill Me Later" service enabling members to pay for items without using a credit card.
- 2009** – Costco's location in Lawrence, New York stocked glatt kosher meat (the highest standard). Adam Self, general manager in Lawrence at the time, said, "The response has been overwhelming ... There's definitely an uptick in new Costco memberships and sales since we made the move to more glatt products."
- 2009** – Fiscal year web site sales in Costco and Canada decreased from \$1.7 billion last year to \$1.6 billion this year.
- 2009** – Costco's automotive program referred between 600,000 and 700,000 member requests to its 1,800 participating dealerships. More than 40% of those referrals turn into sales.
- 2010** – Costco introduced an art and image gallery as part of its online photo center. In partnership with Corbis, the art and image gallery offers access to more than 20,000 high quality images of fine art, photography and illustrations. The featured categories include: museum collections, photography, art and décor, children's art and sports.
- 2010** – Costco was named Sustainable Grocer of the Year by Sustainablegrocer.com. Costco received the award due to its energy reduction efforts, its branded and private label organic food assortment, recycling programs, private label philosophy, corporate social awareness and constant attention to using sustainable packaging materials.
- 2010** – Costco updated its sustainable seafood sourcing policy. Going forward, Costco will no longer purchase the following seven wild fish species that have been identified as at great risk of collapsing due to over-fishing: Atlantic cod, Atlantic halibut, Chilean sea bass, orange roughy, shark, swordfish and blue fin tuna.
- 2010** – According to the May, 2010 issue of *The Costco Connection*, the top selling item in Costco's produce department is strawberries. Last year, Costco sold more than 95 million pounds of strawberries.
- 2010** – According to Dr. James Marsden of Kansas State University, Costco's beef standards are the most stringent in retail. In addition to its beef specifications, Costco tests all trim as it arrives in Tracy, California, its processing plant. Craig Wilson, assistant vice president of quality assurance and food safety at Costco, said, "We don't allow a shipment of ground beef to go out the door without that lab testing." Costco is working on a new program that will allow it to track any package of ground beef it sells. Wilson said, "We'll be able to identify even the cows the trim came from in a package of ground beef."
- 2010** – Costco signed a ten year agreement with Tokaj Kereskedőház, a state-owned wine trader in Hungary, to purchase Tokaji dessert wine. Costco will buy 250,000 bottles annually, approximately 10% of Hungary's wine exports into the United States.
- 2010** – At the beginning of the economic downturn in 2009, Galanti said Costco was worried about two things: renewal rates and shopping frequency. He said, "The one thing that increased dramatically over the last 12 or 14 months was the frequency of shoppers. Were people spending less? Yes ... But whatever the level of sales decline, it was less [for Costco] than it was for traditional retailers."
- 2010** – Costco sold 283,000 cases of Kirkland Signature wine.
- 2010** – In terms of gross sales, Kirkland Signature bath tissue is Costco's top item with global sales approaching \$500 million annually. It is purchased by approximately 50% of Costco members.
- 2010** – In terms of units/cases sold, the Kirkland Signature ½ liter bottled water case is third behind the food court hot dog and bananas. Costco sells two cases of private label bottled water for every case of branded bottle water.
- 2010** – Approximately 50% of the raw vanilla for the Kirkland Signature 16-ounce bottle of pure vanilla is purchased from Uganda. Costco purchases 33% of Uganda's annual vanilla crop under its fair trade sustainable program. Costco will sell approximately two million bottles of pure vanilla in fiscal 2011.

2011 – Costco negotiated a 15% discount on automotive parts, labor and accessories for members when they have vehicles serviced at participating auto dealerships. A Costco representative said the 15% discount program provides participating dealers access to business post sale.

2011 – According to Costco's 2011 annual report, the company believes it has the capability to grow its penetration of Kirkland Signature merchandise to approximately 30% over the next several years.

2011 – Voters in Washington State ended 78 years of state-controlled liquor sales by passing Initiative 1183 with 60% of the vote. The measure was strongly backed by Costco which contributed more than \$20 million of the \$22.7 million raised by the initiative's supporters.

2011 – Costco began selling a line of Craftsman tools, which is a Sears Holdings brand. The assortment included power tools, hand tools and tool storage units. Kris Malkoski, vice president and general manager of the Craftsman brand, said, "As we externalize the brand, we're trying to be thoughtful about reaching shoppers we aren't reaching at Sears today. It's an opportunity to bring the equity of this product to households that aren't going to Sears."

2011 – At the end of its 2011 fiscal year, Costco operated 529 in-club pharmacies which generated approximately \$4.1 billion in sales. The company is constantly trying to raise member awareness of its pharmacies. One area which Costco has focused on is adult vaccinations. More than 500 pharmacies in 25 states are certified to offer a variety of vaccinations that include: two types of hepatitis, pneumonia, shingles, tetanus and human papilloma virus (HPV). Costco also offers flu shots which are administered by third party providers.

2011 – At the end of its 2011 fiscal year, Costco operated 574 optical centers which generated approximately \$850 million in sales. Costco's optical business is supported by two optical production labs in National City, California (approximately 380 employees) and Tukwila, Washington (approximately 400 employees) and one optical distribution center (approximately 60 employees) also in the National City facility. The production facilities operate 24 hours a day and fill approximately 7,000 orders daily.

2012 – A *Seattle Times* article discussed Costco's 250,000 square foot meat processing plant in Tracy, California. Costco is meticulous about E. coli testing. All meat that arrives at Tracy includes a certificate from the supplier pledging that the shipment was tested for E. coli. However, Costco still tests each shipment and returns shipments if they test positive. All finished products (hot dogs, hamburgers, ground beef, sausage and meatballs) are tested again prior to leaving the plant. Until recently, Costco boasted that it did more E. coli testing than the USDA did nationwide at its beef plants.

2012 – Costco is the top seller of shrimp in the United States and within five years, it could be selling as much as \$1.0 million per day in shrimp.

2012 – The fresh food department at Costco typically accounts approximately 15% of total merchandise sales. However, the fresh food department at Costco's 13 locations in Japan account for approximately 27% of total merchandise sales. That large volume causes some fresh food departments in some locations to operate 24-hours a day with the only exception being sushi products and the food court.

2012 – Costco released its first iPhone and Google app in July.

2012 – Fiscal 2012 web site sales totaled \$2.1 billion.

2012 – According to a June 8 report from Washington State's *Tukwila Reporter*, Costco offered an expanded assortment of foodservice and kitchen supplies for a limited time at its Tukwila, Washington location. The company dedicated 22,000 square feet of space for more than 1,000 items.

Tom Olson, warehouse manager at Tukwila, said, "We have spent the last several months working with our suppliers to offer quality items at a value that saves restaurant operators money. This has been a great venture thus far and we are expecting and already seeing great things."

2012 – Anderson Daymon Worldwide has been Costco's "in-house" manufacturer representative since 1983. The company was formed in October, 2005 when Anderson Chamberlin and Daymon Worldwide (both "in-house" brokers for Costco at the time) merged with each company owning 50% of the entity called Anderson Daymon Worldwide.

On October 1, 2012, in an Email to its employees, Costco announced that its "need for an 'in-house' broker no longer exists." The Email highlighted the quality of ADW's services it provided to Costco over the years and emphasized that the change in the relationship between the two companies was "not in any way a negative reflection of Anderson Daymon." Costco said it simply wanted to offer a "level playing field" for all companies who do business with Costco and ADW would continue to represent suppliers to Costco in the same way as other brokers.

2013 – Costco’s ecommerce business now operates in four countries: the United States, Canada, the United Kingdom and Mexico. Overall web site sales during the company’s first quarter of its 2014 fiscal year increased 24%. However, United States and Canadian online sales (excluding Mexico and the United Kingdom since they are recent startups) increased 22%. Overall, Costco’s web site business represents approximately 2.5% of total merchandise sales.

2013 – In its first quarter conference call (of its 2014 fiscal year) Galanti commented on the company’s private label business. He said, “When we expand Kirkland Signature, it does a lot of things. In many cases ... we can get a little bit more margin and provide even greater value to our member ... In some cases it drives a lower price on the branded item as the branded item loses market share to the private label [and needs to lower prices to regain its business]. Galanti commented on the company’s private label sales penetration. He said, “It’s in the 23 plus range. My guess is it’s a half a percent.”

2013 – Costco setup a mini beauty store within its locations in Torrance and Tustin, California. Dubbed Beauty’s Most Wanted, Costco stocks products from Orlando Pita (a hair stylist), Pati Dubroff (a makeup artist), Jenna Hipp (a “green” manicurist) and Jessica Wu (a dermatologist). The mini beauty stores, which were created in July (the products were introduced in May), have staff on hand to answer questions and allow members to try products.



Costco – Ticonderoga Pencils

2013 – Costco changed its coupon program eliminating the need for the member to “clip and present” a coupon. The coupon program changes were introduced with Costco’s August coupon book. Items are now divided into three categories: instant redeemable coupons/discounts, master bar code instant redeemable coupons/discounts and online-only offers.

For those master bar code items, all members need to do is present a copy of the coupon mailer which has a master bar code on the first page of the book or members can present the bar code provided on their Costco smartphone app (which can be downloaded for free). As part of this change, Costco will no longer hand out coupon books at its club locations with coupon books being mailed only to members.

2013 – According to a May report from *agriview.com* and a report from *pork.org*, Costco’s \$3 coupon on boneless pork loin chops and roasts in its January coupon book as well as a two-page advertisement in the January *Costco Connection* that included pork recipes and information combined to increase sales of the item dramatically.

Scott Allegor, Costco’s pork buyer, said, “Our January sales of boneless pork loin chops and roasts were four times our monthly average.” Melissa Leach, national retail marketing manager for Pork Checkoff, said, “This is one of the largest meat promotions in Costco’s history, and it came at a time when demand for pork typically slows down.”

2013 – According to an April consumer study by Market Force, a market research firm, Costco and Sam’s Club are the two most popular places for consumers to purchase gasoline. Costco was ranked first and Sam’s Club was ranked second (based on the number of votes per location) by more than 7,600 study participants. The study ranked gasoline stations on five factors: convenience, price, easy of entry/exit, safety and cleanliness. Costco was first or second in every category and Sam’s was second in price.

2013 – According to an April report from *kionrightnow.com*, Costco locations in Salinas and Sand City, California are selling discounted bus passes to members. A 31-day basic regular GoPass will be sold by Costco for \$69.99 which represents a 26% discount off the regular price of \$95.

2013 – Since 2004, Costco and Information Resources Incorporated (IRI) have been providing vendors in the United States and Canada with access to sales and inventory information through the Costco Collaborative Retail Exchange (CRX) point-of-sale program. The data platform is managed by IRI. Since that time, more than 750 vendors have used the program. The program was enhanced and now includes: category data, real-time sales, Mexico sales, supply chain data metrics, seasonal sales and UPC data.

2013 – Costco operates almost 500 hearing aid centers. Richard Chavez, Costco’s senior vice president of ancillary businesses, said, “We’re now one of the largest – if not the largest – hearing aid distributors in the market.” Hearing aid sales at Costco have increased an average of 26% annually over the past four years and are expected to increase 19% in Costco’s current fiscal year. To continue to grow its business, Costco has made a concerted effort to train hearing aid specialists. The process to license a hearing aid specialist can take up to two years and there are currently 125 Costco employees taking hearing aid training.

2014 – Anderson Daymon Worldwide (ADW), formerly Costco's in-house broker, was purchased by Acosta Sales & Marketing. ADW will become a new division of Acosta. The Acosta team that had been representing clients to Costco will merge into the new ADW division. Robert Hill, president and chief executive officer of Acosta, said, "Anderson Daymon's extensive experience serving Costco for more than three decades will not only broaden our platform and enable us to better serve a very important growth customer, but also increases the breadth and depth of our capabilities at Costco for our clients."

2014 – Costco UK and Hertz recently introduced a new member service called Hertz on Demand. Members at select locations in the United Kingdom can rent a Hertz van for £13 (approximately \$21) an hour. The price covers insurance, maintenance, road tax and VAT. The short term service is intended for members to use to take bulky purchases home from Costco.

2014 – Alibaba.com, a Chinese-based online ecommerce company, is described as the largest online marketplace in the world. Costco opened an online store on Alibaba.com's marketplace site, Tmall.com. Costco is selling branded and Kirkland Signature private label food and healthcare products on the site, costco.tmall.hk. Jim Murphy, an executive vice president at Costco, said, "Costco sees tremendous growth opportunities in China, especially in light of Chinese consumers' increasing appetite for imported products. We have chosen a great partner, Alibaba, for the official launch of Costco's flagship store. Our Tmall Global flagship store will give Chinese online shoppers a channel to purchase directly from Costco."

2014 – Costco buyers and executives visited New Zealand to talk with farmers about how to increase the club operator's supply of beef from the country. Over the past two decades, Costco has purchased "hundreds of millions of pounds" of beef supplies from New Zealand and wants to increase that business. An assistant general merchandise manager at Costco, said, "I wanted to visit with the farmers and share the Costco story to let them know what they are a part of and opportunities that exist moving forward. We are a growing company and need farmers and suppliers to help us achieve continued growth. Our conventional ground beef business continues to grow but there are greater growth opportunities with organic ... meats."

2014 – Costco has 11 wine buyers. Domestic wines account for approximately 65% to 70% of wine sales. Craft beer represents approximately 33% of overall beer sales. Kirkland Signature wine represents approximately 20% of the company's wine business.

2014 – Twenty Costco locations hosted a road show in September and October that featured Texas A&M apparel. Students promoted the road show via social media using Facebook, Twitter, Pinterest and LinkedIn. The road show is part of a project by the Texas A&M business school that will analyze the affect that social media can have sales and profits.

2014 – Costco opened its first gasoline station in the country at its location in Liverpool.

2014 – Costco and C2FO.com announced an extension on their agreement enabling suppliers to access an online working capital market. Costco and C2FO.com have offered this program to suppliers since June, 2011. The program enables suppliers to get paid faster on outstanding invoices at Costco and provides Costco with additional invoice discounts reducing its cost of goods.

Peter Novosel, executive vice president at C2FO.com, said, "Our goal is to help Costco provide its suppliers with an additional working capital funding option at competitive rates while simultaneously lowering the cost of goods for Costco and its members. Suppliers love the program because it's easy to use and provides them with efficient access to cash needed to operate their businesses."

Membership History

1983 – Business members were charged a \$25 per year membership fee. Group, or retail, members were not charged a membership fee, but paid a 5% surcharge on their purchases.

1985 – Over 60% of Costco's revenues were generated from its business members.

1987 – Costco converted group members from a free membership with a 5% surcharge to a \$30 paid membership. Business members continued to pay \$25 per year.

1996 – In 1994, after the merger with Price Club, renewal rates were 81% for businesses and 72% for group members. In 1996, business renewal rates were 86% and group renewal rates were 78%.

1997 – Costco tested a premium membership called executive. Costco charged \$100 for the membership, which not only provided additional services and benefits not available to regular group or business members but also a 2% rebate on purchases.

1998 – Costco increased its annual membership fee for individuals and businesses by \$5, its first increase in four years.

- 1998** – Costco’s membership renewal rates were 83% for consumers and 90% for business members.
- 1999** – American Express (AMEX) and Costco announced that Costco would accept AMEX credit cards. The agreement called for two new co-branded Costco membership cards (one for businesses and one for consumers). Neither card would have the annual AMEX fee, but cardholders would have to pay the annual Costco membership fee.
- 2000** – Costco increased its membership fees. A consumer membership increased \$5 to \$45. A business membership increased \$10 to \$45. The company used the additional revenue (\$90 million per year) to further reduce retail prices.
- 2001** – Costco’s executive membership program has one million paid members and its renewal rates are above 90%.
- 2001** – Costco reported that business members generated approximately 56% to 59% of overall sales. Costco does not specify the percentage of sales that are attributed to its business members but are actually for personnel use.
- 2003** – An average Costco member visits a club once every ten days and spends an average of \$115 per visit.
- 2003** – Costco’s 2.2 million executive members account for 33% of sales and its 2.4 million AMEX account holders represent 25% of sales.
- 2004** – In an interview with *MMR*, Brotman talked about Costco’s focus on the business member. Brotman said, “We recognized very early the key role that small businesses play in a community. We also understand that small businesspeople represent the real wealth of a community.”
- 2004** – Costco always thought that members who spend \$10,000 to \$50,000 annually would view its \$100 executive member program positively. When annual purchases exceed \$10,000, the 2% rebate feature of the card more than makes up for the higher membership fee. However, members who spend approximately \$2,500 to \$2,700 annually are also signing up for the executive membership. For these members, the rebate is not much greater than the \$55 extra they have to pay for an executive membership. These members see additional benefits beyond the rebate from the member services program.
- 2004** – Costco and American Express created a co-branded credit card called TrueEarnings. It offered no annual fee, a 3% rebate on restaurant purchases, a 2% rebate on travel purchases and a 1% rebate on all other purchases.
- 2006** – Costco increased its membership fees by \$5 from \$45 to \$50 annually for both business and consumer members.
- 2006** – Costco’s American Express TrueEarnings cardholders will receive cash back (5% for business members and 3% for consumers) on gasoline purchases made at Costco or other gasoline stations excluding ones at retail or club competitors.
- 2009** – Renewal rates remain strong at 92% for businesses, 86% for group or consumer members and 87% overall.
- 2009** – Costco had 8.94 million executive members representing approximately 60% of sales with a renewal rate over 90%.
- 2009** – Costco had 21.4 million paid members, 5.7 million paid business members, 3.4 million business add-on members and 25.5 million free spouse cards for a total of 56.0 million cardholders.
- 2011** - Renewal rates in the United States and Canada were slightly higher than 89% with international renewal rates at approximately 86%. Business member renewal rates (nationally and in Canada) were 93.3% and consumer member renewal rates (nationally and in Canada) were 88.1%.
- 2011** – The April 26 issue of *ADWEEK* reported on a GfK MRI survey from the Fall, 2010 that asked households earning \$250,000 annually what is their favorite publication. *People* magazine was first cited by 26% of the 860 households surveyed. The next publication, cited by 20% of respondents, was *The Costco Connection*. The next eight publications, in order, were *National Geographic*, *Better Homes & Gardens*, *Time*, *AARP The Magazine*, *Consumer Reports*, *Sports Illustrated*, *In Style* and *Readers Digest*.
- 2012** – Renewal rates remain strong with U.S. and Canadian business members at 93.7%, U.S. and Canadian gold star members at 88.7%, all U.S. and Canadian members at 89.7% and worldwide members at 86.4%.
- 2012** – At the end of its fiscal year, Costco had 26.7 million gold star members, 6.4 million business members, 3.8 million business add-on members and 30.5 million free spouse cards for a total of 67.4 million cardholders. Costco currently has 12.6 million executive members who represent approximately 66% of Costco’s overall merchandise sales.
- 2013** – At the end of its fiscal year, Costco had 13.5 million executive members which is approximately 250,000 more than it had at the end of its third quarter (this equates to 15,000 per week).

2013 – Membership renewal rates in the United States and Canada were strong: business member rates increased from 93.9% in the third quarter to 94.0% and gold star/consumer rates went from 88.9% in the third quarter to 89.1%. Worldwide renewal rates went from 86.4% in the third quarter to 86.3%.

2013 – According to Costco.com.uk, the company is offering an online only membership at a cost of £15 (approximately \$23). The £15 includes VAT (value added tax). Non members currently pay a 5% surcharge on online purchases and members using this online membership avoid paying that surcharge. The online membership is good for one year and can be converted to a full warehouse membership.

2014 – Costco announced effective January 1, 2015, it will stop accepting American Express credit cards at all its locations in Canada. The company would begin accepting MasterCard credit cards instead and it will be the only credit card accepted at Costco.

2014 – Costco introduced a web site and magazine for consumers living with diabetes. The web site, cdiabetes.com, and magazine, Costco – Healthy Living with Diabetes, are free for both members and non-members.

2015 – Costco and American Express announced it will end their exclusive credit card program in the United States on March 31, 2016. The program enabled American Express to have exclusive access to credit card sales at Costco while the club operator paid a lower discount rate. In its most recent fiscal year, Costco members accounted for 8% of American Express billed business, 20% of its worldwide loans and 10% of its cards in force. It was reported that Costco will announce, in the near future, a new exclusive credit card agreement. Ken Chenault, chairman and chief executive officer of American Express, said, “Taking a very disciplined approach, we began discussions on a possible renewal with Costco well in advance of the contract expiration. However, we were unable to reach terms that would have made economic sense for our company and shareholders.”

Operations History

1983 – Costco was strictly a cash-and-carry operation and did not accept credit cards. Its locations operated eight hours per day in order to save on labor costs, as this reduced overtime and forced sales into a shorter time span.

1986 – Frugality and an attention to controlling expenses were exemplified even by Sinegal's office. Although he controlled a multi-billion dollar company, his office had no walls and his desk sat right in the middle of the company's headquarters.

1987 – Costco believed in order to succeed it must be focused on details. For example, bakery products were packaged in plastic until an employee suggested packing them in cardboard. This change saved the company millions in packaging costs.

1991 – Costco wanted to reduce loss from damaged or stolen merchandise (shrink). Costco reduced shrink to approximately 0.5% of sales, while shrink at other retailers was between 1.5% and 2.0%.

1993 – As Costco expanded into the New York and New Jersey market, it encountered a large membership base of Hassidic Jews. To meet their needs, Costco certified four of its scratch bakeries in the area as kosher-approved.

1995 – PriceCostco began to phase out front-end callers and installed scanning systems.

1996 – PriceCostco remodeled 59 of the 90 former Price Club locations with fresh foods. The remodeled clubs experienced tremendous comparable sales growth.



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1999 – Costco created a division called Electronic Hardware Services (EHS). Computers returned to Costco get forwarded to EHS where they are repaired, tested, cleaned, repackaged and sold as refurbished computers.

2002 – In an interview with *Business Week*, Sinegal commented on Costco's salary and hiring philosophy. “Paying good wages is not in opposition to good productivity. If you hire good people, give them good jobs, and pay them good wages, generally something good is going to happen.”

2003 – The average compensation claim in every state in which Costco operates, except California, is \$26,000. That same claim would cost \$71,000 in California.

- 2004** – In a book titled *Around The Corporate Campfire* by Evelyn Clark, Sinegal discussed Costco's return policy saying, "We ... decided to guarantee every single product unconditionally ... If someone buys a TV from us and drops it from a third floor window, then brings it back to us saying they're unhappy with it, we give them their money back."
- 2005** – Based on a successful test of self-checkout lanes, Costco will be adding this feature to more locations. However, Costco will not be adding express lanes for members who purchase a few items. Sinegal said, "We are not in the business of rewarding people for spending less money."
- 2005** – In a book titled *What Is Your Corporate IQ?* by Jim Underwood, Galanti discussed Costco's employee salary strategy. "Our turnover is [more than] one-third that of the retail industry as a whole; that automatically reduces our costs."
- 2006** – To stem the number of high-end television returns, Costco tested an in-home installation service at a select number of clubs in southern California.
- 2006** – Costco installed its first solar electric system at its club location in Lancaster, California. The roof-top system covers 45,000 square feet and is among the largest privately owned, commercial solar electric systems in the United States.
- 2006** – Costco installed nitrogen tire inflation systems at over 400 locations in the U.S., Canada, the U.K. and Mexico.
- 2006** – Costco's shrink percentage was the lowest in the company's history at 0.2% of sales.
- 2007** – Sinegal has become the most prominent member of an organization called the Business for a Fair Minimum Wage. Sinegal said, "The more people make, the better lives they're going to have and the better consumers they're going to be."
- 2007** – Due to higher than normal flat panel television and consumer electronic returns, Costco is amending its return policy. Members who purchase televisions, computers, cameras, camcorders, iPods, cellular phones and MP3 players will now have a firm return date of 90 days. Returns within those first 90 days can come with or without a box or receipt.
- 2007** – Costco added its concierge service to all locations. The concierge service, which Costco is paying for, offers members an 800 line to call if they have questions about their consumer electronic purchase.
- 2008** – Costco had solar power systems installed at 19 locations.
- 2009** – Costco uses a third party vendor to notify members who purchased recalled items. The company is provided with a purchase list for a recalled product and is capable of calling 500,000 people per hour. Costco also sends those members letters.
- 2009** – Costco's energy management system allows a manager to control and manage heating, ventilation, air conditioning and lights directly from his computer.
- 2009** – Costco began leasing a 300,000 square foot distribution center near Tokyo, Japan in Ichikawa City.
- 2009** – Costco now accepts food stamps at most of its locations. Galanti said, "We're finding we're getting new members that didn't shop at Costco because we didn't have [food stamps] ... I think also that our view was we would not get a lot of food stamps because our member on average is a little more upscale. I think that was probably a little bit arrogant on our part."
- 2009** – Costco's shrink was 0.14% of sales.
- 2009** – Costco's locations are constructed using recycled steel (when masonry or concrete are not required), include over 200 skylights, use technology that recycles heat from its refrigeration system to heat hot water for warehouse use and use high efficiency restroom fixtures that save 40% more water than required by industry standards.
- 2009** – For over 75% of inbound deliveries, Costco's crossdock distribution centers use a time efficient unloading system. When a trucker or carrier checks in at the depot's guard booth, their paperwork is confirmed and they are given a pager and a door assignment. The guard booth keys into the system what is being delivered and the receiving personnel unload the truck and confirm that delivery without the driver having to leave his truck. Once finished, the driver is alerted by the pager that he is free to leave and he exchanges the pager for signed paperwork at the guard booth.
- 2010** – Coca-Cola Enterprises (CCE) tested a new delivery system for 7-Eleven stores in parts of Los Angeles, California. Instead of delivering product to 7-Eleven directly, CCE will send its merchandise to a Costco business center. From there, a third party distribution company will pick up Coca-Cola products along with other brands and deliver them to 7-Eleven locations. The Costco business center will essentially be acting as a consolidator.

2011 – The long stemmed roses that Costco offers in its locations are all certified as Rainforest Alliance. A key to distributing roses is keeping them cool at approximately 35 degrees. Ken Baca, president of Kendal Floral Supply, said, “Flowers age three times faster at warmer temperatures; this is why Costco’s cold chain is maintained from harvest to warehouse.” Costco’s distribution goal for roses is two days from harvest to production and less than two days from the production facility to the clubs.

2011 – In the aftermath of the tragic earthquake and tsunami in Japan on March 11, 2011, Costco’s Japanese division was tested in a number of ways. Water sales grew to seven million bottles per week which is approximately eight times normal weekly sales. Additionally, sales of toilet paper and canned meat grew quickly. Meeting those demands was a challenge logistically. Murphy said, “It’s tested our ability to move a lot of product quickly in an emergency situation, and we’ve seen several areas of our company really step up.”

2011 – Costco’s bakeries employ 1,965 bakers and 1,186 decorators who use 1,062 ovens. Costco’s 36 Kirkland Signature bakery products are baked fresh daily in every location. Costco’s bakery products do not contain hydrogenated oils. Sue McConnaha, vice president of Costco’s bakery operation, said, “Exchanging hydrogenated oil for more natural nonhydrogenated oil blends was a monumental task. All recipes were redeveloped from scratch.”

2011 – Costco’s shrink was 0.136% of sales.

2011 – Costco’s fresh produce safety audits in 2011 exceeded the number of audits from 2010. The audits ensure E. coli, salmonella and other pathogens don’t contaminate produce products that Costco stocks.

2012 – Costco has a return to vendor department (RTV) situated next to the receiving department in every club. The department is responsible for processing merchandise returns. Costco is testing a system at a number of clubs in the Northwest. Those locations reduced the space allotted to the RTV department with the returns in those locations being shipped to a central merchandise return center in Auburn, Washington. The RTV space reduction enabled Costco to add up to 20 pallet positions inside those locations.

2012 – Costco’s food court switched from Coca-Cola products to Pepsi products. Alan Bubitz, vice president and general merchandise manager of bakery, service deli and food court at Costco, said, “It’s a big shift. They’re [Coca-Cola] the only vendor we’ve ever had for the majority of the ... locations.” Costco’s food court sold more than 100 million hot dog and soda combinations annually. According to the National Hot Dog & Sausage Council, that is more than four times the number sold in Major League baseball parks in 2011.

2012 – In June, Costco began including new recycling labels on the packaging for 12 Kirkland Signature items. The labels were developed by the Packaging Recovery Labeling System (PRLS) which is a pilot program from the Sustainable Packaging Coalition. The goal of the program is to communicate with consumers about a product’s recyclability. There are four main label options that describe the level of national access to recycling: widely recycled (60% or greater access to recycling), limited recycling (between 20% and 60% access), not yet recycled (less than 20% access) and for film and overwraps, a message indicating that the packaging component, if dry, can be deposited in a recycling bin.

2013 – Costco is adding new shopping carts to its locations. The new carts are lighter and have a new design with lower side panels enabling members to more easily lift merchandise in and out, have more space on the bottom to stack merchandise and have handles that are three inches higher making it easier to push.

2013 – Google’s Shopping Express service offers same-day delivery on merchandise to customers in the San Francisco, California market. The service is similar to Amazon Fresh, a same-day delivery service that the web retailer offers in Los Angeles, California and Seattle, Washington. Google Shopping Express was launched in September with retailers such as Walgreens and Whole Foods. Google Shopping Express announced that Costco is now part of the program in San Francisco which now includes other retailers such as Staples and Office Depot.

2013 – Costco’s food safety program continues to develop. The program includes four key concepts. First, Costco uses microbial testing to ensure vendors are operating within predetermined food safety standards and specifications. Second, Costco uses a test-and-hold program for ready-to-eat foods where a product can’t be shipped to the club locations until Costco tests a sample and the test results come back negative. Third, Costco has developed very efficient and proactive recall procedures that can quickly notify purchasers and immediately remove products from its club shelves. Lastly, Costco has developed a food safety training program for its location personnel and buying staff.

2013 – Costco is eliminating its self-checkout lines. Jelinek said, “They are great for low volume warehouses, but we don’t want to be in the low volume warehouse business.” In addition to fostering lower transactions, Costco believes self-checkout systems are less efficient compared to its front end personnel.

2013 – Costco partnered with E-World Online, a consumer electronics recycling company, to manage merchandise returns at its United States club locations. Costco deployed E-World Online's Retail Return Program (RPP) at its locations. Each warehouse enters data into the system that "streamlines and unifies the reporting process across every warehouse, recycling facility and transportation center." Since the program was launched in June, 2012, 14 million pounds of return material have been processed.

2013 – Costco has incorporated the Digimarc ® Discover Intuitive Computing Platform into the editorial and advertising content of its monthly publication, *The Costco Connection*. Beginning with the April, 2013 issue, more than 50 digital watermarks (essentially physical and electronic links that take the place of QR codes) are included in articles and advertisements seamlessly linking print readers (by scanning a link using a Digimarc Discover app) and online readers (by clicking a link) to product information and videos as well as enabling those viewers to make purchases.

2014 – Google Shopping Express offers a same day delivery service on merchandise to customers in four cities/markets: San Francisco, San Jose, Los Angeles and Manhattan. Costco is one of its retail partners. Customers pay a \$4.99 delivery fee for each store at which a customer places an order. To shop at Costco through Google Express, customers need a Costco membership number and executive members will continue to receive their 2% rebate on purchases made through the online service.

2014 – Costco operates two eyeglass production facilities in San Diego, California and Tukwila, Washington, Costco is one of the largest eyeglass manufacturers in the country and the fifth largest eyeglass retailer in the country. The company processed approximately 3.8 million pairs of eyeglasses in 2014. Costco recently became the first eyeglass retailer to offer only digital high definition progressive lenses. Frank Hoffman, Costco's optical buyer, said, "The optical industry hasn't had this type of technology upgrade for progressive lenses in more than 30 years. Costco had to make a significant financial investment to modernize the labs with new equipment."

2014 – Costco will be building a 310,000 meat processing plant in Morris, Illinois to manufacture items such as hot dogs, hamburgers and meatballs. Morris is approximately 60 miles from downtown Chicago. Costco has been operating a distribution/cross dock facility in Morris since approximately 2001.

Sam's Club

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Sam's Club Profile



Sam's – Houston, Texas

President, CEO – Rosalind Brewer

Address – 2101 Simple Savings Drive, Bentonville, AR, 72716

Phone – 479-277-7000

Stock Symbol – WMT

Year Began – 1983

Fiscal Year End – January

Web Site – www.samsclub.com

Walmart Stock – 1972 to 2015 – Yahoo! Finance



Key Personnel

Rosalind Brewer – president and chief executive officer – Brewer was hired in 2012. Brewer was president of Walmart's United States east business unit (a division of 1,600 stores and 500,000 people that generated approximately \$100 billion in sales annually). Prior to joining Walmart in 2006, Brewer worked for Kimberly-Clark eventually becoming vice president of its global nonwovens division in 2004. She is also on the board of directors at Lockheed-Martin.

Charles Redfield – executive vice president and chief merchandising officer – Redfield was promoted to executive vice president and chief merchandising officer in 2012. Redfield joined Sam's in 1988 as a cashier and left in 1998 to work for Hudson Bay, a Canadian retailer. He returned to Sam's in 2001 and has held various positions at Sam's and Walmart including director of operations, divisional fresh merchandiser, vice president/divisional merchandise manager and senior vice president/general merchandise manager. From 2010 to 2012, Redfield was chief merchandising officer for Asda, Walmart's United Kingdom division.

Don Frieson – executive vice president of operations – Frieson joined Sam's club in November, 2012 as senior vice president for replenishment and planning. Prior to that, he was part of Walmart international as chief integration officer for Massmart Holdings, a chain of more than 300 stores operating in 13 sub-Saharan Africa nations. Prior to Massmart, Frieson was senior vice president of supply chain at Walmart.

Sam's Club Buying and Operating

Since 1992, the buying and operating philosophy at Sam's Club has changed frequently. In 1992, Dean Sanders was president and chief executive officer of Sam's with the company primarily focused on the business member. In 1995, Joe Hardin, Jr. replaced Sanders (who retired) and Sam's focus changed to the retail member. In 1997, Mark Hansen was hired to replace Hardin (who resigned). During Hansen's tenure, Sam's created a "store within a store" concept for its pet and book departments, updated Sam's out-of-the-box member benefits program and introduced the company's Member's Mark private label line.

In 1998, Thomas Grimm (previously founder, president and chief executive officer of Price Savers) was hired to replace Hansen (who resigned). Sam's focused more energy on its retail members. It worked to improve the quality of the merchandise it stocked, it added expensive signage and it expanded the number of locations with fresh food departments.

In 2002, Kevin Turner was hired to replace Grimm (who retired). Turner took Sam's buying and operating focus back to the business member. However, in 2005, Turner resigned and Doug McMillon was promoted to president and chief executive officer (McMillon is now president and chief executive officer of Walmart). McMillon, who worked closely with Turner, continued Sam's focus on the business member while increasing the company's focus on the consumer member.

Brian Cornell replaced McMillon in 2009. Under Cornell, there were a lot of changes: introducing the eValues coupon program (now called Instant Savings), private label brand expansion, its attention to learning more about its members, its joint business planning buying philosophy and its focus on capital improvements to existing club locations. However, in January, 2012, Cornell announced his resignation and Sam's Club named Rosalind Brewer as its new president and chief executive officer.

Brewer was president of Walmart's U.S. east business unit (a division of 1,600 stores and 500,000 people that generated approximately \$100 billion in sales annually at the time of the transfer). Prior to joining Walmart in 2006, Brewer worked for Kimberly-Clark eventually becoming vice president of its global nonwovens division in 2004.

Those senior leadership transitions have caused constant philosophical changes to the company's buying and operating strategy. These adjustments are not only challenging for Sam's Club to implement throughout its organization but also demand flexibility and constant adjustment from suppliers. From a vendor perspective, having a base of factors to rely on when developing sales and marketing strategies to sell Sam's Club is critically important.

This chapter provides ten key concepts and some general principles that vendors need to understand when planning their strategy and presenting merchandise to Sam's: treasure hunt, price/value, product quality, business members, instant savings, private label, consumer members, packaging, joint business planning and general principles.

Treasure Hunt

One of the areas that Sam's is focusing on is its treasure hunt merchandise (see picture on the right of a Hurom fresh press juicer). Sam's changed its buying process for these in-and-out items. Buyers will now plan to sell out of a product on an exact date enabling more frequent transitions. Sam's Club found that categories with a higher concentration of new items generate stronger comparable sales, stronger traffic trends and improved member response.

In its October, 2014 analyst meeting, Charles Redfield, executive vice president of merchandising at Sam's, discussed the importance to Sam's Club of sourcing, developing and merchandising a continuous stream of new items. New items create excitement in the club locations helping to increase member traffic which increases the frequency of a member's involvement with Sam's Club. That increased frequency drives engagement which helps increase retention/renewals and finally, increases the chances of member advocacy for shopping at the club.



Sam's – Hurom Fresh Press Juicer

There are a number of strategies that Sam's is using to increase the flow of new products. One philosophy is a more detailed holiday calendar so that buyers can potential source new items or better merchandise existing items for these micro or short term holidays. In addition to Easter, summer, Thanksgiving and Christmas/Chanukah, Sam's buyers will take a closer look at Valentine's Day, Mother's Day, Father's Day, Halloween and the Super Bowl.

Sam's Club will also try to be more market reactive in terms of introducing new items and removing old items (especially in the food departments) and to better anticipate key product trends (like health related food and non-food products and on-the-go items which can help members save time).

Price/Value

The 2014 warehouse club industry survey asked vendor respondents the most important program attribute to a Sam's Club buyer. The price of an item continues to be the most important program attribute for a Sam's Club buyer cited by 57% of respondents, the highest figure among the three clubs. However, this figure has decreased from 76% in 2004 to 67% in 2013 to 57% in 2014. What has increased dramatically at Sam's Club is the importance of whether an item is unique or exclusive to the company.

Important Program Attributes			
Sam's Club	2004	2013	2014
Price, Value	76%	67%	57%
Uniqueness, Exclusivity	0%	7%	18%
Coupons, Demos, End Caps	0%	7%	11%
Program, Assortment	0%	3%	7%
What Costco Stocks	5%	0%	7%
Business Items	10%	0%	0%
Member Needs, Insight	0%	7%	0%
Other	4%	3%	0%
Packaging	5%	0%	0%
Partnership	0%	3%	0%
Quality	0%	3%	0%

WCF Research - 2014

An item's uniqueness or exclusivity was not cited in 2004 but was cited by 7% of respondents in 2013 and 18% of respondents in 2014. Marketing funds for coupons, demonstrations and end caps were the third most important attribute cited by 11% of respondents.

Product Quality

Although respondents from the 2014 warehouse club industry survey did not list product quality as a key program component to a Sam's Club buyer, the company does place strong emphasis on this.

Test Kitchen – Sam's home office features a test kitchen. One of the key advantages to the facility is the ability to get feedback from consumers on product taste and texture. Panel participants are pulled from Walmart and Sam's Club volunteers who actually offer a diverse viewpoint.

Increased Emphasis – In its October, 2013 financial analyst meeting, Sam's Club discussed its efforts to improve the overall quality of the merchandise it stocks. The company increased the number of employees on its product quality team, improved its processes and incorporated more member feedback on product development.

Business Members

Sam's focus on the business member is still a key differentiating point for the company in comparison to BJ's and Costco. Sam's Club targets merchandise for the following nine typical business members: convenience and retail stores, contractors, religious organizations, restaurant and foodservice operators, day care facilities and schools, beauty salons and barber shops, offices, vending operators and motels and bed and breakfast operators

Never Out Designation – Sam's Club uses a code on its item sign identifying whether an item will be stocked year-round. The letter "N" in the upper right corner of the item sign means that particular product is designated as "never out". These items are typically wholesale items. While not every "never out" item is a wholesale member product, many of the business member items stocked by Sam's Club have this designation.



Sam's – Big Texas Cinnamon Rolls

Wholesale Items – The following are examples of Sam's Club wholesale items:

Bakery – Sam's continues to differentiate itself from BJ's and Costco by offering a large selection of vending muffins, danishes and cakes that can be resold by convenience store members, vending truck operators and other wholesale customers. Some of those items included: a case of eight 2.1-ounce Bimbo vanilla conchas for \$3.36, a case of twelve 4-ounce Cloverhill big Texas cinnamon rolls for \$6.38 (see picture above), a case of sixteen 4-ounce Cloverhill danishes (four big Texas cinnamon rolls, four iced honey buns, four glazed honey buns and four cheese danishes) for \$7.99 and a case of thirty 2-ounce Svenhard's danishes (six breakfast claws, six berry horns, six cinnamon horns, six raisin snails and six cheese horns) for \$11.98.

Candy – Sam's focus on the business member is evident in this category as it stocked a large selection of some brands. For example, Sam's assortment included four Wrigley starburst SKUs and six Wrigley skittle SKUs. Those items included: a case of thirty-six 2.07-ounce packages of tropical starburst for \$19.98, a case of twenty-four 2.07-ounce packages of fruit slice starburst for \$13.32, a case of twenty-four 2.07-ounce packages of favereds starburst for \$13.32, a case of twenty-four 2.17-ounce packages of dessert skittles for \$13.32, a case of twenty-four 2.17-ounce packages of darkside skittles for \$13.32, a case of thirty-six 2.17-ounce packages of wild berry skittles for \$19.88, a case of thirty-six 2.17-ounce packages of tropical skittles for \$19.88 and a package of twenty-four 2.17-ounce packages of sour skittles for \$13.32.

Instant Savings

A key part of Sam's membership strategy is its Instant Savings coupon program (formerly called eValues). The eValues coupon program was introduced in 2009, was only available to Sam's \$100 plus members and the discounts were automatically applied at the registers so members did not have to clip and present coupons.

In 2012, Sam's Club changed the name of its coupon program to instant saving and, in a test at all locations in Texas, offered the coupons to all members. That test was successful and in May, 2013, Sam's Club changed its Instant Savings coupon program and made it available to all members nationwide. Sam's Club still offers exclusive coupons for its \$100 Plus members and this program is called Instant Savings Plus.

Private Label

Sam's Club introduced its Member's Mark private label brand in 1998. Member's Mark is geared to consumer members and is currently used in the apparel, bed and bath, dry grocery, hard goods, baby, seasonal, sundries and perishable categories.

To meet business member needs, Sam's developed two additional brands: Bakers & Chefs for foodservice members (currently used in dry grocery, hard goods and perishable but reportedly being phased out) and ProForce, a commercial cleaning product line (currently used in sundries but reportedly being phased out). Until 2009, those were the three primary private label brands at Sam's Club along.



Sam's – Daily Chef Dark Chocolate Mint Melts

In 2010, Sam's introduced Castle Wood (currently stocked in the deli) and Certified (currently stocked in automotive). In 2011, Sam's introduced Artisan Fresh (currently stocked in perishable but reportedly being phased out), Daily Chef (currently stocked in hard goods, dry grocery, candy and perishable) and Simply Right (currently stocked in pet and HBA). In 2013, the Hotel Luxury Reserve brand in the bedding category was observed for the first time. In 2014, Daily Chef Foodservice (currently stocked in dry grocery, hard goods, perishable and sundries) and Member's Mark Commercial (currently stocked in automotive, hard goods and sundries) were introduced.

As of March, 2015, Sam's Club stocked 567 items across 11 private label brands (see picture above of Daily Chef dark chocolate mint melts). Private label merchandise at Sam's Club represents approximately 13.8% of overall sales. The company announced it would be consolidating its private label program into three main brands: Member's Mark (including the Commercial label), Daily Chef (including the Foodservice label) and Simply Right. Based on observations since that announcement, it does not appear that Certified, Hotel Luxury Reserve and Castle Wood have been affected.

The brands that are affected include: Bakers & Chefs which is being consolidated into both the Member's Mark Commercial and Daily Chef Foodservice brands, Artisan Fresh which is being consolidated into Daily Chef and ProForce which is being consolidated into the Member's Mark Commercial brand.

Consumer Members

Despite Sam's focus on the wholesale member, the consumer member continues to be a key part of the company's long term buying and merchandising philosophy. The following are some examples of Sam's focus on the consumer member:

Member Engagement Platform – At the end of the October, 2013 financial analyst presentation, Brewer discussed Sam's future initiatives. She discussed a strategy called the Member Engagement Platform. Essentially, Sam's will be using member data and analytics to dictate and guide its buying, merchandising and operating decisions. Those decisions will be based not only on a better understanding of members but on anticipating the future needs of those members.

The goal of this analysis and implementation is to increase renewals by providing a more meaningful and relevant member shopping experience. Brewer said, "We expect it to revolutionize our way of doing business, putting our members in the center of our key decisions in programming. It would also strengthen our value and price leadership position through this personal connection."

Mix-and-Match – Sam's mix-and-match program is geared to consumer members offering them a choice in the club package they purchase. A mix-and-match or "take two" program is where Sam's stocks an assortment of smaller packaged products (typically four to eight item types) from one vendor/brand. The member is given the option to pick any two item types from that vendor/brand creating a customized package, which is then purchased as a single SKU. Sam's mix-and-match programs have appeared in the bakery department with bread, bagels, private label cookies, private label muffins and tortillas.

Packaging

Packaging strategies at each club will vary. The following are three packaging strategies used by Sam's Club:

Crossover Merchandise – Items that are packaged for both business and consumer members are called “crossover” items and are the ideal club item. Crossover items offer the greatest sales potential since they appeal to all club members. Sam's stocked a package of three 18-ounce boxes of Life cereal from Quaker for \$6.78 or \$2.26 per box. The item is promoted for consumers since the 18-ounce boxes are more convenient to store in the pantry.

However, convenience store or small supermarket members would also be interested in purchasing this item and reselling it. Typically, a supermarket or convenience store would sell an 18-ounce box of Life cereal for \$3.49 to \$4.49 generating a merchandise margin between 35% and 50% if the product was purchased at Sam's Club.

Sam's Club Exclusive – Sam's Club buyers look for items or packages that can't be found at BJ's, Costco or non-club retailers. Sam's wants members to know these items are exclusive and looks for packaging that promotes this fact (see picture on the right of a Sam's Club exclusive DVD of the television show, Duck Dynasty). In the 2014 club industry survey, a non-food vendor provided a sound overall perspective for Sam's Club suppliers to follow as well as a specific packaging suggestion. He said, “Vendor support of all items is now a big topic. Items that are not showing growth are on the block. Sam's Club specific packaging and support are needed.”

Pod Merchandising – In some categories, Sam's Club merchandises a group of four items in its own quad/pod display. In the April, 2012 issue of *Drug Store News*, Sam's vice president of health and family care commented on a pod display that focused on tooth whitening products that included: mouth rinse, toothpaste, whitening strips and power toothbrushes.



Sam's – Duck Dynasty Exclusive DVD

He said, “So, toothpaste may have been on your list before, but what the member may not have been aware of is that we can help whiten your teeth. Whether it's whitening mouth rinse, whether it's whitening toothpaste, [whether it's] whitening strips, or its one of the highest quality power toothbrushes on the market ... we have the best value and quality.”

Joint Business Planning

In March, 2010, Sam's launched its Joint Business Planning (JBP) strategy whose goal is threefold: product and packaging innovation, improving supply chain efficiencies (with the savings reinvested to lower a product's cost and retail price) and business investments to spur sales using instant savings, product marketing and advertising and product demonstrations.

In the April, 2012 issue of *Drug Store News*, Sam's vice president of consumables said, “A lot of people ask us, ‘What does joint business planning mean? What does it look like?’ For us, it's less about a process and more about a mindset. We don't want it to be transactional. We want to develop a relationship with our suppliers. The secret is how do we unlock mutual growth together — not just in the short term, but [also] in the long term? It's not unusual for us to work with our suppliers far in advance of a product launch — sometimes years in advance.”

In August, 2012, Charles Redfield, executive vice president of merchandising at Sam's Club, spoke at the Grocery Manufacturers Association annual executive conference about JBP. The key to the program, according to Redfield, is trust. When Sam's Club and its participating JBP vendor have an open dialogue where each side is able to challenge the other and each side is open to new and innovative ideas, joint business planning can be very productive. Redfield said, “Suppliers are not the enemy. We have plenty of competitors to compete with. When trust becomes broken [that] is when companies treat JBP as an exercise or piece of paper ... People can fall out of the process and they have.”

The program requires participation from high level executives and it should not be viewed as a short term program. The president of Georgia-Pacific's North American consumer business said, “JBP should not be about things that salespeople and buyers can do on an everyday basis. This is not your father's top-to-top meeting. There is a high level of senior management engagement and commitment required to make this work.” The chief retail sales officer with Coca-Cola refreshments, said, “I give a lot of credit to Sam's because they really invested in the process. Prior to JBP, we had a plan for our business and they had a plan for the category, but they weren't always the same plan.”

A food vendor said, “It helps to focus the supplier on a more strategic long term outlook and plans rather than short term, tactical initiatives.” Another food vendor said, “It has allowed for clearer understanding of expectations.” A non-food vendor said, “[There is] more longer term planning around ideas and concepts not necessarily packs.” Another food vendor said, “It helped build a more collaborative relationship with them and encouraged more open dialogue.”

Any supplier interested in JBP will need to consider aligning its organizational structure with Sam's Club so key stakeholders within each company (sales, manufacturing, packaging, distribution, finance, etc...) can communicate to identify opportunities for savings and/or growth. Sam's Club created an internal JBP team that reports to the chief merchandising officer and participates in meetings with interested vendors. Once it is determined that Sam's will work with a vendor using JBP, that internal team guides further action.

General Principles

Supplier Diversity Program – Sam's Club started its supplier diversity program eight years ago. The goal of the program is to help identify and develop minority-owned suppliers. Redfield said, "A diverse supplier base allows us to deliver unique, differentiated items, member-centric innovation and a consistent supply of product to our members."

The supplier diversity team at Sam's Club has two main goals: acquire new suppliers and grow existing suppliers. In an effort to acquire new suppliers, Sam's Club (two years ago) began hosting two supplier diversity summits annually in Bentonville, Arkansas. These summits enable suppliers to meet directly with merchants.

Sam's showcase event (road show) teams also attend these supplier diversity summits and offer potential suppliers access to the club locations on an introductory scale. Suppliers who need it, are supported with finance, marketing and other business information to help them understand what is needed to sell their products through the one to three week showcase event program.

Location Visits/Homework – 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 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."

IRI/Nielsen Data – Including IRI and/or Nielsen market share data for your item is an important program component for a Sam's Club buyer. A broker said, "For Sam's, they depend more on the supplier to guide them, so IRI/Nielsen is more important to show category/item rankings." Another small company said, "Sam's feels this data is the most important so the presentations are geared to the strongest regions of the country that the product sales are greatest."

Membership – At its October, 2014 financial analyst meeting, Sam's discussed how it will better appeal to its consumer members. Brewer divided Sam's membership base into four categories: boomers (approximately 50 to 64 years old), generation x (approximately 35 to 50 years old), millennials (approximately 15 to 35 years old) and small businesses. The boomer continues to be important for Sam's Club but these members are either empty nesters or soon to be empty nesters and they have less need for bulk products. However, they still have a strong need for health and wellness products.

While Sam's will continue to focus on meeting the needs of generation x members, its focus is on becoming more relevant with millennials. In a recent focus group with millennial consumers, Sam's learned that if something is not on their phone, it does not exist in their minds. Millennials are highly price conscious and early trend adopters. Sam's small business member crosses all three generation types and because they are constantly pressed for time, they are looking for Sam's to provide easier order fulfillment.

Physical and Digital Integration – At its October, 2014 analyst meeting, Sam's discussed a strategy to integrate its physical and digital operations. Sam's focus on member convenience is exemplified with its club pickup program (formerly called click-and-pull). Sam's introduced a new online club pickup ordering tool and is testing a club pickup kiosk in one location.

Members place their club pickup order online and either pay for it at that time or when they receive the product. The member receives a text or Email when the order is ready. When they arrive at the club, the member goes to a special drive up area in front where they "check in" and a Sam's employee brings the order to their car.

Notes

Sam's Club Financials

Fiscal Year ends January (fiscal year ending January, 2014 is called 2014)		CAGR 10-14	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
US/Puerto Rico - Income (million)	Sales - Merchandise (PR included from 2009)	3%	\$50,574	\$49,789	\$47,616	\$45,193	\$44,553	\$47,976	\$44,336	\$41,582	\$39,798	\$37,119
	Sales - Gasoline	19%	\$6,583	\$6,634	\$6,179	\$4,266	\$3,253					
	Membership Fees	4%	\$1,249	\$1,133	\$1,111	\$1,074	\$1,048	\$1,044	\$1,054	\$1,030	\$940	\$890
	Total Revenue (PR included from 2009)	5%	\$58,406	\$57,556	\$54,906	\$50,533	\$48,854	\$49,020	\$45,390	\$42,612	\$40,738	\$38,009
	Merchandise:Revenues	-1%	87%	87%	87%	89%	91%	n/a	n/a	n/a	n/a	n/a
	Gasoline:Revenues	14%	11%	12%	11%	8%	7%	n/a	n/a	n/a	n/a	n/a
	Membership Fees:Revenues	0%	2%	2%	2%	2%	2%	n/a	n/a	n/a	n/a	n/a
	Operating Income - Merchandise	6%	\$1,949	\$1,913	\$1,805	\$1,675	\$1,525	n/a	n/a	n/a	n/a	n/a
	Operating Income - Gasoline	n/a	\$26	\$47	\$39	\$20	-\$10	n/a	n/a	n/a	n/a	n/a
	Total Operating Income	7%	\$1,975	\$1,960	\$1,844	\$1,695	\$1,515	\$1,649	\$1,648	\$1,480	\$1,407	\$1,280
	Net Income		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	Operating Income Margin - Merchandise	2%	3.4%	3.4%	3.4%	3.4%	3.2%	n/a	n/a	n/a	n/a	n/a
Operating Income Margin - Gasoline	n/a	0.0%	0.1%	0.1%	0.0%	0.0%	n/a	n/a	n/a	n/a	n/a	
Operating Income Margin - Overall	2%	3.5%	3.5%	3.4%	3.4%	3.2%	3.4%	3.7%	3.6%	3.5%	3.4%	
Membership Margin	0%	2.2%	2.0%	2.1%	2.2%	2.2%	2.2%	2.4%	2.5%	2.4%	2.4%	
Comps	U.S. Comparable Sales (merchandise)		0.6%	3.8%	5.0%	1.9%	0.7%	3.7%	4.2%	2.9%	3.7%	4.6%
	U.S. Comparable Sales (gasoline contribution)		-0.3%	0.3%	3.4%	2.0%	-2.1%	1.2%	0.7%	-0.4%	1.3%	1.2%
	U.S. Comparable Sales (overall)		0.3%	4.1%	8.4%	3.9%	-1.4%	4.9%	4.9%	2.5%	5.0%	5.8%
Clubs	US/Puerto Rico Club Openings		12	9	3	4	6	11	12	15	17	13
	US/Puerto Rico Club Closings		0	0	1	0	12	0	0	3	1	0
	United States, Puerto Rico Locations	1%	632	620	611	609	605	611	600	588	576	560
	United States	1%	621	609	600	599	596	602	591	579	567	551
	Puerto Rico	5%	11	11	9	9	9	9	9	9	9	9
	Mexico	11%	150	133	124	108	98	91	83	77	70	61
	Brazil	4%	27	27	26	24	23	22	21	19	15	12
	China	35%	10	6	6	6	3	3	3	3	3	3
	Canada (Locations Closed March, 2009)		0	0	0	0	0	6	6	6	6	6
	Worldwide Locations	3%	819	786	765	746	729	733	713	693	670	642
Business Center		n/a	n/a	n/a	n/a	n/a	1	n/a	n/a	n/a	n/a	
US/PR Item Sales	Annual Physical SKU Count	-1%	4,966	5,209	5,250	5,352	5,266	4,980	5,379	5,157	4,960	4,909
	Average Number of SKUs (2 Years)	0%	5,088	5,230	5,301	5,309	5,123	5,180	5,268	5,059	4,935	4,928
	YEARLY Sales per SKU		\$9,360,828	\$8,987,544	\$8,453,355	\$7,965,237	\$8,174,518	\$8,114,099	\$7,263,092	\$7,307,779	\$7,169,205	\$6,824,924
	WEEKLY Sales per SKU	4%	\$180,016	\$172,837	\$162,565	\$153,178	\$157,202	\$156,040	\$139,675	\$140,534	\$137,869	\$131,249
	YEARLY Sales per SKU per CLUB		\$14,953	\$14,602	\$13,858	\$13,122	\$13,445	\$13,401	\$12,227	\$12,556	\$12,622	\$12,330
	WEEKLY Sales per SKU per CLUB	4%	\$288	\$281	\$266	\$252	\$259	\$258	\$235	\$241	\$243	\$237
	Ancillary Percentage	8%	16.7%	16.7%	16.7%	14.5%	12.4%	12.4%	13.7%	11.1%	11.1%	9.4%
	Merchandise Sales less Ancillary	3%	\$47,623	\$47,000	\$44,811	\$42,287	\$41,878	\$42,027	\$38,262	\$36,966	\$35,376	\$33,630
	Private Label SKUs	1%	536	581	585	562	524	423	377	376	445	255
	Private Label Percent of Sales	1%	13.8%	13.8%	13.8%	13.4%	13.2%	12.6%	11.4%	11.0%	10.3%	7.5%
	Private Label Yearly Sales (million)	4%	\$6,572	\$6,486	\$6,184	\$5,667	\$5,528	\$5,295	\$4,362	\$4,066	\$3,644	\$2,522
	Private Label Weekly Sales/SKU/Location	3%	\$377	\$349	\$333	\$319	\$334	\$398	\$375	\$357	\$277	\$344
Brand SKUs	0%	4,552	4,649	4,716	4,747	4,599	4,757	4,891	4,683	4,490	4,673	
Brand Percent of Sales	0%	86.2%	86.2%	86.2%	86.6%	86.8%	87.4%	88.6%	89.0%	89.7%	92.5%	
Brand Yearly Sales (million)	3%	\$41,051	\$40,514	\$38,627	\$36,621	\$36,350	\$36,732	\$33,900	\$32,900	\$31,733	\$31,108	
Brand Weekly Sales per SKU per Location	3%	\$277	\$272	\$258	\$244	\$250	\$245	\$224	\$232	\$239	\$231	
US/PR Sales Data	Average Clubs Open During Year	1%	626	616	610	607	608	606	594	582	568	554
	Yearly Sales per Avg Club (million)	2%	\$81	\$81	\$78	\$74	\$73	\$79	\$75	\$71	\$70	\$67
	Yearly Operating Income per Club (million)	6%	\$3.2	\$3.2	\$3.0	\$2.8	\$2.5	\$2.7	\$2.8	\$2.5	\$2.5	\$2.3
	Avg Weekly Sales per Avg Club (million)	2%	\$1.6	\$1.6	\$1.5	\$1.4	\$1.4	\$1.5	\$1.4	\$1.4	\$1.3	\$1.3
	Avg Weekly Operating Income/Club (thous.)	6%	\$60.7	\$61.2	\$58.1	\$53.7	\$47.9	\$52.4	\$53.4	\$48.9	\$47.6	\$44.5
	Square Footage (thousand)	1%	84,688	83,080	81,586	81,202	80,539	80,986	79,316	77,350	74,471	71,757
	Square Foot per Club (thousand)	0%	134	134	134	133	133	133	132	132	129	128
	Sales per Square Foot	3%	\$675	\$679	\$659	\$609	\$594	\$592	\$559	\$538	\$534	\$517
Operating Income per Square Foot	6%	\$23	\$24	\$23	\$21	\$19	\$20	\$21	\$19	\$19	\$18	
Empl.	Total Employees		n/a	107,000	n/a	100,000	100,000	n/a	n/a	109,000	n/a	n/a
	Merchandise Sales per Employee		n/a	\$465,318	n/a	\$451,930	\$445,530	n/a	n/a	\$381,486	n/a	n/a
	Operating Profit per Employee		n/a	\$18,318	n/a	\$16,950	\$15,150	n/a	n/a	\$13,578	n/a	n/a
Sales Percentages	Grocery and Consumables		56%	55%	55%	55%	56%	n/a	n/a	n/a	n/a	n/a
	Fuel and Other Categories		23%	24%	24%	23%	21%	n/a	n/a	n/a	n/a	n/a
	Technology, Office, Entertainment		8%	8%	8%	9%	10%	n/a	n/a	n/a	n/a	n/a
	Home and Apparel		8%	8%	8%	8%	8%	n/a	n/a	n/a	n/a	n/a
	Health and Wellness		5%	5%	5%	5%	5%	n/a	n/a	n/a	n/a	n/a
	Food and Beverage		n/a	n/a	n/a	n/a	39%	39%	n/a	n/a	n/a	n/a
	Health and Wellness		n/a	n/a	n/a	n/a	19%	18%	n/a	n/a	n/a	n/a
	Technology, Office, Entertainment		n/a	n/a	n/a	n/a	10%	10%	n/a	n/a	n/a	n/a
	Home and Apparel		n/a	n/a	n/a	n/a	8%	9%	n/a	n/a	n/a	n/a
	Tobacco, Candy, Gasoline		n/a	n/a	n/a	n/a	24%	24%	n/a	n/a	n/a	n/a
	Food		n/a	n/a	n/a	n/a	n/a	30%	28%	29%	30%	31%
	Sundries		n/a	n/a	n/a	n/a	n/a	37%	37%	36%	35%	35%
Hardgoods		n/a	n/a	n/a	n/a	n/a	16%	18%	19%	19%	19%	
Service Business		n/a	n/a	n/a	n/a	n/a	12%	12%	11%	11%	9%	
Softgoods		n/a	n/a	n/a	n/a	n/a	5%	5%	5%	5%	6%	

WCF Research, Wal-Mart Annual Reports

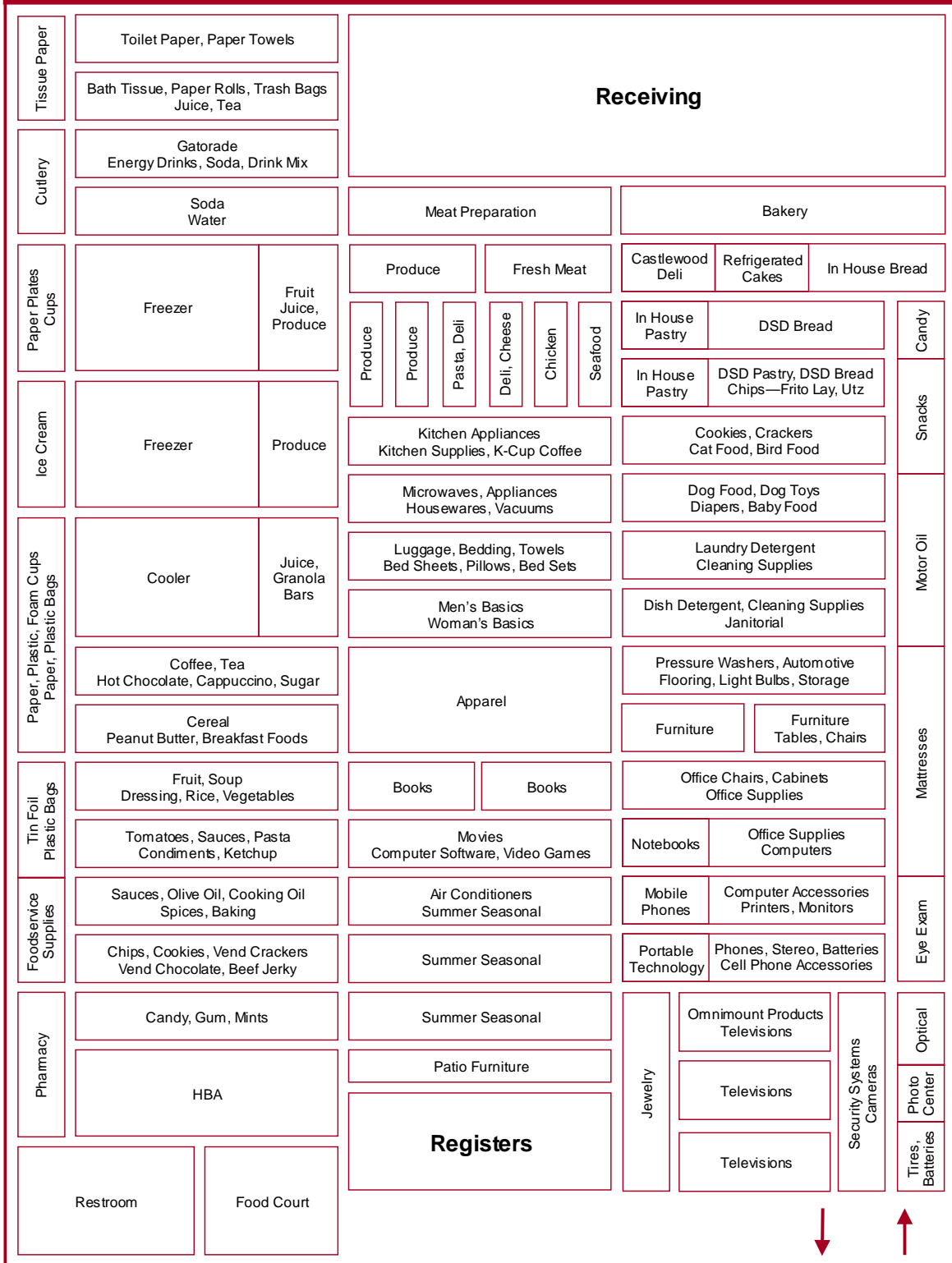
Fiscal Year ends January (fiscal year ending January, 2014 is called 2014)		CAGR 10-14	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
US/PR Membership	Paid Business (thousand)		6,093	6,020	5,955	5,952	6,136	6,459	6,459	6,455	6,452	6,449
	Paid Supplemental Business (thousand)		3,904	3,857	3,815	3,814	3,972	4,226	4,226	4,224	4,222	4,219
	Paid Consumer (thousand)		23,304	23,028	22,777	22,530	22,307	22,027	21,835	21,007	21,121	21,016
	Free Supplemental Consumer (thousand)		15,553	15,368	15,201	15,198	14,824	14,664	14,527	15,076	14,729	14,660
	Total Cardholders (thousand)	1%	48,853	48,274	47,748	47,493	47,239	47,376	47,046	46,762	46,524	46,345
	Average Cardholders per Club	0%	78,040	78,430	78,276	78,243	77,696	78,243	79,203	80,347	81,908	83,730
Average Annual Sales per Cardholder	2%	\$1,035	\$1,031	\$997	\$952	\$943	\$1,013	\$942	\$889	\$855	\$801	
Average Annual Member Fees/Cardholder	4%	\$26	\$23	\$23	\$23	\$22	\$22	\$22	\$22	\$20	\$19	
Growth	Revenues		1%	5%	9%	3%	0%	8%	7%	4%	7%	7%
	Membership Fees		10%	2%	3%	2%	-1%	2%	10%	6%	6%	
	Operating Income		1%	6%	9%	12%	-8%	0%	11%	5%	10%	14%
	Total Membership		1%	1%	1%	1%	0%	1%	1%	1%	0%	2%
	Warehouse Count - Worldwide		4%	3%	3%	2%	-1%	3%	3%	3%	4%	4%
WMT FncIs	Wal-Mart Return on Equity		21%	22%	22%	24%	20%	21%	21%	22%	23%	23%
	Wal-Mart Return on Assets		8%	8%	8%	9%	9%	8%	8%	9%	9%	9%
	SAM'S Club Return on Assets		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	Wal-Mart Stock Closing Price	9%	\$74.68	\$69.95	\$61.36	\$56.07	\$53.43	\$47.12	\$48.85	\$47.69	\$46.41	\$52.43
	Wal-Mart Price/Earnings Ratio		15	14	14	13	14	14	16	18	17	22
	Wal-Mart Market Capitalization (billion)	4%	\$245.0	\$237.1	\$212.9	\$205.8	\$207.1	\$186.2	\$198.6	\$198.6	\$194.1	\$223.2
Wal-Mart Current Ratio		0.9	0.8	0.9	0.9	0.9	0.9	0.8	0.9	0.9	0.9	

WCF Research, Wal-Mart Annual Reports

Sam's Club Layout

Sam's Club—Worcester, MA

(Opened 2012, Layout—May, 2012)



Sam's Club—Fall River, MA

(Opened October, 2013, Layout—October, 2013)

Tissues, Napkins	Toilet Paper, Paper Towels		Receiving													
	Paper Towels, Trash Bags Cups, Plates, Foam Cups															
	Cups, Plates, Cutlery Foodservice, Foil, Food Wrap		Meat, Prepared Preparation						Bakery							
Energy Drinks	Soda, Gatorade Soda		Vegetables	Prepared Food	Fresh Meat	Castlewood	Rotisserie Chicken	Refrigerated Cake	In House Bread	Commercial Cleaning						
	Freezer	Fruit	Fruit	Vegetables	Deli	Deli	Fresh Chicken, Fresh Meat	Fresh Seafood, Fresh Meat	DSD Bread DSD Bread, DSD Pastry/Vend Pastry							
		Demo Station	Peanuts, Snacks Chips						DSD Bread					In House Pastry	DSD Pastry	In House Pastry
	Freezer		Fruit	Snacks Cookies, Crackers										Detergents, Cleaning Detergents		
Ice Cream	Freezer	Fruit	Jerky, Vending Chips Vending Chocolate Candy						Cleaning Pet							
		Dry Grocery	Vending Candy, Gum and Mints Candy						Pet Storage, Shelving							
	Cooler		Dry Grocery	Basic Apparel—Woman Basic Apparel—Men						Flooring, Lighting, Light Bulbs Kitchen Supplies, Housewares						
Water	Cooler	Dry Grocery	Apparel						Kitchen Appliances Vacuums, Large Appliances, Luggage							
		Dry Grocery							Furniture Furniture							
	Juice, Tea, Flavored Water Juice		Books	Jewelry			Office Equipment Office Supplies									
	Coffee Hot Chocolate, Tea, Fruit		Books	Fragrances	Gift Cards	Office Supplies Cartridges, Printers, Software										
Drink Mixes	Cereal, Dried Fruit Peanut Butter, Granola Bars		Bed, Bath Rugs, Throws						Computers, Phones Computer Accessories, TV Mounts							
Olives, Pickles	Soup, Canned Meat and Seafood Rice, Beans, Vegetables		Coolers, Winter/Seasonal Heaters, Winter/Seasonal						Notebooks	Eye Exam						
Baking	Pasta, Tomatoes, Sauces Dressing, Sauces, Condiments		Sporting Goods, Smokers, Charcoal Camping						Mobile Sales							
	Oils, Condiments Baking, Spices	Flowers	Toys Toys						Mobile Accessories GPS, Video Games				Televisions	Televisions	Stereo, DVD Cameras	
Pharmacy	HBA, Baby Food and Supplies		Christmas/Seasonal Christmas/Seasonal						Tablets				Photo			
	HBA		Registers						Member Services							
	HBA															
	HBA, Health Bars and Shakes															
Restrooms			Cafe	Hearing Aid	Automotive Tires, Batteries	Member Services										

Sam's Club International

Sam's international locations are operated within Walmart's international division. As can be seen from the chart below, as of December, 2014, Sam's operated 839 worldwide locations, 205 of which are international.

Calendar (millions)	Worldwide		U.S.		International					
	Units	Sales	Units	Sales	Mexico	Puerto Rico	Brazil	China	Units	Sales
2010	747	\$61,683	598	\$49,081	108	9	24	6	149	\$12,602
2011	765	\$68,281	600	\$53,552	124	9	26	6	165	\$14,729
2012	786	\$72,713	609	\$56,300	133	11	27	6	177	\$16,413
2014	817	\$75,514	619	\$57,105	150	11	27	10	198	\$18,409
2015	839	\$78,118	634	\$58,054	157	11	27	10	205	\$20,064
CAGR	3%	6%	1%	4%	10%	5%	3%	14%	8%	12%

WCF Research, Wal-Mart annual reports.

Sam's international locations generated sales of \$20.06 billion in calendar 2014 representing average annual growth of 12% since 2010.

This chapter provides a profile of Sam's Chinese division, its Mexican division, its cash and carry operation in India and manufacturer insights on selling Sam's internationally.

China (10 clubs)

Sam's opened its first location in China in Shenzhen in 1996. The location generates approximately \$100 million in annual sales. On January 21, 2001, this location, at the time, produced the highest sales day (approximately \$1.7 million) among all Sam's international locations. In October, 2005, Sam's relocated the Shenzhen location to a larger facility. The location is three stories high with the first two floors used for shopping and the top floor for parking.

The chief executive office of Walmart's Chinese operation said, "Sam's outlook in China is promising ... This business model is especially ripe for the burgeoning middle-income and upper-income consumers, and because many cities are well-suited for this format, the growth of ... Sam's Club in Walmart's China portfolio will be strong for years to come." According to an April 6, 2014 report from *RetailAnalysis.igd.com*, the company is planning to open three more locations in early 2015 in Shanghai, Wuhan and Changzhou.

Mexico (157 clubs)

Sam's largest international division is Mexico and the company has been aggressively expanding the number of locations in this country. Since 2009, when it operated 97 clubs in Mexico, the number of clubs in the country has grown 10% annually and stood at 157 on December 31, 2014. According to a February, 2014 report from *The City Wire*, Walmart is planning to invest up to \$1.8 billion in its Mexican operation with a third of that money targeted towards expansion. Sam's Club represents approximately 27% of Walmart's business in Mexico.

India

Walmart/Sam's Club currently operates 20 Best Price Modern Wholesale cash and carry stores (www.Walmartindia.in) in India in partnership with Bharti Enterprises. The first location opened in 2009. Since this operation is not under the Sam's Club banner, it is not included in the data above. However, Best Price Modern is operated in a similar fashion to a Sam's Club. Walmart plans to open an additional 50 Best Price locations over the next four to five years.

Best Price Modern Wholesale is open only to business owners and operators and targets kirana stores (mom-and-pop retailers), restaurant owners, hotel operators, caterers, fruit and vegetable resellers, offices and institutions. The locations stock approximately 5,000 SKUs and are approximately 80,000 to 100,000 square feet. More than 95% of the location's merchandise and services are sourced locally.

The interior of the locations offer a similar look to a traditional warehouse club with pallet and shelf merchandising. The locations stock a wide variety of merchandise including fresh (fruit, vegetables, poultry, mutton and fish), dairy (milk and milk products), consumer packaged goods (food and non-food), general merchandise, electronics and appliances. The locations also stock private label products including Sam's Member's Mark and Baker's & Chefs brands. Walmart also introduced a web site (www.bestpricewholesale.co.in) enabling Best Price members in two locations to order merchandise for pickup or delivery.

Manufacturer Insights

Language – As simple as it seems, you need to have a staff (or broker) that is multilingual. A broker said, "The truth is you can't just call a buyer in China. The language barrier is the very first one to be broken down."

Process – "When you're talking about Walmart/Sam's international, you're talking about two systems. You're not talking to

buyers; you're talking to Walmart's Global Sourcing arm. You send the information to them and they distribute it to buyers in-market. So the information flow from you to the buyer is already second-hand."

Dedicated Support – A larger supplier said that they had people on staff that specialized on working through Walmart/Sam's international division. The manufacturer said, "Tariffs, regulations and documentation requirements really warrant the efforts of a team. For example, you have to understand regulations around testing before you can even send samples into a market. If you don't have the capital to invest in the effort, that's your number one trade barrier."

Another manufacturer said, "Most of us don't know trade barriers, trade rules, documentation or even how to get samples through, so we walk away. But the opportunity is there and you have to be dedicated. You need people on staff who know international or you should hire an outside firm to walk your company through the experience. You need to deal with customs brokers and a variety of other checkpoints, depending on the individual country, all of which is time-consuming and expensive."

Packaging – A food manufacturer discussed a couple packaging issues. "Packaging is difficult since the minimum for printing can be high and the clubs have not penetrated overseas markets enough to have big volume. Also, with Mexico, in particular, the rules for packaging always change, depending upon the person you sought out in the Mexican government for approval."

Rotation Periods – A broker commented on the potential offered by selling Sam's Club internationally. He said, "International business at ... Sam's is growing exponentially. Rotation of items is far less frequent due to the complexity of labeling."

Club Locations

Worldwide Locations – December 31, 2014 – 839

Brazil – 27

Country	Address	Town	State	Zip	Opened
Brazil	Av. Comendador Gustavo Paiva, 2650	Maceio	Alagoas	n/a	n/a
Brazil	Av. Engenheiro Santana Junior Quadra 9, Bairro Papicu	Fortaleza	Ceara	n/a	2009
Brazil	Rua Copaiba - lote 1 Norte	Aguas Claras	Distrito Federal	n/a	2011
Brazil	Sia Sul, Trecho 16, Lote 05, Bloco "B" Sem número. Guará.	Sia Sul	Distrito Federal	n/a	2005
Brazil	Av. Marechal Mascarenhas de Moraes, 1905	Vitoria	Espirito Santo	n/a	2006
Brazil	Av. Deputado Jamel Cecilio, 3901 Quadra C 29/31 lote 2	Goiania	Goias	n/a	2006
Brazil	Av. Gen. David Samoff, 5.100 Ao lado do Itaú Power Shopping	Contagem	Minas Gerais	n/a	n/a
Brazil	Estrada da Ribeira 144 BR 476	Curitiba-Atuba	Parana	n/a	2011
Brazil	BR 277, 65 Curitiba/Ponta Grosse Ao lado do Parque Shopping Barigui	Curitiba-Barigui	Parana	n/a	2011
Brazil	Avenida Mascarenhas de Moraes, 3402	Recife	Pernambuco	n/a	2008
Brazil	Rua Projetada, 345 Próximo do Norte Shopping	Linha Amarela	Rio de Janeiro	n/a	2000
Brazil	Rodovia BR 101 Niterói - Manilha Km 318 - Barreto	Niteroi	Rio de Janeiro	n/a	n/a
Brazil	Avenida Sertório, 6600	Porto Alegre	Rio Grande do Sul	n/a	2007
Brazil	Av. Dão Silveira 4.500 Bairro Candelária	Natal	Rio Grande Norte	n/a	2006
Brazil	Av. Antônio Carlos Magalhães, 3410	Bahia	Salvador	n/a	2006
Brazil	Avenida Rudge, 500 Em frente a LBV	Bom Ritero	Sao Paulo	n/a	n/a
Brazil	Rodovia Dom Pedro Km 132	Campinas	Sao Paulo	n/a	2007
Brazil	Rua Padre Celestino, 400 Centro	Guarulhos	Sao Paulo	n/a	2005
Brazil	Avenida dos Autonomistas, 1.828 Esquina com Avenida Maria Campos	Osasco	Sao Paulo	n/a	n/a
Brazil	Av. Alcântara Machado, 4002 Em frente ao metrô Belém	Radial Leste	Sao Paulo	n/a	n/a
Brazil	Av. Presidente Kennedy, 1500, Dentro do Novo Shopping	Ribeiro Preto	Sao Paulo	n/a	2010
Brazil	Avenida Conde Francisco Matarazzo, 838 Esquina com Avenida do Estado	Sae Caetano do Sul	Sao Paulo	n/a	n/a
Brazil	Rua Benedito Fernandes, 270 Ao lado da Renault Nações Unidas	Santo Amaro	Sao Paulo	n/a	n/a
Brazil	Rua Antônio Cardoso, 536 Esquina com Avenida dos Estados	Santo Andre	Sao Paulo	n/a	n/a
Brazil	Avenida Senador Vergueiro 2270	Sao Bernado do Campo	Sao Paulo	n/a	n/a
Brazil	Av. Cassiano Ricardo 1.993 Jardim Alvorada	Sao Jose dos Campos	Sao Paulo	n/a	2005
Brazil	Al. Araguaia, 2751 Ao lado do Shopping Tamboré	Tambore	Sao Paulo	n/a	n/a

China - 10

Country	Address	Town	State	Zip	Opened
China	Ground Floor, Yizhuang Creative Life Plaza, 6 Wenhuyuan Road East	Beijing	Beijing	n/a	n/a
China	158 Fushi Road, Shijingshan District	Beijing	Beijing	n/a	n/a
China	128 Yangqiao Road West, Gulou District	Fuzhou	Fujian	n/a	n/a
China	Wal-Mart (Zhejiang) Stores Co., Ltd., Hangzhou Xxi Sam's Club, P1-A001, 1 Wuchang Avenue, Yuhang District	Hangzhou	Zhejiang	n/a	n/a
China	NO.88, Xihualin Street, Suzhou Industrial Park	Suzhou	Jiangsu	n/a	n/a
China	No.42, Haida Street north, Xgang District, Dalian.	DaLian	Liaoning	n/a	n/a
China	1F Galaxy Times Coco Park, South of Huangge Rd, Longgang Distric	Shenzhen	Guangdong	n/a	n/a
China	1-2/F, Highsun Youyi City, East Side of Yingbin Road, Lirendong Village, Nancun Town	Guangzhou	Guangdong	n/a	n/a
China	1B, Ground Floor and First Floor, SZTTC Shopping Center	Shenzhen	Guangdong	n/a	n/a
China	1-3/F, Youyou Trade Center, 2110 Gaoke West Road, Pudong District	Shanghai	Shanghai	n/a	n/a

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Mexico – 157

Country	Address	Town	State	Zip	Opened
Mexico	Av. Independencia 2351, La Concepción.	AGUASCALIENTES	AGUASCALIENTES	20120	n/a
Mexico	Av. Siglo XXI No. 3980 Col. Rancho Santa Mónica	AGUASCALIENTES	AGUASCALIENTES	20289	n/a
Mexico	Bld. Reforma Carretera Ensenada La Paz No. 3976 A, Col. Carlos Pacheco. Ensenada BC.	Ciudad	BAJA CALIFORNIA	22780	n/a
Mexico	Bld. Lázaro Cárdenas 1801, Col. Exejido de Zacatecas	MEXICALI	BAJA CALIFORNIA	21090	n/a
Mexico	Carretera Transmexicana No. 11 Esq. KM6.5 Col. Granadillo	SALINA CRUZ	OAXACA	70613	n/a
Mexico	Bld. Luis Donaldo Colosio SM 310 Manzana 1 Lote 4-	CANCUN	QUINTANA ROO	77560	n/a
Mexico	Ave. Alvaro Obregón No. 2861 Fracc. Montebello Culiacán Sinaloa Entre Blvd. Guillermo Bat	CULIACAN	SINALOA	80227	n/a
Mexico	Av. Victor no. 3 Esq. Bordo de xochiaca col. Benito Juarez Netzahuatcoyotl edo. De Mexico	CIUDAD NEZAHUALCOYOTL	MEXICO	57000	n/a
Mexico	Av. Ejercito Nacional # 7445 col. Partido Iglesias	CIUDAD JUAREZ	CHIHUAHUA	32399	n/a
Mexico	Balam Kanche Lotes 2 C 3 y 3 A Manzana 30 Col. Playacar	Ciudad	QUINTANA ROO	77710	n/a
Mexico	Carretera Apizaco-Puebla num. 3 Col. Tlatempan Apetatitlan de Antonio Carvajal C.P. 90610 Tlaxcala	Ciudad	TLAXCALA	90610	n/a
Mexico	Bld. Sánchez Taboada 4005 Zona Rio Tijuana B.C.N.	TUJUANA	BAJA CALIFORNIA	22320	n/a
Mexico	Bld. Benito Juárez S/N entre las calles Josefa Ortiz de Domínguez Col. Brisas del Golfo Puerto Peñasco	Ciudad	SONORA	83553	n/a
Mexico	Carretera Transpeninsular Km. 2 Cabo San Lucas B.C.S. Col. Country club	SAN JOSE DEL CABO	BAJA CALIFORNIA SUR	06800	n/a
Mexico	Periférico Sur No2 Fraccionamiento Santa Cruz Cardenas Tabasco.	CARDENAS	TABASCO	86560	n/a
Mexico	Calle 5 de febrero No. 1074 Norte . Col. Fracc. Comercial Zona Norte Cd. Obregon Sonora.	CIUDAD OBREGON	SONORA	85010	n/a
Mexico	Bld. Bahia Carmen Ochoa s/n Col. Centro Chetumal	CHETUMAL (CIUDAD CHETUMAL)	QUINTANA ROO	77000	n/a
Mexico	Bld. Paseo Interlomas No. 5 Col Green House	HUIXQUILUCAN DE DEGOLLADO	MEXICO	52779	n/a
Mexico	Av. Hank Gonzalez No. 120 Col Rinconada de Aragón	ECATEPEC DE MORELOS	MEXICO	55140	n/a
Mexico	Periférico Paseo de la República #2150 Col. Ampliación Ana María Gallaga. CP 58195	MORELIA	MICHOACAN	58260	n/a
Mexico	Carretera Zumpango- Los Reyes s/n Col. Buenavista Estado de Mexico	Ciudad	MEXICO	55635	n/a
Mexico	Av. Primero de Mayo 17 Col. Centro Urbano Cuautitlán Izcalli	CUAUTITLAN	MEXICO	54730	n/a
Mexico	Fernando Rios Neri No. 2 Col. Ciudad de los Servicios	CHILPANCINGO DE LOS BRAVO	GUERRERO	39075	n/a
Mexico	Bld. Héroes del 5 de mayo 2322 Col. Cleotilde Torres	PUEBLA (HEROICA PUEBLA)	PUEBLA	72050	n/a
Mexico	Bld. José Ma. Morelos S/N entre las calles Santa Cecilia y Gilbert Escobosa Gamez Col. Colina Blanca	HERMOSILLO	SONORA	81500	n/a
Mexico	Av. Ejército Mexicano 26 Col. Ejido 1o. de Mayo. Boca del Rio	XALAPA DE ENRIQUEZ	VERACRUZ	94297	n/a
Mexico	Paseo de Zhuatanejo Oriente No. 15 entre las calles de Retorno Número 2 y Carretera Federal Col. El Hujal	Ciudad	GUERRERO	40800	n/a
Mexico	Bld. Salomon Gonzalez Blanco S/N Esq. Carretera a Chiapa de Corzo Col. El retiro	TUXTLA GUTIERREZ	CHIAPAS	29040	n/a
Mexico	Av. Universidad 413 Col. El Roble San Nicolás de los Garza	SAN NICOLAS DE LOS GARZA	NUEVO LEON	66450	n/a
Mexico	Av. Universidad 601 Col. Exhacienda Candiani. Oaxaca Oax. Entre Hotel Fiesta Inn y Dist. Ford	OAXACA (OAXACA DE JUAREZ)	OAXACA	68130	n/a
Mexico	Av. Ejército Nacional 559 Col. Granada. México	CIUDAD DE MEXICO	DISTRITO FEDERAL	11520	n/a
Mexico	Carr. Tuxpan-Tampico Km 88 Col. Granjas	TUXPAN DE RODRIGUEZ CANO	VERACRUZ	92894	n/a
Mexico	Av. Niños Héroes 720 Col. Hidalgo. Tlaquepaque	TLAQUEPAQUE	JALISCO	45500	n/a
Mexico	Av. Benito Juárez Carretera 57 No. 1599 entre las calles Real del Monte y Fray José Col. Jaime Torres Bodet	SAN LUIS POTOSI	SAN LUIS POTOSI	78390	n/a
Mexico	Bld. Belisario Domínguez 1550 Col. Jardines de Tuxtla. Tuxtla Gtz Chis.	TUXTLA GUTIERREZ	CHIAPAS	29020	n/a
Mexico	Calle Insurgentes No. 18015 entre Paseo del Parque y Manuel J. Clouthier Col. La Mesa	TUJUANA	BAJA CALIFORNIA	22105	n/a
Mexico	Av. San Jerónimo 630 Col. La Otra Banda. México	CIUDAD DE MEXICO	DISTRITO FEDERAL	01090	n/a

Country	Address	Town	State	Zip	Opened
Mexico	Av. Pablo Livas #2050 Col. La Quinta Guadalupe N.L.	CIUDAD GUADALUPE	NUEVO LEON	67170	n/a
Mexico	Av. Tamaulipas 3000 Col. La Rosita. Cuajimalpa México	CIUDAD DE MEXICO	DISTRITO FEDERAL	05340	n/a
Mexico	Bldv. Jesús Varela Rico No. 201 Col. Las Américas Fresnillo	FRESNILLO DE GONZALEZ ECHEVE	ZACATECAS	99300	n/a
Mexico	Bldv. Lázaro Cárdenas No. 3001 - A esq. Eduardo Villasenor Col. Lázaro Cárdenas	LA PIEDAD DE CAVADAS	MICHOACAN	59374	n/a
Mexico	Av. 16 de Septiembre No. 3600 entre las calles Calzada de los Fruticultores y Dublin Col. Los Manzanos	CIUDAD CUAUHTEMOC	CHIHUAHUA	31600	n/a
Mexico	Av. Andrés Quintana Roo S/N entre las calles 75 Avenida Sur y 80 Avenida Sur Col. Maravilla	COZUMEL	QUINTANA ROO	77660	n/a
Mexico	Carr. Federal 200 Tepic-Puerto Vallarta 1400 Col. Mezcales Bahía de Banderas	Ciudad	NAYARIT	63738	n/a
Mexico	Bldv. Bernardo Quintana 4115 Col. Parque Ind. Querétaro	QUERETARO	QUERETARO	76130	n/a
Mexico	Bldv. Manuel Avila Camacho 467 Col. Penodistas. México	CIUDAD DE MEXICO	DISTRITO FEDERAL	11220	n/a
Mexico	Bldv. Miguel de la Madrid No. 1518 Col. Playa Azul	MANZANILLO	COLIMA	28218	n/a
Mexico	Av. Paseo Irapuato 1101 Col. Primera San Gabriel	IRAPUATO	GUANAJUATO	36640	n/a
Mexico	Av. Homero 200 Col. Real Universidad	CHIHUAHUA	CHIHUAHUA	31125	n/a
Mexico	Eje 1 sn esq. Niño de Atocha Col. Relicario San Cristóbal de las Casas Cs.	SAN CRISTOBAL DE LAS CASAS	CHIAPAS	29286	n/a
Mexico	Calzada Rafael Cuervo No. 2300 esq. Río Pánuco Col. Reserva Vergara Tarimoya I	VERACRUZ	VERACRUZ	91885	n/a
Mexico	Av. Nazario Ortiz 841 esq. La Fragua Col. Saltillo 400	SALTILLO	COAHUILA	25290	n/a
Mexico	Calz. Adolfo López Mateos No. 4000 Col. San Lorenzo Teotepilco	Ciudad	PUEBLA	75855	n/a
Mexico	Diagonal Reforma 3001 Ote Col. San Marcos. Torreón	TORREON	COAHUILA	27040	n/a
Mexico	Hidalgo No. 300 Col. Santa Cruz de Amiba	TEXCOCO DE MORA	MEXICO	56120	n/a
Mexico	Av. Ferrocarril Oriente No. 105 entre las calles A. Rosetilla y Calz. Del Charro Col. Terrazas	Ciudad	CHIHUAHUA	33106	n/a
Mexico	Av. El Rosario No. 1025 entre las calles Av. Aquiles Serdán y Av. Del Parque Col. Tierra Nueva	CIUDAD DE MEXICO	DISTRITO FEDERAL	02430	n/a
Mexico	Bldv. Mex-Qro 1900 Col. Viveros de la Loma	NAUCALPAN DE JUAREZ	MEXICO	54080	n/a
Mexico	Vía José López Portillo 101-E Col. Zacautilla	COACALCO DE BERRIOZABAL	MEXICO	55700	n/a
Mexico	Cañaverales 222 Col. Granjas Coapa	CIUDAD DE MEXICO	DISTRITO FEDERAL	14330	n/a
Mexico	Bldv. Salvador Nava 3135 Colinas del Parque. San Luis Potosi	SAN LUIS POTOSI	SAN LUIS POTOSI	78110	n/a
Mexico	Bldv. De las Federaciones Km 120+ 200 Col. Chichima Comitan	TUXTLA GUTIERREZ	CHIAPAS	29002	n/a
Mexico	Av. Vicente Guerrero No 760Col.Lomas de la Selva Cuernavaca Morelos	CUERNAVACA	MORELOS	62270	n/a
Mexico	Av. Ferrocarril Hidalgo Col. Guadalupe Tepeyac Del. Gustavo A. Madero	CIUDAD DE MEXICO	DISTRITO FEDERAL	07840	n/a
Mexico	Boulevard Durango #102 Col. El Edén C.P. 34130 Durango Dgo.	DURANGO	DURANGO	34130	n/a
Mexico	Bldv. Miguel Alemán No. 1060 Col Villa Jardín Lerdo Durango Dgo.	CIUDAD LERDO	DURANGO	35157	n/a
Mexico	Bldv. Arturo Montiel Rojas km. 10 Col. Ampliación Vista Hermosa CP 54414 Nicolas Romero Edo. de Mex	CIUDAD DE MEXICO	DISTRITO FEDERAL	54414	n/a
Mexico	Lago de Guadalupe S/N entre Autopista México-Querétaro y Texcatipoca Col. San Pedro Barrientos	TLALNEPANTLA DE BAZ	MEXICO	54010	n/a
Mexico	Av. Sendero Divisorio No. 200-A Col. Valle de las Alamedas Entre Av. Rep.Mexicana y Sendero Anáhuac	SAN NICOLAS DE LOS GARZA	NUEVO LEON	66417	n/a
Mexico	Camino real tetelcingo Calderón No. 23 entre Barranca Tezahuapan y Autopista Cuautla-Oaxtepec Col. Tierra Larga.	Ciudad	MORELOS	62751	n/a
Mexico	Carretera México-Cauatla No. 3 entre La Espinita e Ixtapaluca Col. Geo Villas de Santa Bárbara	IXTAPALUCA	MEXICO	56535	n/a
Mexico	Bldv. Industrial No. 1241 Col. Villa Uruapan entre Pinzón y Veracruz.	URUAPAN	MICHOACAN	60120	n/a
Mexico	Av. Río de los Remedios N° 5 entre Vidrio Plano y Acueducto de Guadalupe Col. Ex-Rancho.	TLALNEPANTLA DE BAZ	MEXICO	54180	n/a
Mexico	Francisco Medina Ascension 2880 Esq. Av. P. Sánchez Col. El Pitalil	PUERTO VALLARTA	JALISCO	48290	n/a
Mexico	Calzada Acoxpa #438 Esq. Calzada de Guadalupe Col. Exhada Coapa	CIUDAD DE MEXICO	DISTRITO FEDERAL	14200	n/a
Mexico	Av. De las Palmas 100 Esq. Carr. Minatitlán Frac. A del Predio Rústico Rancho Alegre	XALAPA DE ENRIQUEZ	VERACRUZ	96558	n/a
Mexico	Av. Revolución s/n Col. San Cristóbal Centro Ecatepec Estado. de México. C.P.55000	ECATEPEC DE MORELOS	MEXICO	55000	n/a
Mexico	Bldv Faja de Oro No. 805 Col. Guadalupe Cp. 36747	SALAMANCA	GUANAJUATO	36747	n/a
Mexico	Prol. Paseo Montejo 312 Fracc Gonzalo Guerrero. Mérida	MÉRIDA	YUCATÁN	97118	n/a
Mexico	Av. Reforma 2150 Fracc. Alameda	MAZATLÁN	SINALOA	82123	n/a
Mexico	Avenida Farallón 516 Fracc. Farallón del Obispo. Acapulco	ACAPULCO DE JUAREZ	GUERRERO	39690	n/a
Mexico	Carretera Xalapa-Veracruz No. 191 Fracc. Las Animas	XALAPA DE ENRIQUEZ	VERACRUZ	91190	n/a
Mexico	Av. Felipe Pescador 1401 Ote Fracc. Primer Cuadro	DURANGO	DURANGO	34000	n/a
Mexico	Av. Manuel J. Clouthier 102 Fracc. Privada del Moral 2	LEON DE LOS ALDAMA (LEON)	GUANAJUATO	37160	n/a
Mexico	Carretera Tapachula Km. 35 Puerto Madero Fracc. Valle Dorado II Chis.	TAPACHULA	CHIAPAS	30700	n/a
Mexico	Periférico Sur S/N entre las calles García de la Cadena y Morelos Fraccionamiento Sta Cruz Col.	IGUALA DE LA INDEPENDENCIA	GUERRERO	40070	n/a
Mexico	Av. Fco. García Salinas 1602 Fraccionamiento Tahona. Zacatecas	ZACATECAS	ZACATECAS	98098	n/a
Mexico	Calz. Zamora Jacona Francisco I. Madero 850 Col. Enseno Jacona Michoacan de Ocampo	JACONA DE PLANCARTE	MICHOACAN	59813	n/a
Mexico	Periférico de la Juventud 2200 Hda. del Valle. Chihuahua	CHIHUAHUA	CHIHUAHUA	31238	n/a
Mexico	Río Sonora s/n entre Cir. Interior y Reforma	HERMOSILLO	SONORA	83289	n/a
Mexico	Bldv. Luis Donald Colosio Murrieta 2770 Col. Unidad Deportiva	NOGALES	SONORA	84068	n/a
Mexico	Bldv. Miguel Hidalgo No.901 Fraccionamiento Santa Ana Tulancingo	Ciudad	HIDALGO	43660	n/a
Mexico	Av entre Av. Hidalgo y Av. Tlaxtecas	TLALNEPANTLA DE BAZ	MEXICO	54030	n/a
Mexico	Av. Mariano Otero 3450 Col. El Colli Zapopan	ZAPOPAN	JALISCO	45050	n/a
Mexico	Av.Vallarta 5455 Col. La Estancia Zapopan	GUADALAJARA	JALISCO	45100	n/a
Mexico	Carretera México-Pachuca Km. 36.5 entre Quetzalcoatl y Temascalcingo	Ciudad	MEXICO	55740	n/a
Mexico	Av. Agustín Olachea Esq. Libramiento Sur s/n Col. El Zacatal La Paz Baja California Sur	LA PAZ	BAJA CALIFORNIA SUR	23080	n/a
Mexico	Leona Vicario 502 Pte La Purísima. Metepec Toluca	METEPEC	MEXICO	52140	n/a
Mexico	Calle 91 por 95 y 96 No. 598 Col Centro 97002	MÉRIDA	YUCATÁN	97002	n/a
Mexico	Av. J.E.González 400 Mitras Norte. Monterrey	MONTERREY	NUEVO LEON	64320	n/a
Mexico	Av. Eugenio Garza Sada 4950Col. Las Bnsas	MONTERREY	NUEVO LEON	64780	n/a
Mexico	Anillo Periférico Esq. Ruiz Cortines Col. El Carrizal Mpio. Centro	VILLAHERMOSA	TABASCO	86035	n/a
Mexico	Paseo Kukulkán entre Palenque y Yaxchilán S.M. 21 Mza. 2	CANCUN	QUINTANA ROO	77500	n/a
Mexico	Av. Río de las Avenidas 701 Fracc. Las Terrazas	PACHUCA DE SOTO	HIDALGO	42098	n/a
Mexico	Carreteras Cazonces Km. 50 Col. La Rueda	XALAPA DE ENRIQUEZ	VERACRUZ	93303	n/a
Mexico	Circuito Interior 1920 Col. Ex-Hda. La Noria Puebla Pue.	PUEBLA (HEROICA PUEBLA)	PUEBLA	72410	n/a
Mexico	Manzana D Lote 1 Sec. Fundadores área: Ah-Kim-Pech Campeche	CAMPECHE	CAMPECHE	24028	n/a
Mexico	Av. Regional No. 1330 Etapa 5 Tres Ríos Culiacán Sinaloa	CULIACÁN	SINALOA	80020	n/a
Mexico	Prol. Paseo Usumacinta #409 Col. Guayabal Villahermosa	VILLAHERMOSA	TABASCO	86990	n/a
Mexico	Av. Hidalgo 6112 Col. Arenal Tampico	TAMPICO	TAMAULIPAS	89344	n/a
Mexico	Bldv. Adolfo López Mateos No. 150 Local A entre Calle 21 y 24 Cd. Victoria	CIUDAD VICTORIA	TAMAULIPAS	87049	n/a
Mexico	Bldv. Hidalgo # 1935 Col. Narciso MendozaReynosa	CIUDAD REYNOSA	TAMAULIPAS	88700	n/a
Mexico	Ave. Pedro Cardenas # 4995 b km. 2.5 col. Amado Nervo Matamoros	HEROICA MATAMOROS	TAMAULIPAS	87396	n/a
Mexico	Carretera Guadalajara - Morelia 1501 Tlajomulco de Zuñiga Col. La Tijera	Ciudad	JALISCO	45645	n/a
Mexico	Anillo Periférico S/N entre Av. del ITESO y Cruz del Sur. Col. Mirador del Tesoro Tlaquepaque	TLAQUEPAQUE	JALISCO	45608	n/a
Mexico	Boulevard Córdoba-Fortín No. 4025 Col. Santa Leticia Fortín de las flores	Ciudad	VERACRUZ	94470	n/a
Mexico	Av.autonomía Lazaro cardenas S/N Esq.Belisario Dominguez Col. Galeana Salaza	Ciudad	MICHOACAN	60991	n/a
Mexico	Carretera Cuautitlan-Tultepec N° 2 Col. el Terremoto entre calle Santa Lucia y camino viejo el quemado	Ciudad	MEXICO	54850	n/a
Mexico	Bldv. Alfredo del Mazo No.608 entre las calles 5 de Mayo Diagonal Independencia y Anillo Perimetral	TOLUCA DE LERDO	MEXICO	50100	n/a
Mexico	Av. Reforma 4715 Col. Burócratas Nuevo Laredo Tamaulipas	NUEVO LAREDO	TAMAULIPAS	88280	n/a
Mexico	Ave. Miguel Aleman #7000	CIUDAD GUADALUPE	NUEVO LEON	67130	n/a
Mexico	Bldv. Cuauhnahuac No.4 Col. Civic Jiutepec Morelos	Ciudad	MORELOS	62570	n/a
Mexico	ProlongaciónAvenida Irigación No. 200 Col. Villas de Benavente	CELAYA	GUANAJUATO	38034	n/a
Mexico	Av. Canal de tezontle 1520 col Alfonso Ortiz Tirado	CIUDAD DE MEXICO	DISTRITO FEDERAL	9020	n/a
Mexico	Bldv. de las Naciones No.802 Col. Fracc. Granjas del Marquez	ACAPULCO DE JUAREZ	GUERRERO	39887	n/a
Mexico	Dr. R Michel 1003 Entre Salvador López Chávez y Amapola Col. San Carlos	GUADALAJARA	JALISCO	44430	n/a
Mexico	Lateral Sur de Perifrico Ecolgico No. 701 Esquina 9 Sur Col. Infontav San Bartolo	PUEBLA (HEROICA PUEBLA)	PUEBLA	72490	n/a
Mexico	Av. Tecnológico Col. Guayin. Hidalgo del Parral	HIDALGO DEL PARRAL	CHIHUAHUA	33800	n/a
Mexico	Bldv. Jiquilpan No. 1112 Pte. L-A Col. Jiquilpan Los Mochis Sinaloa	LOS MOCHIS	SINALOA	81220	n/a
Mexico	Av Central esq. Av. 1 de Mayo Col. Las Americas C.P 55075, Ecatepec de Morelos	ECATEPEC DE MORELOS	MEXICO	55075	n/a
Mexico	Av. Manuel Gómez Morín No. 940 Col. Jerónimo Siller San Pedro Garza García N.L.	SAN PEDRO GARZA GARCIA	NUEVO LEON	88278	n/a
Mexico	Pase Lomas Verdes s/n Fracc. Lomas Verdes Naucalpan Edo. de México	NAUCALPAN DE JUAREZ	MEXICO	53120	n/a
Mexico	Carretera Internacional Mexico Nogales km 1982 No. 1400 Col. Loma Linda	GUAYMAS (HEROICA GUAYMAS)	SONORA	64320	n/a
Mexico	Manuel Gómez Morín Perif. # 120 entre las calles Porfirio Neri y A. González Medina	GUADALAJARA	JALISCO	44250	n/a
Mexico	Felipe Sevilla del Río Núm. 49 Col. Vista Hermosa Colima. Colima.	COLIMA	COLIMA	28016	n/a

Country	Address	Town	State	Zip	Opened
Mexico	Av. Enrique Ramirez # 420 Col. Chapultepec Oriente Morelia Michoacán	MORELIA	MICHOACAN	58260	n/a
Mexico	Hacienda Vegil 101 col. El Jacal Queretaro.Qro.	QUERETARO	QUERETARO	76187	n/a
Mexico	C-SEISNo. 400 A entre Av.Correa Racho y Calle 13 Colonia Diaz Ordaz	MERIDA	YUCATAN	97130	n/a
Mexico	Bldv. Luis Donald Colosio entre Canal de Nayarit y calle Pte. Quebrado en el antiguo cruce del Rio	TEPIC	NAYARIT	63175	n/a
Mexico	n/a	n/a	n/a	n/a	n/a
Mexico	n/a	n/a	n/a	n/a	n/a
Mexico	n/a	n/a	n/a	n/a	n/a
Mexico	n/a	n/a	n/a	n/a	n/a
Mexico	Bldv. Adolfo López Mateos # 3415 Col. Predio Purísima de Jerez	LEON DE LOS ALDAMA (LEON)	GUANAJUATO	37290	n/a
Mexico	Paseo Royal Country No. 4555 Entre Av. Patria y Paseo de los Virreyes.	ZAPOPAN	JALISCO	45116	n/a
Mexico	Av. Periferico Norte No. 52 Col. Asa Poniente Entre Justo Sierra y 33A.	CIUDAD DEL CARMEN	CAMPECHE	24118	n/a
Mexico	Municipio Libre No. 450Col. Santa Cruz Atoyac	CIUDAD DE MEXICO	DISTRITO FEDERAL	3310	n/a
Mexico	Av. Prolongación Paseo de la Reforma No. 400 Col. Santa Fe Del. Álvaro Obregón C.P. 01210	CIUDAD DE MEXICO	DISTRITO FEDERAL	1210	n/a
Mexico	Bldv. Pape No. 107 Col. Santa Monica Monclova Coahuila.	MONCLOVA	COAHUILA	25720	n/a
Mexico	Calzada Ignacio Zaragoza 1385	CIUDAD DE MEXICO	DISTRITO FEDERAL	9210	n/a
Mexico	Monterrey No 110 Col Tipzen Cd. Valles S.L.P.	CIUDAD VALLES	SAN LUIS POTOSI	79050	n/a
Mexico	Av. central No.18 Col. Valle de oro.	SAN JUAN DEL RIO	QUERETARO	76802	n/a
Mexico	Boulevard Fojadores de Puebla No. 3401 Col. Chulula de Rivadavia San Pedro Cholula. Pue	PUEBLA (HEROICA PUEBLA)	PUEBLA	72760	n/a
Mexico	Autopista México-Querétaro Km. 36.5 Lote 1 S/NCol.Parque Industrial Cuamatla	CUAUTILAN IZCALLI	MEXICO	54730	n/a
Mexico	Bldv. Benito Juarez 1101 Col Fracc Los Angeles	SAN JUAN BAUTISTA TUXTEPEC	OAXACA	68370	n/a
Mexico	Bldv. Felipe Ángeles Km. 87.8 entre calle Pirules y Tezontle Col. Venta Prieta Pachuca de Soto	PACHUCA DE SOTO	HIDALGO	42084	n/a
Mexico	Boulevard Gustavo Diaz Ordaz No 339 Col. Los Treviño CP. 66150 Sta Catarina	SANTA CATARINA	NUEVO LEON	66150	n/a

Puerto Rico – 11

Country	Address	Town	State	Zip	Opened
Puerto Rico	Carr.#2 Km.56.8 Barrio Florida Afuera	Barceloneta	Puerto Rico	00617	n/a
Puerto Rico	Plaza Del Parque 1500 Suite 120 Ave. Comerio	Bayamon	Puerto Rico	00961	1993
Puerto Rico	Plaza Centro li Ave. Muñoz Marin	Caguas	Puerto Rico	00725	n/a
Puerto Rico	Plaza Escorial Bo. San Anton Carr. 3	Carolina	Puerto Rico	00987	n/a
Puerto Rico	Carr.3 Km. 15.2 Bo. Canovanillas	Colobos	Puerto Rico	00987	n/a
Puerto Rico	Carr.2 Km. 84.2 Bo. Carrizales	Hatillo	Puerto Rico	00659	n/a
Puerto Rico	Westem Plaza Carr.2 Km 180 Bo. Sabaneta	Humacao	Puerto Rico	00741	n/a
Puerto Rico	Westem Plaza Shopping Center	Mayaguez	Puerto Rico	00680	n/a
Puerto Rico	Carr. Estatal 3 Bo. Pampanos	Ponce	Puerto Rico	00731	n/a
Puerto Rico	Carr. 830 Km 0.1 Bo. Cerro Gordo	Rexville	Puerto Rico	00957	n/a
Puerto Rico	Pr-2 Km 2.2 Kennedy Ave.	San Juan	Puerto Rico	00936	n/a

United States – 634

Country	Address	Town	State	Zip	Opened
United States	1074 N. Muldoon Road	Anchorage	AK	99508	Sep-13
United States	8801 Old Seward Hwy	Anchorage	AK	99515	Jan-94
United States	48 College Road	Fairbanks	AK	99701	Jan-94
United States	2335 Bent Creek Road	Auburn	AL	36830	Jan-08
United States	5940 Trussville Crossing Parkway	Birmingham	AL	35235	May-04
United States	29683 Frederick Boulevard	Daphne	AL	36526	2007
United States	3440 Ross Clark Circle N.W.	Dothan	AL	36303	Aug-91
United States	364 Cox Creek Parkway	Florence	AL	35630	Oct-91
United States	201 Lakeshore Parkway	Homewood	AL	35209	Oct-84
United States	3053 John Hawkins Parkway	Hoover	AL	35244	Jun-01
United States	1900 Exchange Boulevard	Oxford	AL	36203	Jul-14
United States	5651 Holmes Avenue NW	Huntsville	AL	35816	May-03
United States	2235 National Boulevard	Huntsville	AL	35802	Aug-05
United States	3900 Grants Mill Road	Irondale	AL	35210	Sep-87
United States	601 E. I-65 Service Road South	Mobile	AL	36606	Jul-87
United States	1080 Eastern Boulevard	Montgomery	AL	36117	Jan-03
United States	1401 Skyland Blvd East	Tuscaloosa	AL	35405	Jul-93
United States	3500 Southeast Club Boulevard	Bentonville	AR	72712	Sep-06
United States	3081 N. Highway 112	Fayetteville	AR	72704	Sep-07
United States	7700 Rogers Avenue	Fort Smith	AR	72903	Oct-89
United States	1368 Higdon Ferry Road	Hot Springs	AR	71913	Aug-09
United States	2405 South Caraway Road	Jonesboro	AR	72401	Jan-04
United States	5600 Landers Road	Little Rock	AR	72117	Jul-85
United States	900 South Bowman Road	Little Rock	AR	72211	Jul-88
United States	1459 North Dysart Road	Avondale	AZ	85323	Jan-04
United States	600 Highway 95, Suite 200	Bullhead City	AZ	86429	Nov-05
United States	700 North 54th Street	Chandler	AZ	85226	Mar-99
United States	1375 South Arizona Avenue	Chandler	AZ	85286	Jun-05
United States	1851 E Butler Avenue	Flagstaff	AZ	86001	Jan-94
United States	2425 E. Florence Boulevard	Casa Grande	AZ	85122	May-14
United States	1225 N Gilbert Road	Gilbert	AZ	85234	Jan-94
United States	2621 South Market Street	Gilbert	AZ	85296	Jan-08
United States	18501 N. 83rd Avenue	Glendale	AZ	85308	Jan-03
United States	1525 W. Bell Road	Phoenix	AZ	85053	Jan-94
United States	8340 W Mcdowell	Phoenix	AZ	85037	Jan-94
United States	5757 E. State Highway 69	Prescott Valley	AZ	86314	Oct-08
United States	15255 N. Northsight Boulevard	Scottsdale	AZ	85260	Jan-00
United States	16573 West Bell Road	Surprise	AZ	85374	Jan-09
United States	4701 N Stone Ave	Tucson	AZ	85704	Jan-94
United States	1462 South Pacific Avenue	Yuma	AZ	85365	Oct-97
United States	5625 Gosford Road	Bakersfield	CA	93313	Mar-05
United States	3951 Grand Avenue	Chino	CA	91710	Jun-02
United States	7147 Greenback Lane	Citrus Heights	CA	95621	May-03
United States	17835 E Gale Avenue	City of Industry	CA	91745	Jan-94
United States	1225 Concord Avenue	Concord	CA	94520	Jan-94
United States	1375 East Ontario	Corona	CA	92882	Jun-01
United States	4901 N Santa Anita Avenue	El Monte	CA	91731	May-09
United States	2495 Iron Point Road	Folsom	CA	95630	Jan-04
United States	17099 Brookhurst Street	Fountain Valley	CA	92708	Apr-06
United States	7663 N. Blackstone Avenue	Fresno	CA	93711	Nov-01

Country	Address	Town	State	Zip	Opened
United States	603 S. Palcentia Avenue	Fullerton	CA	92831	Feb-15
United States	1399 Artesia Blvd	Gardena	CA	90247	Jan-94
United States	1301 South Lone Hill Avenue	Glendora	CA	91740	Aug-01
United States	1390 South Beach Boulevard	La Habra	CA	90631	May-02
United States	7480 Carson Street	Long Beach	CA	90808	Jan-94
United States	40500 Murrieta Hot Springs Road	Murrieta	CA	92562	Oct-04
United States	951 North Milliken	Ontario	CA	91764	Jan-94
United States	2401 North Rose Ave	Oxnard	CA	93030	Nov-93
United States	34220 Monterey Avenue	Palm Desert	CA	92260	n/a
United States	39940 Tenth Street West	Palmdale	CA	93551	Aug-03
United States	6363 Valley Springs Parkway	Riverside	CA	92507	Aug-92
United States	904 Pleasant Grove Boulevard	Roseville	CA	95678	Oct-03
United States	3360 El Camino Avenue	Sacramento	CA	95821	Jan-94
United States	8250 Power Inn Road	Sacramento	CA	95828	Oct-09
United States	1055 E. Harriman Place	San Bernardino	CA	92408	Oct-03
United States	6336 College Grove Way	San Diego	CA	92115	Mar-00
United States	12920 Foothill Blvd	San Fernando	CA	91340	Jan-94
United States	26468 Carl Boyer Drive	Santa Clarita	CA	91350	Nov-05
United States	5871 Firestone Blvd	Southgate	CA	90280	Jan-94
United States	12540 Beach Blvd	Stanton	CA	90680	Jan-94
United States	2601 Skypark Drive	Torrance	CA	90505	Jan-94
United States	1500 Helen Power Drive	Vacaville	CA	95687	Jul-93
United States	900 Walton Ave	Yuba City	CA	95993	Dec-92
United States	7370 West 52nd Avenue	Anvada	CO	80002	Jan-94
United States	800 S Abilene Street	Aurora	CO	80012	Sep-02
United States	6201 South Aurora Parkway	Aurora	CO	80012	Oct-04
United States	1850 East Woodman Road	Colorado Springs	CO	80920	Nov-98
United States	715 S. Academy Boulevard	Colorado Springs	CO	80910	Apr-86
United States	505 S. Broadway	Denver	CO	80209	Jan-94
United States	7805 East 35th Avenue	Denver	CO	80207	Aug-02
United States	3247 23rd Avenue	Evans	CO	80620	Oct-08
United States	4700 Boardwalk Drive	Fort Collins	CO	80525	Jan-94
United States	1040 Independent Ave	Grand Junction	CO	81505	Jun-92
United States	4827 S Wadsworth Way	Littleton	CO	80123	Jan-94
United States	7817 Park Meadows Drive	Lone Tree	CO	80124	Jun-04
United States	1200 East Eisenhower	Loveland	CO	80537	Oct-89
United States	412 Eagleridge Boulevard	Pueblo	CO	81008	Sep-04
United States	9601 Grant Street	Thornton	CO	80229	May-02
United States	69 Pavilions Drive	Manchester	CT	06040	Oct-91
United States	3465 Berlin Turnpike	Newington	CT	06111	Jul-09
United States	2 Boston Post Road	Orange	CT	06477	Apr-93
United States	1572 No. Dupont Hwy.	Dover	DE	19901	Dec-91
United States	5300 30th Street East	Bradenton	FL	34203	Oct-02
United States	2021 Brandon Blvd West	Brandon	FL	33511	Feb-93
United States	13360 Cortez Boulevard	Brooksville	FL	34613	Jan-04
United States	2575 Gulf-To-Bay Blvd	Clearwater	FL	33765	May-93
United States	450 Townsend Road	Cocoa	FL	32926	Jul-09
United States	950 North University Drive	Coral Springs	FL	33071	Jan-94
United States	1175 Beville Road	Daytona Beach	FL	32119	Feb-90
United States	355 Semoran Boulevard	Fem Park	FL	32730	Nov-87
United States	5170 Cleveland Ave	Fort Myers	FL	33907	Oct-89
United States	740 North Beal Parkway	Fort Walton Beach	FL	32547	Jul-92
United States	2801 N.W. 13th Street	Gainesville	FL	32609	Jul-90
United States	10690 Beach Blvd	Jacksonville	FL	32246	Jul-87
United States	300 Busch Drive	Jacksonville	FL	32218	Nov-84
United States	6373 Youngerman Circle	Jacksonville	FL	32244	Sep-92
United States	4763 West Irl Bronson Memorial Highway	Kissimmee	FL	34746	Jan-03
United States	755 North Highway 441	Lady Lake	FL	32159	Jan-09
United States	3530 Lakeland Highlands Road	Lakeland	FL	33803	May-07
United States	4600 US Highway 98 North	Lakeland	FL	33809	May-93
United States	7233 Seacrest Blvd	Lantana	FL	33462	Nov-89
United States	4255 W New Haven Avenue	Melbourne	FL	32904	Oct-89
United States	8425 NW 13th Terrace	Miami	FL	33126	May-98
United States	1900 University Drive	Miramar	FL	33025	Nov-91
United States	2550 Immokalee Rd	Naples	FL	34110	May-92
United States	4330 US Highway 19	New Port Richey	FL	34652	Aug-93
United States	3921 S.W. College Road	Ocala	FL	34474	Nov-91
United States	7701 East Colonial Drive	Orlando	FL	32807	Oct-98
United States	7810 West Colonial Drive	Orlando	FL	32818	Oct-98
United States	9498 S. Orange Blossom Trail	Orlando	FL	32837	Nov-86
United States	1707 West 23rd Street	Panama City	FL	32405	Oct-11
United States	1250 Airport Blvd	Pensacola	FL	32504	Jul-87
United States	7001 Park Blvd	Pinellas Park	FL	33781	Feb-93
United States	17700 Murdock Circle	Port Charlotte	FL	33948	Jul-93
United States	10900 S. US Highway	Port St. Lucie	FL	34952	Jan-07
United States	1750 SW Gatlin Boulevard	Port St. Lucie	FL	34953	Jan-08
United States	10385 Big Bend Road	Riverview	FL	33578	Mar-11
United States	1101 Rinehart Road	Sanford	FL	32771	Oct-02
United States	300 North Cattleman Road	Sarasota	FL	34232	Jan-02
United States	1725 34Th St N	St. Petersburg	FL	33713	Oct-12
United States	13550 W Sunrise Blvd	Sunrise	FL	33323	Jul-92
United States	3122 Dick Wilson Boulevard	Tallahassee	FL	32301	Oct-04
United States	15835 North Dale Mabry	Tampa	FL	33618	May-93
United States	5135 South Dale Mabry	Tampa	FL	33611	Jan-00
United States	5565 20th Street	Vero Beach	FL	32966	Mar-98
United States	27727 State Road 56	Wesley Chapel	FL	33543	May-05
United States	4295 45th Street	West Palm Beach	FL	33407	Mar-91
United States	1201 N Westover Blvd	Albany	GA	31707	Mar-94
United States	10600 Davis Drive	Alpharetta	GA	30004	Jan-94
United States	2901-A Clairmont Road	Atlanta	GA	30329	Jan-94
United States	596 Bobby Jones Expressway	Augusta	GA	30907	Jul-87
United States	4365 Atlanta Hwy	Bogart	GA	30622	Sep-91
United States	3383 Buford Drive	Buford	GA	30519	Nov-01
United States	5448 "A" Whittlesey Boulevard	Columbus	GA	31909	Jan-07
United States	6995 Concourse Parkway	Douglasville	GA	30134	Jun-88
United States	3450 Steve Reynolds Blvd	Duluth	GA	30096	Nov-90
United States	4798 Jimmy Lee Parkway	Hiram	GA	30141	Oct-02
United States	2994 Turner Hill Road	Lithonia	GA	30058	Aug-03

Country	Address	Town	State	Zip	Opened
United States	4701 Logcabin Drive	Macon	GA	31204	Oct-02
United States	150 S. Cobb Parkway	Marietta	GA	30062	Apr-88
United States	1765 Jonesboro Road	McDonough	GA	30253	Jun-02
United States	7325 Jonesboro Road	Morrow	GA	30260	Mar-87
United States	3839 Mundy Mill Road	Oakwood	GA	30566	May-08
United States	15 Mill Creek Circle	Pooler	GA	31322	Oct-06
United States	2550 Redmond Circle	Rome	GA	30165	Apr-94
United States	1975 E Montgomery Crossroads	Savannah	GA	31406	Jul-06
United States	310 Fischer Road	Sharpsburg	GA	30277	Jan-11
United States	1520 Scenic Highway	Snellville	GA	30078	Aug-01
United States	1940 Mountain Industrial Blvd	Tucker	GA	30084	Feb-93
United States	450 Norman Drive	Valdosta	GA	31601	Oct-97
United States	750 Keeaumoku Street	Honolulu	HI	96814	Oct-04
United States	1000 Kamehameha Hwy 100	Pearl City	HI	96782	Jul-93
United States	305 Airport Road	Ames	IA	50010	May-96
United States	2605 Blairs Ferry Road N.E.	Cedar Rapids	IA	52402	Aug-06
United States	3221 Manawa Centre Drive	Council Bluffs	IA	51501	Oct-94
United States	3845 Elmore Avenue	Davenport	IA	52807	May-05
United States	1101 73rd Street	Des Moines	IA	50311	Apr-92
United States	4400 Asbury Road	Dubuque	IA	52002	Jan-07
United States	4201 S York St	Sioux City	IA	51106	Jun-93
United States	210 East Tower Park Road	Waterloo	IA	50702	Apr-95
United States	700 East 17th Street	Idaho Falls	ID	83401	Jul-92
United States	1006 Rohlwing Road	Addison	IL	60101	Jul-93
United States	501 North Randall Road	Batavia	IL	60510	Jan-00
United States	603 River Oaks W	Calumet City	IL	60409	Nov-08
United States	915 West Marketview Drive	Champaign	IL	61821	Dec-91
United States	2601 South Cicero Ave	Cicero	IL	60804	Feb-91
United States	5670 N.W. Highway	Crystal Lake	IL	60014	Jul-92
United States	4334 N Prospect	Decatur	IL	62526	Jan-92
United States	101 West Oakton Street	Des Plaines	IL	60018	Apr-94
United States	1000 S. Randall Rd	Elgin	IL	60123	Aug-12
United States	2450 Main Street	Evanston	IL	60202	Nov-93
United States	9400 Southwestern Ave	Evergreen Park	IL	60805	Sep-92
United States	6570 Grand Avenue	Gurnee	IL	60031	Sep-91
United States	9500 W Joliet Road	Hodgkins	IL	60525	Nov-92
United States	321 S. Larkin	Joliet	IL	60436	Nov-88
United States	5 Illini Drive	Glen Carbon	IL	62034	Aug-13
United States	2709 Walton Way	Marion	IL	62959	Jun-91
United States	21430 South Cicero Ave	Matteson	IL	60443	Oct-90
United States	808 South Route 59	Naperville	IL	60540	Sep-90
United States	6600 44th Avenue	Moline	IL	61265	Aug-14
United States	460 S. Weber Road	Romeoville	IL	60446	Oct-13
United States	2151 Shepherd Road	Normal	IL	61761	Aug-03
United States	141 West North Avenue	North Lake	IL	60164	Aug-92
United States	41050 Ogden Avenue	Montgomery	IL	60538	Jul-14
United States	1350 West Highway 50	O'Fallon	IL	62269	Feb-87
United States	4100 West Willow Knolls Drive	Peoria	IL	61615	Oct-90
United States	700 N. 54th St	Quincy	IL	62301	Oct-08
United States	7151 Walton Street	Rockford	IL	61108	Nov-88
United States	2300 White Oaks Drive	Springfield	IL	62704	Sep-04
United States	900 South Barrington Road	Streamwood	IL	60107	Apr-90
United States	16100 Harlem Ave	Tinley Park	IL	60477	Jul-93
United States	335 North Milwaukee Drive	Vernon Hills	IL	60061	Jan-00
United States	1055 Mchenry Road	Wheeling	IL	60090	Jan-92
United States	7300 Woodward Ave	Woodridge	IL	60517	Mar-06
United States	3205 West State Hwy 45	Bloomington	IN	47403	Oct-93
United States	1301 Veterans Parkway	Clarksville	IN	47129	Aug-04
United States	2715 Merchants Mile	Columbus	IN	47201	Jan-06
United States	6700 East Virginia Street	Evansville	IN	47715	Jun-01
United States	6736 Lima Road	Fort Wayne	IN	46818	Feb-91
United States	4024 Elkhart Rd., Suite #1	Goshen	IN	46526	Oct-90
United States	1101 Windhorst Way	Greenwood	IN	46143	Feb-91
United States	7235 East 96th Street	Indianapolis	IN	46250	Mar-02
United States	10859 East Washington Street	Indianapolis	IN	46229	Feb-91
United States	3015 West 86th Street	Indianapolis	IN	46268	Feb-91
United States	5805 Rockville Road	Indianapolis	IN	46224	Feb-91
United States	1917 East Markland Ave	Kokomo	IN	46902	Aug-93
United States	3819 State Road 26 East	Lafayette	IN	47905	Nov-90
United States	3134 East 79th Ave	Merrillville	IN	46410	Dec-90
United States	120 Indian Ridge Boulevard	Mishawaka	IN	46545	Feb-91
United States	4350 South U.S. Hwy 41	Terre Haute	IN	47802	Oct-89
United States	3010 Larue Street	Garden City	KS	67846	Oct-08
United States	10510 Parallel Parkway	Kansas City	KS	66109	Oct-12
United States	12200 West 95th Street	Lenexa	KS	66215	Nov-87
United States	8300 West 135th Street	Overland Park	KS	66213	Aug-01
United States	2919 Market Place	Salina	KS	67401	Jul-93
United States	1401 SW Wannamaker Road	Topeka	KS	66604	May-05
United States	3415 North Rock Road	Wichita	KS	67226	Apr-93
United States	6200 West Kellogg	Wichita	KS	67209	Feb-85
United States	3084 North Maize Road	Wichita	KS	67205	Jul-14
United States	3200 Ken Bale Blvd	Bowling Green	KY	42103	Jan-06
United States	1500 Ring Road	Elizabethtown	KY	42701	Jan-09
United States	4949 Houston Road	Florence	KY	41042	Dec-88
United States	1401 Alliant Avenue	Jeffersonton	KY	40299	Apr-01
United States	1063 New Circle Rd. NE	Lexington	KY	40505	Dec-91
United States	6622 Preston Highway	Louisville	KY	40219	Aug-86
United States	140 Kohls Drive	Nicholasville	KY	40356	Aug-10
United States	5420 Frederica Street	Owensboro	KY	42301	Jan-06
United States	3550 James Sanders Boulevard	Paducah	KY	42001	Jan-04
United States	3805 N Boulevard	Alexandria	LA	71301	Oct-09
United States	10444 North Mall Drive	Baton Rouge	LA	70809	May-00
United States	9598 Cortana Place	Baton Rouge	LA	70809	Jan-12
United States	69630 Stirling Blvd	Covington	LA	70433	Oct-12
United States	201 Bass Pro Boulevard	Denham Springs	LA	70726	Jun-12
United States	1527 Manhattan Blvd	Haney	LA	70058	Jun-88
United States	2174 Martin Luther King Blvd	Houma	LA	70360	Jan-06
United States	2861 Beene Boulevard	Bossier City	LA	71037	Aug-14

Country	Address	Town	State	Zip	Opened
United States	455 31st Street	Kenner	LA	70065	Mar-86
United States	3222 Ambassador Caffery Parkway	Lafayette	LA	70506	Mar-02
United States	2025 Sams Way	Lake Charles	LA	70605	Nov-05
United States	3900 Airline Highway	Metairie	LA	70001	Jun-02
United States	5400 F-20 Frontage Road	Monroe	LA	71201	Oct-88
United States	7400 Youree Drive	Shreveport	LA	71105	Jan-03
United States	181 Northshore Boulevard	Slidell	LA	70460	Nov-99
United States	1098 Fall River Avenue	Seekonk	MA	02771	Jan-94
United States	Brayton Avenue, Jefferson Street	Fall River	MA	02720	Oct-13
United States	1 Tobias Boland Way	Worcester	MA	01606	May-12
United States	2100 Generals Highway	Annapolis	MD	21401	Jul-92
United States	6410 Petrie Way	Baltimore	MD	21237	Aug-02
United States	5702 Baltimore National Pike	Catonsville	MD	21228	Jun-01
United States	5604 Buckeystown Pike	Frederick	MD	21704	Jan-94
United States	610 N Frederick Ave	Gaithersburgh	MD	20877	Jan-94
United States	1700 Wesel Blvd.	Hagerstown	MD	21740	Dec-91
United States	3535 Russett Green East	Laurel	MD	20724	Sep-94
United States	9750 Reistertown Road	Owings Mills	MD	21117	Jun-02
United States	2700 N Salisbury Blvd	Salisbury	MD	21801	Apr-93
United States	424 George Clauss Boulevard	Severn	MD	21144	Mar-08
United States	15 Texas Station Court	Timonium	MD	21093	Jan-00
United States	2365 Crain Highway	Waldorf	MD	20601	Jan-94
United States	45 Market Place Drive	Augusta	ME	04330	Nov-93
United States	47 Haskell Road	Bangor	ME	04401	Dec-91
United States	440 Payne Road	Scarborough	ME	04074	Aug-91
United States	4350 Joslyn Road	Auburn Hills	MI	48326	Oct-02
United States	12737 Cotton Lake Road	Battle Creek	MI	49017	Jul-93
United States	39800 Ford Road	Canton	MI	48187	Oct-02
United States	3901 Alpine Ave. NW	Comstock Park	MI	49321	Dec-92
United States	32625 Northwestern Highway	Farmington Hills	MI	48334	Jan-04
United States	4373 Corunna Road	Flint	MI	48532	Jul-89
United States	6160 S. Saginaw Street	Grand Blanc	MI	48439	Jan-06
United States	2190 North Park Drive	Holland	MI	49424	Jun-93
United States	3600 Oneill Drive	Jackson	MI	49202	Jan-94
United States	4326 28th Street S.E.	Kentwood	MI	49512	Feb-91
United States	340 East Edgewood Blvd	Lansing	MI	48911	Oct-89
United States	2925 Towne Centre Boulevard	Lansing	MI	48912	Aug-04
United States	31020 John R Road	Madison Heights	MI	48071	Jan-94
United States	4850 Encore Boulevard	Mt. Pleasant	MI	48858	Mar-07
United States	1707 E Sherman Blvd	Muskegon	MI	49445	Apr-94
United States	27300 Wixom Road	Novi	MI	48375	Jan-94
United States	1237 32nd Street	Port Huron	MI	48060	Jan-94
United States	7021 So. Westnedge Avenue	Portage	MI	49002	Jan-06
United States	31720 Graftot Avenue	Roseville	MI	48066	Aug-03
United States	5656 Bay Road	Saginaw	MI	48604	Sep-03
United States	22500 Eight Mile Road	Southfield	MI	48034	Oct-93
United States	15700 Northline Road	Southgate	MI	48195	Dec-92
United States	2401 US 31 South	Traverse City	MI	49684	Sep-93
United States	45600 Utica Park Blvd	Utica	MI	48315	Jan-94
United States	495 Summit Drive	Waterford	MI	48328	Jan-94
United States	5450 Carpenter Road	Ypsilanti	MI	48197	Jan-94
United States	14940 Florence Trail	Apple Valley	MN	55124	Aug-01
United States	200 West American Boulevard	Bloomington	MN	55420	Apr-03
United States	3035 Denmark Avenue	Eagan	MN	55121	Aug-01
United States	8150 University Ave NE	Fridley	MN	55432	Feb-91
United States	4743 Maple Grove Road	Duluth	MN	55811	Feb-91
United States	1831 Madison Ave	Mankato	MN	56001	Jul-94
United States	16701 94th Avenue North	Maple Grove	MN	55311	Feb-02
United States	3410 Northwest 55th Street	Rochester	MN	55901	Mar-93
United States	2800 27th Avenue South	Moorhead	MN	56560	Apr-14
United States	8201 Old Carriage Court	Shakopee	MN	55379	Mar-03
United States	207 County Road 120	St. Cloud	MN	56303	Sep-10
United States	3745 Louisiana Avenue S.	St. Louis Park	MN	55426	Mar-07
United States	1850 Buerkle Road	White Bear Lake	MN	55110	Feb-91
United States	9925 Hudson Road	Woodbury	MN	55125	Aug-02
United States	232 Shirley Drive	Cape Girardeau	MO	63701	Apr-97
United States	196 THF Boulevard	Chesterfield	MO	63005	Mar-00
United States	101 Conley Road	Columbia	MO	65201	Jul-90
United States	10248 Big Bend Blvd	Crestwood	MO	63122	Jan-02
United States	13455 Manchester Road	Des Peres	MO	63131	Oct-91
United States	10735 West Florissant	Ferguson	MO	63136	May-89
United States	141 North Dean Avenue	Raymore	MO	64083	Oct-13
United States	8130 North Church Road	Kansas City	MO	64158	Jun-14
United States	4100 Bolger Road	Independence	MO	64055	Jun-87
United States	3536 Hammons Blvd	Joplin	MO	64804	Mar-93
United States	5110 North Oak Trafficway	Kansas City	MO	64118	Sep-88
United States	2100 Maplewood Commons Drive	Maplewood	MO	63143	Oct-04
United States	3660 East Sunshine Blvd	Springfield	MO	65809	Feb-87
United States	745 West El Camino Alto Drive	Springfield	MO	65810	Jul-09
United States	2855 South Service Road	St. Charles	MO	63303	Nov-84
United States	5201 N. Belt Highway Building A	St. Joseph	MO	64506	May-05
United States	4512 Lemay Ferry Road	St. Louis	MO	63129	Mar-06
United States	3055 Bear Creek Dr	Wentzville	MO	63385	Oct-12
United States	10431 Old Highway 49	Gulport	MS	39503	Jan-09
United States	6080 US Hwy 98	Hattiesburgh	MS	39402	Mar-94
United States	6360 Ridgewood Court Drive	Jackson	MS	39211	Apr-86
United States	715 Bonita Drive	Meridian	MS	39301	Sep-04
United States	90 Bass Pro Drive	Pearl	MS	39208	Aug-09
United States	465 Goodman Road	Southaven	MS	38671	Apr-01
United States	3833 North Gloster St	Tupelo	MS	38804	Aug-92
United States	4420 King Avenue East	Billings	MT	59101	Jan-10
United States	401 NW Bypass	Great Falls	MT	59404	Nov-92
United States	645 Patton Avenue	Ashville	NC	28806	Sep-93
United States	8909 J.W. Clay Blvd	Charlotte	NC	28262	Sep-95
United States	4005 Durham Chapel Hill Boulevard	Durham	NC	27707	Aug-04
United States	1450 Skibo Road	Fayetteville	NC	28303	Sep-87
United States	3540 East Franklin Blvd	Gastonia	NC	28056	Jun-93
United States	2811 N Park Drive	Goldsboro	NC	27534	Jul-93

Country	Address	Town	State	Zip	Opened
United States	4418 W Wendover Ave	Greensboro	NC	27409	Nov-92
United States	300 Highlands Square Drive	Hendersonville	NC	28792	Oct-06
United States	2435 Hwy 70 S.E.	Hickory	NC	28601	Jun-92
United States	1170 Western Boulevard	Jacksonville	NC	28546	Aug-96
United States	2421 Supercenter Drive	Kannapolis	NC	28025	Aug-03
United States	5085 Dawn Drive	Lumberton	NC	28360	May-07
United States	1801 Windsor Square Dr	Matthews	NC	28105	Nov-87
United States	646 River Highway	Mooresville	NC	28117	Jan-14
United States	1101 Shiloh Glenn Drive	Morrisville	NC	27560	Jun-09
United States	11425 Carolina Parkway	Pineville	NC	28135	May-92
United States	2537 South Saunders Street	Raleigh	NC	27603	Aug-88
United States	3001 Calvary Drive	Raleigh	NC	27604	May-98
United States	300 Tarytown Center	Rocky Mount	NC	27804	Jan-07
United States	412 S. College Road	Wilmington	NC	28403	Aug-89
United States	930 Hanes Mall Blvd	Winston-Salem	NC	27103	Mar-89
United States	284 Summit Square Boulevard	Winston-Salem	NC	27105	Jan-03
United States	4240 N. Carolina Highway, 11 South	Winterville	NC	28590	Oct-98
United States	2821 Rock Island Place	Bismark	ND	58504	Apr-06
United States	4831 13th Ave S.W.	Fargo	ND	58103	Nov-90
United States	2501 32nd Ave. South	Grand Forks	ND	58201	Dec-92
United States	1510 North Diers Ave	Grand Island	NE	68803	Oct-93
United States	4900 North 27th Street	Lincoln	NE	68521	Mar-93
United States	9851 South 71st Plaza	Papillion	NE	68133	Sep-14
United States	8480 Andermatt Drive	Lincoln	NE	68526	Aug-12
United States	13130 L Street	Omaha	NE	68157	Jan-90
United States	304 Sheep DAVIS Road	Concord	NH	03301	Feb-93
United States	7 Wal-Mart Blvd	Hudson	NH	03051	Mar-92
United States	200 John E Devine Drive	Manchester	NH	03103	Jan-94
United States	11 Batchelder Road	Seabrook	NH	03874	Mar-92
United States	81 International Drive South	Budd Lake	NJ	07828	Apr-02
United States	2521 Route 130 South	Cinnaminson	NJ	08077	Jan-03
United States	2000 Clements Bridge Road, Suite 116	Deptford	NJ	08096	Sep-08
United States	939 Route 1 South	Edison	NJ	08817	Sep-10
United States	320 West Main Street	Freehold	NJ	07728	Mar-06
United States	1900 East Linden Avenue	Linden	NJ	07036	Jan-08
United States	1025 Black Horse Turnpike	Pleasantville	NJ	08232	Feb-90
United States	301 Nassau Park Blvd	Princeton	NJ	08543	May-95
United States	300 Park Place	Secaucus	NJ	07094	Oct-04
United States	2080 North Blackhorse Pike	Williamston	NJ	08094	Jun-01
United States	10600 Coors Boulevard Bypass NW	Albuquerque	NM	87114	Nov-00
United States	1421 N. Renaissance Blvd NE	Albuquerque	NM	87101	Jan-06
United States	300 Eubank Blvd NE	Albuquerque	NM	87123	Jan-94
United States	4500 East Main	Farmington	NM	87402	Jun-92
United States	2711 North Telschore Boulevard	Las Cruces	NM	88011	Aug-02
United States	4400 North Main Street	Roswell	NM	88201	Jul-06
United States	4201 Rodeo Road	Sante Fe	NM	87501	Feb-93
United States	1910 East Serene	Las Vegas	NV	89123	Jul-00
United States	2650 E. Craig Road	Las Vegas	NV	89030	2007
United States	5101 S. Pecos Road	Las Vegas	NV	89120	May-91
United States	7100 West Arroyo Crossing Parkway	Las Vegas	NV	89113	Mar-08
United States	7175 Spring Mountain Road	Las Vegas	NV	89117	Sep-01
United States	8080 West Tropical Parkway	Las Vegas	NV	89149	Jan-01
United States	4835 Kietzke Lane	Reno	NV	89509	Oct-02
United States	3735 Union Road	Cheetowaga	NY	14225	Jan-94
United States	830 County Route 64 - Building 2	Elmira	NY	14903	Jul-93
United States	333 Sawmill River Road	Elmsford	NY	10523	Jan-94
United States	56 West Merritt Boulevard	Fishkill	NY	12524	Aug-93
United States	700 Elm Ridge Center	Greece	NY	14626	2008
United States	1600 Marketplace Drive	Henrietta	NY	14623	Jan-06
United States	720 Fairmount Avenue	Jamestown	NY	14701	Nov-95
United States	801 Frank Sottile Boulevard	Kingston	NY	12401	Jun-97
United States	579 Troy Schenectady Rd	Latham	NY	12110	Aug-93
United States	2950 Horse Block Road	Medford	NY	11763	Jun-93
United States	300 North Galleria Dr	Middletown	NY	10940	Feb-93
United States	1580 Military Road	Niagra Falls	NY	14304	Nov-14
United States	7 Consumer Square	Plattsburgh	NY	12901	Nov-94
United States	2649 Erie Blvd East	Syracuse	NY	13224	Mar-93
United States	2441 Vestal Parkway East	Vestal	NY	13850	Sep-92
United States	21341 Sam's Drive	Watertown	NY	13601	Aug-94
United States	3446 New Gremamy-Trebein Rd	Beavercreek	OH	45431	Nov-94
United States	6361 South Avenue	Boardman	OH	44512	Jan-04
United States	10250 Brookpark Road	Brooklyn	OH	44130	Feb-91
United States	1270 North Bridge Street	Chilcothe	OH	45601	Sep-06
United States	4825 Marburg Avenue	Cincinnati	OH	45209	Jun-02
United States	5375 North Bend Road	Cincinnati	OH	45247	Dec-93
United States	800 Kemper Common Circle	Cincinnati	OH	45246	Dec-88
United States	815 Clepper Lane	Cincinnati	OH	45245	Oct-94
United States	3950 Morse Road	Columbus	OH	43219	Feb-91
United States	1755 Hilliard Rome Road	Columbus	OH	43026	Oct-03
United States	1189 Buchholzer Boulevard	Cuyahoga Falls	OH	44221	Mar-02
United States	1111 Miamisburgh Centerville Road	Dayton	OH	45458	Oct-89
United States	6955 Miller Road	Dayton	OH	45414	Feb-93
United States	5870 Sawmill Road	Dublin	OH	43017	Jan-00
United States	5225 Cobblestone Road	Elyria	OH	44035	Apr-02
United States	3750-J West Market St	Fairlawn	OH	44313	Jun-93
United States	1150 Greely Chapel Road	Lima	OH	45804	Nov-92
United States	9570 Fields Ertel Road	Loveland	OH	45140	Jan-01
United States	5600 Emerald Court	Mentor	OH	44060	Oct-04
United States	4790 Portage Street	North Canton	OH	44720	Aug-02
United States	23300 Broadway Ave	Oakwood Village	OH	44146	Feb-91
United States	1070 N Lexington Spring Mill Rd	Ontario	OH	44906	Feb-93
United States	2675 Taylor Road SW	Reynoldsburg	OH	43068	Mar-02
United States	614 Crossings Road	Sandusky	OH	44870	Sep-06
United States	432 Private Drive 288	South Point	OH	45680	2005
United States	50555 Valley Plaza Drive	St. Clairsville	OH	43950	Apr-97
United States	1300 East Mall Drive	Toledo	OH	43528	Oct-89
United States	1040 Niles Cortland Road SE	Warren	OH	44484	2005
United States	3724 Northpointe Drive	Zanesville	OH	43701	Oct-06

Country	Address	Town	State	Zip	Opened
United States	802 N.W. Sheridan Road	Lawton	OK	73505	Nov-86
United States	6521 S.E. 29th Street	Midwest City	OK	73110	Apr-83
United States	3400 West Main Street	Norman	OK	73072	Jan-05
United States	117 West I-35 Frontage Road	Edmond	OK	73034	Oct-13
United States	9455 N. Owasso Expressway	Owasso	OK	74055	Oct-13
United States	1900 West Memorial Road	Oklahoma City	OK	73134	Apr-01
United States	5510 S.W. Fifth Street	Oklahoma City	OK	73128	May-86
United States	9000 NW Passage	Oklahoma City	OK	73132	Apr-01
United States	4420 South Sheridan Road	Tulsa	OK	74145	Aug-85
United States	7757 S. Olympia Avenue	Tulsa	OK	74132	Sep-11
United States	6922 S. Mingo Road	Tulsa	OK	74133	Apr-92
United States	901 Airport Center Drive	Allentown	PA	18109	Mar-10
United States	2500 Plank Road	Altoona	PA	16602	Sep-93
United States	200 Moraine Pointe Plaza	Butler	PA	16001	Oct-04
United States	3796 Easton Nazereth Hwy	Easton	PA	18045	Apr-96
United States	7200 Peach Street	Erie	PA	16509	Jan-94
United States	6520 Carlisle Pike	Mechanicsburg	PA	17050	Nov-14
United States	280 Indian Run Street	Exton	PA	19341	Aug-02
United States	6211 Route 30	Greensburg	PA	15601	Jan-06
United States	6781 Grayson Road	Harrisburg	PA	17111	Nov-91
United States	1717 E Lincoln Hwy	Langhorne	PA	19047	Jan-94
United States	3621 William Penn Hwy	Monroeville	PA	15146	Jan-94
United States	611 Lycoming Mall Circle	Muncy	PA	17756	2005
United States	1000 Franklin Mills Circle	Philadelphia	PA	19154	Dec-91
United States	249 Summit Park Drive	Pittsburgh	PA	15275	Oct-96
United States	289 Mt. Nebo Point Drive	Pittsburgh	PA	15237	2005
United States	921 Viewmont Drive	Dickson City	PA	18519	Jul-96
United States	381 Benner Pike	State College	PA	16801	Jan-95
United States	2000 Village Center Drive	Tarentum	PA	15084	Jan-06
United States	5314 Allentown Pike	Temple	PA	19560	Dec-90
United States	80 Trinity Point Dr	Washington	PA	15301	Jun-00
United States	2251 Century Drive	West Mifflin	PA	15122	2005
United States	441 Wilkes-Barre Township Blvd	Wilkes-Barre	PA	18702	Apr-92
United States	3925 Welsh Road	Willow Grove	PA	19090	Jun-05
United States	2801 East Market Street	York	PA	17402	Oct-90
United States	25 Pace Boulevard	Warwick	RI	02886	Jan-14
United States	3812 Liberty Hwy, Suite 6	Anderson	SC	29621	Nov-93
United States	350 Harbison Boulevard	Columbia	SC	29212	Aug-97
United States	5426 Forest Drive	Columbia	SC	29206	Jun-87
United States	200 Beltline Drive	Florence	SC	29501	May-95
United States	1211 Woodruff Road	Greenville	SC	29607	Apr-03
United States	309 Rolling Hills Circle	Easley	SC	29640	Jun-13
United States	95 Mathews Dr., Box 1	Hilton Head Island	SC	29928	Apr-95
United States	220 Jefferson Davis Highway	Aiken	SC	29801	Oct-13
United States	2474 Cross Pointe Drive	Rock Hill	SC	29730	Sep-13
United States	1946 10th Avenue North	Myrtle Beach	SC	29577	Jul-92
United States	4900 Centre Pointe Drive	North Charleston	SC	29418	2008
United States	200 Peachwood Centre Drive	Spartanburg	SC	29301	May-05
United States	925 Eglin Street	Rapid City	SD	57701	Mar-11
United States	3201 South Louise Ave	Sioux Falls	SD	57106	Oct-90
United States	8480 Highway 64	Bartlett	TN	38133	Oct-99
United States	8101 Lee Highway	Chattanooga	TN	37421	Jul-87
United States	3315 Guthrie Highway	Clarksville	TN	37040	Jan-05
United States	1177 Sam S Street	Cookeville	TN	38506	2006
United States	3070 Mallory Lane	Franklin	TN	37067	Aug-99
United States	2120 Emporium Drive	Jackson	TN	38305	Sep-05
United States	3060 Franklin Terrace Drive	Johnson City	TN	37604	May-07
United States	2920 Knoxville Center	Knoxville	TN	37924	Oct-98
United States	8435 Walbrook Drive	Knoxville	TN	37923	2005
United States	1805 Getwell Road	Memphis	TN	38111	Aug-85
United States	2150 Covington Pike	Memphis	TN	38128	Nov-86
United States	7475 Winchester Road	Memphis	TN	38215	Nov-00
United States	125 John R Rice Blvd	Murfreesboro	TN	37129	Mar-94
United States	1300 Antioch Pike	Nashville	TN	37211	Dec-86
United States	1300 Antioch Pike	Nashville	TN	37211	Mar-12
United States	615 Old Hickory Blvd	Nashville	TN	37209	Aug-93
United States	5550 S. Clack Street	Abilene	TX	79606	Jul-13
United States	4150 Belt Line Road	Addison	TX	75001	Sep-92
United States	2201 Ross-Osage Drive	Amarillo	TX	79102	Jun-86
United States	4970 Hwy 290 West	Austin	TX	78735	Jan-02
United States	9900 North Interstate 35 Frontage Road	Austin	TX	78744	2011
United States	9700 N Capital Of TX Hwy	Austin	TX	78759	Oct-93
United States	1615 I-10 South	Beaumont	TX	77701	Nov-85
United States	3570 West Alton Gloor B	Brownsville	TX	78520	Mar-02
United States	1405 Earl Rudder Freeway	College Station	TX	77840	Feb-92
United States	2000 Westview Blvd	Conroe	TX	77304	Mar-93
United States	SPID and Everhart	Corpus Christi	TX	78416	Oct-13
United States	12000 McCree Road	Dallas	TX	75238	Oct-83
United States	9461 Webb Chapel Road	Dallas	TX	75220	Sep-11
United States	6185 Retail Road	Dallas	TX	75231	Sep-11
United States	1730 N. Highway 157	Mansfield	TX	76063	Oct-13
United States	2900 Wheatland Road	Dallas	TX	75237	May-86
United States	5555 S Buckner Blvd	Dallas	TX	75228	Jul-93
United States	2850 W. University Drive	Denton	TX	73201	Oct-10
United States	11360 Pellicano Drive	El Paso	TX	79936	May-86
United States	7001 Gateway Blvd West	El Paso	TX	79925	Jun-94
United States	7970 North Mesa	El Paso	TX	79932	Sep-90
United States	600 North Bureson Boulevard	Bureson	TX	76028	Jul-14
United States	4400 Bryant Irvin Road	Fort Worth	TX	76132	Jan-02
United States	8351 Anderson Boulevard	Fort Worth	TX	76120	Jan-00
United States	155 West El Dorado Boulevard	Friendswood	TX	77546	Aug-01
United States	5150 North Garland Avenue	Garland	TX	75044	May-02
United States	2325 W Interstate 20	Grand Prairie	TX	75052	Oct-02
United States	1701 West State Highway 114	Grapevine	TX	76051	Oct-03
United States	621 N. Expressway 77	Harlingen	TX	78550	Mar-14
United States	13331 Westheimer Road	Houston	TX	77082	Sep-13
United States	10488 Old Katy Road	Houston	TX	77043	May-01
United States	5310 South Rice Blvd	Houston	TX	77081	Aug-02

Country	Address	Town	State	Zip	Opened
United States	11101 Fuqua Street	Houston	TX	77089	Jun-84
United States	12205 West Road	Houston	TX	77065	Jun-86
United States	13600 East Freeway	Houston	TX	77015	Dec-86
United States	1615 S. Loop West	Houston	TX	77054	Feb-88
United States	325 East Richey Road	Houston	TX	77073	Jun-84
United States	7950 FM 1960	Houston	TX	77070	May-01
United States	9665 FM 1960 Bypass	Humble	TX	77338	Dec-92
United States	1213 Market Place Boulevard	Irving	TX	75063	Jan-01
United States	20424 Katy Freeway	Katy	TX	77449	May-02
United States	4810 San Bernardo	Laredo	TX	78041	Jul-90
United States	751 West Main	Lewesville	TX	75067	Nov-92
United States	3310 North 4th St	Longview	TX	75605	Jul-93
United States	6016 Marsha Sharp FWY	Lubbock	TX	79407	Apr-12
United States	407 N. Brentwood Avenue	Lufkin	TX	75901	Oct-06
United States	1400 East Jackson	McAllen	TX	78503	Nov-86
United States	7601 N. 10th Street	McAllen	TX	78504	Apr-12
United States	1670 West University Drive	McKinney	TX	75069	Jan-07
United States	1500 N. Tradewinds	Midland	TX	79703	Dec-86
United States	4230 John Ben Sheppard Pkwy	Odessa	TX	79762	Aug-93
United States	15800 S. Freeway	Pearland	TX	77584	Sep-12
United States	1200 East Spring Creek Parkway	Plano	TX	75074	Jun-01
United States	301 Coit Road	Plano	TX	75075	Nov-89
United States	8621 Ohio Drive	Plano	TX	75024	Aug-00
United States	6375 N.E. Loop 820	Richland Hills	TX	76180	Oct-85
United States	130 Sundance Parkway, Suite 300	Round Rock	TX	78681	Nov-00
United States	5749 Sherwood Way	San Angelo	TX	76901	Jan-06
United States	12349 I-35 North	San Antonio	TX	78233	Nov-85
United States	12919 San Pedro Ave	San Antonio	TX	78216	Mar-93
United States	3150 S.W. Military Hwy	San Antonio	TX	78224	Sep-85
United States	600 West Central Texas Expressway	Harker Heights	TX	76548	Sep-13
United States	5055 Loop 410 NW	San Antonio	TX	78229	Sep-88
United States	5565 DeZavala Road	San Antonio	TX	78249	Apr-01
United States	22402 Bellaire Boulevard	Richmond	TX	77407	Nov-14
United States	2530 Marshall Road	San Antonio	TX	78259	Feb-14
United States	3239 Goliad Road	San Antonio	TX	78223	Feb-14
United States	1350 Leah Avenue	San Marcos	TX	78666	Mar-07
United States	19091 I-45 South	Shenandoah	TX	77385	Mar-01
United States	3333 Hwy 75 North	Sherman	TX	75090	Jun-92
United States	12300 SW Freeway	Stafford	TX	77477	Dec-84
United States	351 Highway 6	Sugar Land	TX	77478	May-02
United States	1414 Marland Wood Road	Temple	TX	76502	Jan-92
United States	3610 St. Michael Drive	Texarkana	TX	75503	Jun-87
United States	6614 Gulf Freeway	La Marque	TX	77568	Mar-13
United States	2025 S. Southwest Loop 323	Tyler	TX	75701	Nov-86
United States	9292 North Navarro	Victoria	TX	77904	Mar-94
United States	2301 East Waco Drive	Waco	TX	76705	Jul-86
United States	6760 Westworth Boulevard	Westworth Village	TX	76114	May-06
United States	3801 Kell Blvd	Wichita Falls	TX	76308	May-05
United States	1055 W Hillfield	Layton	UT	84041	May-94
United States	145 West Cache Valle Blvd	Logan	UT	84321	Oct-02
United States	6525 South State Street	Murray	UT	84107	Jan-94
United States	1313 University Avenue	Provo	UT	84601	Jan-94
United States	4949 South 900 West	Riverdale	UT	84401	Aug-02
United States	1905 S 300 W	Salt Lake City	UT	84115	Jan-94
United States	11278 South Jordan Gateway	South Jordan	UT	84095	Jul-08
United States	7571 South 3800 West	West Jordan	UT	84084	Jan-02
United States	601 Commerce Drive	Bluefield	VA	24605	May-95
United States	13249 Lee Highway	Bristol	VA	24202	Sep-07
United States	970 Hilton Heights Rd	Charlottesville	VA	22901	Oct-92
United States	1501 Sam's Circle	Chesapeake	VA	23320	Sep-92
United States	2444 Chesapeake Square Ring Road	Chesapeake	VA	23321	Aug-02
United States	735 S Park Blvd	Colonial Heights	VA	23834	Apr-94
United States	215 Piedmont Place	Danville	VA	24541	Mar-08
United States	3912 Wards Road	Lynchburg	VA	24502	Sep-93
United States	901 Wal-Mart Way	Midlothian	VA	23113	Apr-93
United States	12407 Jefferson Ave	Newport News	VA	23602	May-92
United States	9440 West Broad Street	Richmond	VA	23294	May-92
United States	4571 S. Laburnum	Richmond	VA	23231	Oct-08
United States	1455 Town Square Blvd.	Roanoke	VA	24012	May-04
United States	45425 Dulles Crossing Plaza	Sterling	VA	20166	Jun-01
United States	3345 Virginia Beach Boulevard	Virginia Beach	VA	23452	Nov-01
United States	14050 Worth Ave.	Woodbridge	VA	22182	Dec-92
United States	1101 Supermall Way, Suite 1275	Auburn	WA	98001	Jan-94
United States	901 South Grady Way	Renton	WA	98055	Jan-04
United States	13550 Aurora Avenue North	Seattle	WA	98133	Jan-94
United States	1000 North Westhill Boulevard	Appleton	WI	54914	Aug-02
United States	4001 Gateway Drive	Eau Claire	WI	54701	Jul-91
United States	6705 South 27th St	Franklin	WI	53132	Jan-90
United States	2470 West Mason	Green Bay	WI	54303	Jan-90
United States	3900 Deerfield Drive	Janesville	WI	53546	Nov-06
United States	3300 Brumback Boulevard	Kenosha	WI	53140	Jul-09
United States	7050 Watts Road	Madison	WI	53717	Jun-05
United States	7701 West Calumet Road	Milwaukee	WI	53223	Feb-91
United States	1211 Crossing Meadows Dr	Onalaska	WI	54650	May-93
United States	600 North Springdale Road	Waukesha	WI	53186	Sep-90
United States	4000 Rib Mountain Dr	Wausau	WI	54401	Jul-94
United States	1540 South 108th Street	West Allis	WI	53214	Feb-91
United States	1220 North Eisenhower Drive	Breckley	WV	25801	2005
United States	200 Emily Drive	Clarksburg	WV	26301	Nov-05
United States	6001 University Town Center Drive	Granville	WV	26534	Oct-06
United States	2500 Mountaineer Blvd	South Charleston	WV	25309	Jun-93
United States	1100 Grand Central Ave.	Vienna	WV	26105	Dec-92
United States	4600 East Second Street	Casper	WY	82609	Sep-93
United States	1948 Dell Range Blvd	Cheyenne	WY	82009	Feb-93

Notes

PACE Membership History

PACE began operations in 1993 in Colorado. Its business strategy was based on three principles: larger merchandise assortment, private label and aggressive expansion. In order to meet the needs of its consumer members, PACE offered a larger assortment of merchandise which required additional labor. Higher merchandise gross margins were needed to offset those labor costs.

PACE introduced a number private label brands in different categories. PACE was never able to leverage the value and quality of those brands as they were too fragmented. PACE tried to expand into many different markets and never gained a strong foothold in any one area. PACE was eventually purchased by Kmart in 1989 and was subsequently purchased by Sam's Club in 1993. Sam's Club changed the name on all PACE locations to Sam's Club and the PACE Membership Warehouse name no longer exists today.

Corporate History

1983 – PACE Membership Warehouse was founded by Henry W. Haimsohn with corporate offices in Denver, Colorado. PACE opened its first location in Aurora, Colorado.

1985 – In June, PACE went public, raising \$29 million.

1988 – A management shakeup occurred. Charles Steinbrueck, senior vice president of merchandising at PACE, and Wayne Patterson, managing director at Touche, Ross & Company, replaced Haimsohn. Patterson assumed the role of chairman and Steinbrueck became president. The changes were made because PACE had generated inadequate profits under Haimsohn.

1989 – In October, Kmart purchased PACE for \$322 million. Wayne Patterson left PACE after the purchase and Charles Steinbrueck became president and chief executive officer.

1991 – PACE acquired Price Savers, an 18-unit chain whose operating philosophy was similar to Price Club. Price Savers locations averaged \$55 million in sales per year, \$20 million per year more than an average PACE. Price Savers operated seven locations in California, none of which competed with an existing PACE location. With the acquisition, PACE solidified its position as the fourth-largest warehouse club behind Sam's, Price Club and Costco. Price Savers founder Thomas Grimm, along with four other Price Savers executives, did not remain with PACE.

1991 – PACE expanded its regional buying offices into Georgia, Maryland, California and Colorado.

1993 – In February, Thomas Grimm, founder and former president of Price Savers, was hired as president of PACE.

1993 – Kmart, frustrated with PACE's poor results, sold 14 underperforming locations to Sam's Club. As part of the sale, PACE exited the Dallas, Texas and St. Louis, Missouri markets.

1993 – Kmart agreed to sell 91 of the 132 remaining PACE locations to Sam's Club for \$300 million. The sale price was \$22 million less than what Kmart had paid for PACE in 1989. The remaining locations were to be either sold or converted to other Kmart formats. PACE's corporate office in Denver was closed.

Financial History

1984 – PACE ended its first fiscal year with one club, sales of \$15.2 million and an operating loss of \$800,000.

1986 – PACE ended the fiscal year with \$275.1 million in total sales, almost four times its 1985 fiscal year total. However, its sales growth failed to produce a profit, since it reported an operating loss of \$5.8 million.

1988 – PACE's fiscal year ended with 33 clubs, sales of \$953.7 million and its first operating profit of \$6.8 million.

1990 – PACE's fiscal year sales rose to \$1.65 billion with 61 clubs in operation. Operating income increased to \$14.2 million.

1993 – Fiscal year sales increased to \$4.6 billion with 115 clubs in operation. However, profits dropped to \$3.0 million.

Location History

1985 – PACE opened clubs in Maryland (three), Georgia (two), Colorado (three) and Florida.

1986 – PACE opened nine locations in Michigan (three), North Carolina, Kentucky, Iowa, Colorado (two) and Pennsylvania.

1987 – PACE opened its first two locations in Los Angeles, California, going head-to-head with Costco and Price Savers.

1989 – More than 70% of PACE's locations were in direct competition with other warehouse clubs. By rapidly expanding without securing any one market, PACE was leaving itself open to intense competition from other clubs, which were strong in certain markets, such as Costco and Price Club in the West, BJ's in the Northeast and Sam's in the South.

1990 – Kmart wanted PACE to open clubs in markets where Sam's existed. However, Steinbrueck wanted to fortify existing markets. Kmart executives won out, but this plan was a precursor to PACE's failure.

1990 – PACE was the only warehouse club to operate in all regions of the country.

1992 – PACE's expansion strategy began to concentrate on existing markets such as Detroit, Dallas, Chicago and Miami.

Buying and Merchandising History

1985 – PACE generated 54% of sales from business members.

1985 – PACE introduced a private label line called PMW, an abbreviation of its corporate name. The line included garbage bags, food storage bags, baby wipes and charcoal. PACE claimed to be the first club to stock private label products.

1989 – PACE installed interactive computer kiosks, the first club to use this technology. The kiosks provided information about B.F. Goodrich tires and Delco batteries. Members were able to determine what products to purchase for their cars.

1989 – PACE introduced a paid group membership card called Premier by PACE. PACE's goal was to convert all non-paying retail members to the Premier by PACE card.

1989 – PACE tested prepackaged fresh meat, pork and poultry in 10 California clubs.

1989 – PACE tested meat cutting and a scratch bakery in its Baltimore, Maryland store.

1989 – PACE launched telephone, mail-order pharmacy, medical and auto services for its members.

1991 – PACE expanded its perishable departments into 79 of its 92 locations and saw strong incremental sales. The fresh foods expansion forced PACE to increase its club size to over 130,000 square feet from its traditional 108,000 square feet.

1992 – PACE tested acceptance of MasterCard in 20 clubs in six cities. PACE already accepted the Discover card.

1992 – PACE's business philosophy changed as it reduced SKUs, introduced new items more quickly, used focus groups to determine market needs and stocked quality products at a value.

Yearly Financial Chart

PACE Membership		1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Sales, Income	Merchandise Sales (million)	\$15	\$75	\$272	\$595	\$940	\$1,271	\$1,624	\$2,295	\$3,646	\$4,600
	Membership Fees (million)	\$0	\$1	\$3	\$8	\$14	\$20	\$27	n/a	n/a	n/a
	Total Revenue (million)	\$15	\$76	\$275	\$603	\$954	\$1,291	\$1,650	\$2,295	\$3,646	\$4,600
	Operating Income (million)	-\$0.8	-\$0.3	-\$6	-\$0.8	\$7	\$13	\$14	n/a	n/a	n/a
	Net Income (million)	-\$0.5	\$0.6	-\$5	-\$1	\$7	\$14	\$18	\$8	\$39	\$3
	Operating Income vs Sales	-5.3%	-0.4%	-2.1%	-0.1%	0.7%	1.0%	0.9%	n/a	n/a	n/a
	Membership Margin	13.2%	10.8%	10.9%	11.0%	10.9%	10.3%	9.9%	n/a	n/a	n/a
Locations	United States	1	6	15	27	33	41	61	74	87	115
	Average Clubs Open During Year	1	4	11	21	30	37	51	68	81	101
	Yearly Sales per Avg Club (million)	\$15	\$22	\$26	\$28	\$31	\$34	\$32	\$34	\$45	\$46
	Avg Weekly Sales per Avg Club (million)	\$0.3	\$0.4	\$0.5	\$0.5	\$0.6	\$0.7	\$0.6	\$0.7	\$0.9	\$0.9
Members	Paid Members (thousand)	3	20	200	330	450	630	1,230	n/a	n/a	n/a
	Average Members per Club (thousand)	3	6	19	16	15	17	24	n/a	n/a	n/a
	Average Annual Sales per Member	\$5,067	\$3,765	\$1,361	\$1,803	\$2,088	\$2,017	\$1,320	n/a	n/a	n/a
	Average Annual Member Fees	n/a	\$40	\$15	\$23	\$31	\$32	\$22	n/a	n/a	n/a
Growth	Merchandise Sales	n/a	395%	261%	119%	58%	35%	28%	41%	59%	26%
	Membership Fees	n/a	n/a	263%	162%	86%	44%	31%	n/a	n/a	n/a
	Operating Income	n/a	n/a	n/a	n/a	n/a	87%	12%	n/a	n/a	n/a
	Total Membership	n/a	567%	900%	65%	36%	40%	95%	n/a	n/a	n/a
	Warehouse Count	n/a	500%	150%	80%	22%	24%	49%	21%	18%	32%

Financial information is based on company reports and WCF research. All efforts were made to assure accuracy.

Sam's Club History

Corporate History

Prior to 1983 – Intrigued by a prospectus and an invitation to invest in the launching of Price Club, Sam Walton, Walmart founder and chairman, became interested in developing his own warehouse club. On a trip to California, Walton met with Price Club founder, Sol Price, and was given a tour of a Price Club. Although Walton did not notify Price at that time of his intention to open a competing club, shortly after their meeting, Walton called Price to tell him that he was going to open his first Sam's Wholesale Club (the company would later change the name to Sam's Club in 1990).

1983 – Walton and David Glass, vice chairman and chief financial officer of Walmart at the time, set up Sam's Club as a Walmart division. Ron Loveless was the first president of Sam's Club. Rob Voss was head of merchandising and managed four buyers, Dick Palmer was head of operations and Mike Villines and Clyde Hulett helped with both merchandising and setup.

In May, 2013, at a 30 year reunion of the people responsible for getting Sam's Club started, Loveless commented on the effort it took to get the retailer "off the ground". Loveless said, "I'll always admire the four guys who got the first Sam's unit up and running. They did it very quietly behind the scenes, with very little, or no, computer system support from the company."

1987 – Sam's Club purchased Louisiana-based Super Saver Wholesale Club, which generated annual sales of \$400 million. Super Saver operated 20 clubs and Sam's Club converted 17 of them.

1989 – Al Johnson was named president and chief executive officer of Sam's.

1990 – Sam's Club opened regional buying offices to source local products. The first office was opened in Atlanta, Georgia.

1990 – Sam's Club purchased The Wholesale Club, a 28-unit Midwest chain, for \$180 million. The Wholesale Club, which began business in 1982, was launched by John Geisse, a former member of Walmart's board of directors and founder of Target and Venture Stores. The Wholesale Club generated \$750 million in sales and was profitable the previous two years.

1992 – Dean Sanders was named president and chief executive officer of Sam's replacing Al Johnson who retired.

1992 – Sam's moved out of Walmart's corporate office into its own adjacent building. The main entrance of Sam's headquarters had a hot dog stand outside and a sign hung in the lobby that read "No ties beyond this point."

1993 – Sam's agreed to purchase 14 PACE locations from Kmart. The locations were in markets already dominated by Sam's. The PACE locations were unprofitable and Kmart viewed the sale as the most cost effective way to exit those markets.

1993 – Sam's eliminated its regional buying offices.

1993 – In November, Kmart sold 91 of its 132 PACE locations to Sam's for \$300 million. The sale price was \$22 million less than the amount Kmart had paid for PACE in 1989. The remaining 41 locations were either sold or converted by Kmart to other formats. PACE's corporate office in Denver, Colorado was closed. The purchase enabled Sam's to enter four new markets and enhanced its position in California, where 21 PACE locations would be added to four existing Sam's locations.

1995 – Dean Sanders retired. Joe Hardin, Jr., previously Walmart's executive vice president and chief operating officer, replaced him as president and chief executive officer of Sam's.

1996 – Sam's once again embraced regional buying and opened nine offices. Each office was staffed with four buyers who purchased grocery, beer and wine, bread, frozen foods and cooler products.

1997 – Joe Hardin, Jr. resigned and Mark Hansen was hired as Sam's president and chief executive officer. Hanson previously served as president and chief executive officer of PetsMart, a chain of pet stores.



Sam's – Member's Mark Detergent Pacs

1998 – Mark Hansen resigned. Tom Grimm was hired as Sam's president and chief executive officer. David Glass, Walmart's president and chief executive officer at the time, said, "Tom is passionate about ... the wholesale club industry where he worked for ten years at the president and chief executive officer level ... During his time at Price Savers, the company was recognized for its innovative merchandising program and the way it treated its associates."

2002 – Tom Grimm announced his retirement. Kevin Turner, previously chief information officer at Walmart, was named president and chief executive officer. Turner joined Walmart as an hourly associate in 1986.

2005 – Kevin Turner resigned and Doug McMillon, formerly executive vice president of merchandising and replenishment at Sam's, was promoted to president and chief executive officer. McMillon was a key part of Turner's executive team.

2006 – According to McMillon, Walmart considered spinning off Sam's Club. McMillon said, "After looking at it for a while, we decided that the best place for Sam's Club is to be part of Walmart."

2009 – McMillon was promoted to president and chief executive officer of Walmart International, the company's second largest operating unit.

2009 – Sam's Club hired Brian Cornell as president and chief executive officer. Most recently, Cornell was chief executive officer of Michael's Stores. Prior to Michael's, Cornell was executive vice president and chief marketing officer for Safeway.

2009 – Sam's named Linda Hefner as executive vice president of merchandising and replenishment. Previously, she was in charge of Walmart's home division and was a Kraft Food executive before joining Walmart in May, 2007.

2010 – Sam's changed its regional organizational structure and placed senior operational executives as well as regional operational support teams in key markets. The goal is to bring those decision makers closer to members and associates.

2011 – Cornell announced that Sam's created two internal organizations to help employees located across different business segments nationally and internationally collaborate more effectively. Global Business Processes will help the company better respond to customer needs through club and store level improvements. Global Customer Insight will try to better understand customer shopping needs through the use of analytical tools.

2011 – According to an August 7 report from the *New York Post*, in the spring, 2011, Walmart submitted an offer to BJ's board of directors to purchase the company for more than \$55 per share of common stock. BJ's board of directors ultimately accepted a purchase price of \$51.25 per share of common stock from Leonard Green & Partners (LGP) and CVC Capital Partners (CVC).

A source told the *New York Post* that Walmart's proposal "seemed like a serious offer, like they weren't just kicking the tires." BJ's was informed that the offer did not include "significant divestitures" of overlapping locations in order to pass antitrust regulations. In the end, BJ's board of directors did not want to provide detailed company information to a competitor especially for a transaction that potentially, could have cost employees their jobs.

2012 – Cornell resigned from Sam's Club effective February 1 for family reasons. Rosalind Brewer was promoted to president and chief executive officer of Sam's Club. Brewer was president of Walmart's United States east business unit (a division of 1,600 stores and 500,000 people that generated approximately \$100 billion in sales annually).

Mike Duke, president and chief executive officer of Walmart, said, "Roz came to us with an outstanding background in consumer packaged goods more than five years ago. During that time, I have seen her develop into a talented merchant and retailer. She has strong strategic, analytical and operational skills and has successfully managed a large and complex business."

2012 – Charles Redfield was named executive vice president of merchandising for Sam's Club. Redfield joined Sam's in 1988 as a cashier and left in 1998 to work for Hudson Bay, a Canadian retailer. He returned to Sam's in 2001 and has held various positions at Sam's and Walmart.

2013 – Walmart named McMillon as its president and chief executive officer replacing Duke. Rob Walton, chairman of Walmart's board of directors, said, "Doug is uniquely positioned to lead our growing global company and to serve the changing customer, while remaining true to our culture and values. He has broad experience, with successful senior leadership roles in all of Walmart's business segments, and a deep understanding of the economic, social and technological trends shaping our world."

2013 – Sam's Club hired Jamie Iannone to be president and chief executive officer of Samsclub.com. Iannone was previously in charge of Barnes & Noble's Nook Media unit and worked at eBay prior to that. Iannone will report to Neil Ashe, president and chief executive officer of Walmart's global e-commerce business.

Sam's Club announced that its samsclub.com online business will be integrated with Walmart.com's global e-commerce business. Prior to this change, Samsclub.com was based at the company's corporate headquarters in Bentonville, Arkansas. With this change, Samsclub.com operations will move to San Bruno, California where Walmart's Global e-commerce business is managed. Brewer said, "The integration of Sam's Club e-commerce operations with Global e-commerce allows us to build on our collective strengths. This, combined with Jamie's leadership, gives us a competitive advantage no one else can match."

2013 – Sam's Club announced it will lay off 2,300 employees at its club locations. Almost half of the job cuts will be salaried assistant managers at underperforming locations and the rest will be hourly employees. The reason for the assistant manager layoffs is that Sam's Club has staffed all its locations with a similar number of assistant management employees. These underperforming locations don't require the same number of assistant managers as do clubs generating higher sales. The job cuts represent approximately 2% of Sam's 116,000 employees nationally.

Financial History

1984 – Sam's ended its first fiscal year with sales of \$37.4 million and three clubs.

1986 – Sam's ended its fiscal year with sales of \$776.5 million and 23 clubs. Operating income was \$27.8 million.



Sam's – Tidy Cats Cat Litter

1989 – Comparable sales at some of the former Super Saver locations approached 40%. Fiscal sales increased 41% to \$3.8 billion, operating income increased to \$135 million and comparable sales increased 9%. Average annual sales per club were just over \$40 million, behind Price Club, Costco and BJ's.

1993 – Fiscal year U.S. sales increased 31% to \$12.3 billion but comparable sales decreased 3%.

1994 – Sam's struggled to integrate its 91 PACE locations as comparable sales decreased 2.2%.

1995 – Fiscal year results improved as U.S. sales increased 28% to \$18.9 billion and comparable sales increased 1.2%. Jay Fitzsimmons, vice president of finance at Walmart at the time, said, "When we acquired the PACE stores, they were losing \$100 million a year, and we've cut that to \$50 million. We expect them to break even this year."

1999 – Fiscal U.S. sales increased 11% to \$22.9 billion, operating income increased 15% to \$707 million and comparable sales increased 10.3%.

2003 – Fiscal U.S. sales increased 7.8% to \$31.70 billion, membership revenues increased 8% and operating profit was the same as last year at \$1.03 billion. Comparable sales increased 2.3%.

2007 – Fiscal U.S. sales increased 4.5% to \$41.58 and operating income increased 0.2% to \$1.48 billion. Comparable sales increased 2.9% without gasoline and 2.5% with gasoline.

2011 – Sam's reported fiscal U.S. revenues: merchandise sales increased 1.4% to \$45.19 billion, gasoline sales increased 31.1% to \$4.27 billion and membership revenues increased 2.5% to \$1.07 billion. Overall revenues increased 3.5% to \$50.53 billion. Operating income increased 11.9% to \$1.69 billion and comparable sales increased 3.9% including a contribution of 2% from Sam's gasoline business.

2013 – Sam's reported fiscal U.S. revenues: merchandise sales increased 6.8% to \$49.79 billion, gasoline sales increased 7.4% to \$6.63 billion and membership revenues increased 2.0% to \$1.13 billion. Overall revenues increased 4.8% to \$57.56 billion. Operating income increased 6.2% to \$1.96 billion and comparable sales increased 4.1% including a contribution of 0.3% from Sam's gasoline business.

2014 – Sam's Club reported that fiscal year sales increased 1.3% from \$56.42 billion last year to \$57.16 billion this year. Excluding Sam's gasoline business (approximately \$6.56 billion), merchandise sales increased 1.6% to \$50.60 billion. Operating income increased 0.8% from \$1.96 billion last year to \$1.98 billion this year. Excluding Sam's gasoline business, operating income would have increased 1.9% from \$1.91 billion last year to 1.95 billion this year. Including gasoline, overall comparable sales increased 0.4%. Excluding gasoline, comparable sales would have increased 0.7%.

2015 – Sam’s Club reported that fiscal year sales, including gasoline, increased 1.5% from \$57.16 billion last year to \$58.02 billion this year. Excluding Sam’s gasoline business, fiscal year sales increased 2.1% to \$51.63 billion. Operating income, including gasoline, increased 7.2% from \$1.84 billion last year to \$1.98 billion this year. Excluding Sam’s gasoline business, operating income would have increased 2.0% to \$1.85 billion this year. Sam’s Club reported that fiscal year comparable sales decreased 0.1%. Excluding Sam’s gasoline business, fiscal year comparable sales increased 0.5%.

Location History

1983 – The first Sam’s Club was opened in Midwest City, Oklahoma in April. The location was about 15 miles from Oklahoma City and its rent was just \$1.25 per square foot. In October, Sam’s opened clubs in Dallas, Texas and Kansas City, Missouri.

1984 – Sam’s decided it would dominate the south. Four of its new locations were in Texas (three in Houston and one in Dallas). Sam’s also opened clubs in Florida (Jacksonville), South Carolina (Charleston) and Alabama (Birmingham).

1985 – Walmart tested locating a Sam’s next to a Walmart discount store. The company believed that with Walmart serving the mass market and Sam’s serving the business customer, the two could acquire all the potential shoppers in a market.

1985 – Based on Walmart’s success in operating in small, rural towns, Sam’s discovered that it could be profitable on a sales base of \$25 million per year and operate outside of major metropolitan areas.

1985 – Sam’s opened six clubs in Texas. The lone star state now accounted for 50% of Sam’s locations. Sam’s opened its first club in Kansas and its first location in Arkansas. At the end of the fiscal year, Sam’s operated in nine states.

1988 – Sam’s opened clubs in markets whose populations were between 100,000 to 200,000 people. At the time, these areas could support one club. Although sales would never reach \$100 million per year, Sam’s wanted to “lock up” these markets.

1988 – Sam’s operated almost two times as many clubs as its nearest competitor.

1991 – Sam’s became the first club to open in Mexico in a joint venture with Mexican retailer Cifra. The banner was called Club Aurrera. One location was opened in an old candy factory and was only 55,000 square feet.

1993 – Sam’s opened its first club in Puerto Rico.

1994 – Sam’s continued to open clubs next to Walmart discount stores. Sanders said “Sam’s can really focus on small businesses ... It draws traffic in from a lot of different areas. Customers will go to both a Walmart and a Sam’s.”

1994 – Sam’s opened six locations in Mexico bringing its total to nine.

1994 – Sam’s opened its first location in Argentina.

1995 – Sam’s opened three clubs in Brazil in a joint venture with Brazilian retailer Lojas Americanas (60% owned by Walmart).

1996 – Sam’s opened its first location in China in Shenzhen.

1997 – Sam’s locations in Puerto Rico were among the highest volume clubs, averaging \$100 million in sales per year.

2000 – Sam’s opened its second location in China in the city of Guangzhou.

2000 – Sam’s sold its three locations in Argentina to Home Depot and exited the market. At the same time, Sam’s announced it will add three clubs in Brazil where its concept has been better received.

2002 – Sam’s opened its 500th U.S. club in Fort Worth, Texas. The club is its 64th in the state and 19th in Dallas-Fort Worth.

2002 – Sam’s believed it could open 250 new club locations in the United States in the coming years.

2003 – Sam’s opened its first four locations in Canada in Ontario.

2004 – When asked about industry saturation in the United States, Turner said, “Sam’s Club continues to see tremendous opportunities to grow our sales. We’re no where near our potential to serve small business owners.”

2006 – Sam’s closed two locations due to poor sales performance: Natick, Massachusetts and Albany, New York.

2006 – Sam's new club in Bentonville, Arkansas featured a number of innovations: an expanded Café menu that offers salads, coffee and deli sandwiches, more visibility for electronic merchandise and a larger home meal replacement selection.

2006 – One of Sam's three locations in China generated \$100 million in sales last year.

2007 – Mario Pilozzi, president and chief operating officer of Walmart's Canadian division, commented on Sam's business in Canada. Pilozzi said, "The Sam's business is not what we would like it to be."

2007 – Sam's new location in Fayetteville, Arkansas featured a number of sustainable initiatives: 219 skylights, LED lighting in the freezer, cooler and jewelry cases, a closed loop refrigeration system, a composting station in the back room, a high efficiency car wash and a rain harvesting system that is used for watering the grounds.

2008 – Sam's purchased a year-old commercial building three miles south of the company's headquarters. The four story, 375,000 square foot location will be Sam's new headquarters.

2008 – Sam's opened a business center in Houston, Texas that targets wholesale members. Sam's eliminated a number of categories: optical, pharmacy, jewelry, apparel, entertainment, tires, batteries and seasonal. The location included a print and copy center, mail box rentals and a walk-in cooler and freezer where institutional cases of meat, cheese, produce and dairy SKUs are stocked.

2008 – Sam's opened a 100,000 square foot location in Garden City, Kansas. The city of Garden City has a population of 40,000 and Sam's will analyze whether a mini club can profitably operate in smaller markets.

2009 – Sam's location in Shenzhen, China generated US \$210 million in sales last year, a company record.

2009 – Sam's new location in Lady Lake, Florida produced the highest grand opening day sales in Sam's history.

2009 – Sam's closed its six locations in Canada.

2009 – Sam's opened its first Más Club location in Houston, Texas. The club targets Hispanic members, costs \$30 to join and is managed as a separate operation from Sam's.

2009 – Sam's closed its locations in Plymouth, MA and Willoughby Hills, OH.

2010 – Sam's closed ten unprofitable locations. Eight are located within ten miles of a Costco and one is located within ten miles of a BJ's. One of the clubs is Sam's lone business center in Houston, Texas. The locations that Sam's club closed are in California (four), Idaho, Colorado, Illinois, New York, Arizona and Texas.

2010 – At year's end, Sam's operated six locations in China. The company plans to continue to aggressively expand in China. Wang Pei, vice president of Walmart China, said, "It's time for us to accelerate the store opening of Sam's Club, because the middle-class in China is growing very fast and our target is to provide premium products to these upscale consumers."



Sam's – Starburst Jelly Beans

2013 – Greg Foran, chief executive officer of Walmart's Chinese operation, said the company is planning to increase the number of Sam's Club locations in China where it currently operates 10 clubs. It will open two locations in 2014 and plans to continually increase its annual expansion until it reaches approximately ten new locations annually in six or seven years.

2013 – Sam's comparable sales in 2013 in Mexico decreased 4.4%. The company has a number of initiatives to reverse that sales trend including: leveraging its relationship with Sam's Club in the United States to purchase more top brands in apparel and food, re-launch its Mexican web site, focus more on treasure hunt merchandise, focus more on fresh foods and focus more on product quality.

2014 – Sam's Club closed its only Más Club location in February. A Sam's Club spokesperson, said, "Since opening Más Club, we've gained insights on the best ways to serve the Hispanic community and have implemented that we've learned in our 18 locations in the Houston area and more than 100 other Sam's Club locations in areas with a predominantly Hispanic population throughout the U.S."

2015 – Sam's Club is planning to open three more locations in early 2015 in Shanghai, Wuhan and Changzhou.

Buying and Merchandising History

The Early Years – In May, 2013, the people responsible for getting Sam's Club started held a reunion. The following are anecdotes from Sam's early years. Prior to joining Sam's Club in 1983, Jim Branam owned an apparel store. At Sam's Club, Branam, as a senior merchant, was responsible for the apparel, home goods and office supply categories. He said, "We wanted to carry more exclusive brands at Sam's and convincing suppliers their products would not end up on the shelves at Walmart was a constant issue."

Stan Moore (along with Larry King) developed Sam's grocery business. Moore said, "At one point we were selling so many units of Cheerios, General Mills told us we were destroying their own sales to foodservice so they discontinued the large bag sales to Sam's but they did provide us with large multipacks to sell instead."

Loveless said that the wholesale clubs that did not survive tended to concentrate on membership but did not differentiate their merchandise assortment from existing retail operators. He said, "There was a reason Sam's didn't carry Crest toothpaste, because we could never sell it cheaper than Walmart. We focused on those items that could be sold in bulk and toothpaste was not one of them."

The one key differentiating point that Sam's focused on when it started was the business member. Kenny Folk joined Sam's in 1986 as an assistant manager after working for Costco. Folk said, "As someone who worked ... in the clubs, I can tell you we knew our business customers' names and continually strived to get them values and services like early-hour shopping, which was something our competitors didn't do."

1983 – Sam's based its operation on Price Club's concepts and ideas. Sam's would limit the number of products it stocked but would not limit the number of categories.

1983 – The strongest categories at Sam's first location were liquor (7% to 8% of sales) and frozen foods (10% of sales).

1983 – Some vendors did not think the club concept was right for their products and would not supply Sam's. A Sam's spokesperson said, "R.J. Reynolds wasn't going to sell to us at first, so we bought cigarettes elsewhere and outlasted them. They came back."

1987 – Sam's experimented with selling automobiles. It negotiated prices at \$100 over the invoice price with participating dealers. Sam's promoted those dealerships to its members who would contact a participating dealer and be able to purchase an automobile at the reduced price. For every car sold, Sam's received a rebate from the dealer.

1989 – Sam's offered a fax ordering system enabling members to fax orders of \$250 or more with pick up the next day.

1989 – Optical departments were being tested, as well as a business service center that featured a shipping area.

1989 – Sam's introduced a travel club that offered discounts on car rentals, hotels and travel packages.

1989 – Sam's introduced a long distance member service with MCI that promised savings of up to 10% on long distance calls.

1991 – Sam's introduced the Sam's Club brand of private label products.

1991 – Sam's successful test of fresh food products convinced the company that it should add the assortment to more clubs. All new units would be approximately 130,000 square feet, which provided the necessary space for fresh foods.

1992 – Sam's added a fresh pizza department that was displayed in a kiosk that included an oven, a refrigerator, a display case and preparation tables. Customers could order a cooked pizza or take a refrigerated pizza home to cook for themselves.

1992 – Sam's expanded its scratch bakery department – but observers questioned whether it would be able to control quality and execution. For instance, Sam's baked product at night and the "baking aroma" that is so important in this department dissipated by the next day.

1992 – Sam's produce department consisted of approximately 40 items, including refrigerated and non-refrigerated SKUs. Initially, Sam's focused more on price and less on quality, but insiders said Sam's had better begin to focus on quality.

1993 – Sam's requested that vendors involve senior management with the club channel. Sam's said upper management needed to understand that the clubs require special attention and an infrastructure should be created to meet its needs.

1993 – Buyers were no longer responsible for product replenishment, as Sam's created a re-order group.

1993 – A private label brand called Great Value was introduced. Sam's focused on the price of Great Value products and sacrificed quality to reach certain price points.

1994 – To defray PACE's purchase price and conversion costs, Sam's demanded cash payments from vendors in exchange for the right to continue supplying items to the former PACE clubs. Sam's asked for as much as \$600 per item per club.

1994 – Sam's had problems operating its scratch bakeries and increased the number of bake-off products. A bake-off operation is less costly to operate as fewer employees are needed and the remaining employees do not need to be as skilled.

1995 – Sam's introduced the Sam's Shopping Network (SSN), a computerized kiosk that allowed members to order 5,000 items not stocked in the clubs, receiving them directly from vendors. The items had to be paid for at Sam's. The person who developed SSN developed a similar system at Costco.

1996 – Sam's introduced a promotion called Sam's Bonus Privileges, which was similar to Costco's passport program. The vendor funded program featured 10 to 20 items with instantly redeemable coupons.

1996 – Sam's added a 1% rebate feature on its private label credit card program and introduced online shopping on its web site, www.samsclub.com.

1996 – Sam's introduced a real estate and mortgage service that saved members \$1,745 on an average home transaction.

1997 – Sam's had specific strategies and goals when it came to food distribution: measure in-stock positions, measure merchandise gross margins and fill rates, control freezer and cooler inventories, reduce its net cost by improving supply chain efficiency and increase the use of electronic data interchange (EDI) transactions.

1997 – Sam's introduced "A Taste of Sam's Club", a three-day weekend demonstration event held at all Sam's locations during the holiday season. Sam's performed as many as 35 product demonstrations each day.

1997 – Sam's first gasoline station opened in Wichita, Kansas and its first optical department opened in Frederick, Maryland.

1997 – Sam's merchandised its books, CD and software categories in a "store within a store" concept. The items were merchandised near the registers and the tables in these departments were arranged in the opposite direction of the aisles.

1998 – Sam's introduced a new member benefits program that offered savings on: automobiles, software training, discounted long distance service, internet access, personalized checks, a mail order pharmacy, discounted banners, signs and t-shirts and merchant credit card processing.

1998 – Sam's introduced a new premium private label line called Member's Mark. All existing private label items were converted to this brand.

1998 – Sam's introduced its first issue of *Sam's Club Source*, the company's new monthly magazine. The publication's focus would be on Sam's business members.

1998 – Insurance Holdings of America (IHA) sold insurance to Sam's members in the club locations. IHA set up a sales booth equipped with a server, computer and communications equipment. IHA sold franchise rights to insurance salespeople who paid \$1,000 per month to operate the booths. Members could purchase underwritten insurance within 15 minutes.

1999 – Sam's created a premium membership program called elite. The annual fee was \$100 and included benefits not available to regular Sam's members such as: online banking, roadside assistance and entertainment coupons.

1999 – Sam's opened a new location in Chandler, Arizona, the second-fastest growing city (with a population over 100,000) in the country. Some of the unique features of this club included: an embroidery center, aisle markers with vendor advertisements and self service produce where members selected the amount of produce to purchase.

1999 – Grimm wanted all Sam's Club locations to have the same look and feel. The company would continue to keep its SKU count around 4,000 and concentrated on full-pallet presentations. Sam's aggressively expanded its ancillary businesses, as in-store pharmacies, optical centers and one-hour photo shops would be added to its locations.

1999 – In October, Sam's sent a letter to vendors who had a Costco item number printed on the package of an item also sold to Sam's. The letter stated the Costco item number "is causing undue shrink in our clubs due to the Costco item number ringing at the register as something other than the intended product." Sam's stated by February 1, 2000, it would require vendors to remove the Costco item number from the package or the item would be dropped or refused at the receiving door.

2000 – Sam’s redesigned web site featured a new service called click-and-pull. Members placed an order online (\$250 minimum) that is sent to their local club. The order would be picked and be waiting for the member the next day.

2000 – Sam’s introduced a private label wine, Alcott Ridge Vineyards. E&J Gallo Winery produced the product which retailed for \$6 to \$7 per bottle. Four varieties were offered: cabernet sauvignon, chardonnay, merlot and white zinfandel.

2001 – Jan Bell Marketing operated the jewelry departments in all Sam’s locations in the U.S. and Puerto Rico. Jan Bell paid Sam’s 9% of net jewelry sales. The agreement between Sam’s and Jan Bell expired in February. Sam’s did not renew the agreement and took over the jewelry operation after that date.

2001 – Sam’s new jewelry program included many higher-end items such as Cartier, Breitling and Tag Heuer watches priced between \$1,700 and \$3,500. Jan Bell stocked watches priced between \$500 and \$800.

2001 – Sam’s recently introduced an auction and plunging price features on its web site. Auctioned items are awarded to the highest bidder. In the plunging price area, prices are progressively reduced on merchandise until the inventory is sold.

2001 – Premier Retail Networks (PRN) is a broadcast and interactive media network. PRN secured a two year agreement with Sam’s to provide television programming in the electronics department in all Sam’s U.S. clubs.

2001 – Fleetwood Homes announced it would expand its home buying program with Sam’s to eight states. Fleetwood manufactures “factory crafted residential homes.” The Sam’s program offered members an exclusive pre-negotiated home price, a Sam’s Club shopping card, a complementary upgrade to Sam’s elite membership and a two-year home warranty.

2001 – Sam’s opened a 154,000-square-foot location in East Plano, Texas, its second largest location nationally. The location included the following features: freezer and cooler boxes were moved to the front left-side of the club, a large assortment of Member’s Mark prepared meals were stocked and it operated an on-site popcorn making facility.

2001 – Sam’s currently operates 150 gasoline stations.

2001 – Sam’s fresh food program is stocked in 90% of its clubs with comparable sales, at those locations, in the double digits.

2002 – The following is a profile of the average Sam’s member: there is an average of five people in a household, 50% of adults are college graduates, 94% own their own homes and the average net worth is \$121,000.

2002 – Sam’s promoted a diamond road show that included diamonds appraised between \$500,000 and \$1 million. The size of the diamonds in the special event ranged from ½ carat to 20 carats.

2002 – Sam’s began offering 142 General Electric appliances on its web site. Sam’s focus on its business member is apparent. A press release said, “[The appliance selection] is an ideal destination for contractors, property management agencies or rental property owners seeking large or small orders to furnish new facilities or replace outdated models.”

2003 – Sam’s introduced a line of diamond jewelry under the Regal Elegance private label brand. The diamond assortment included solitaires, three-stone pendants, solitaire stud earrings, channel bands, eternity bands and wedding sets.

2003 – Genmar, a worldwide manufacturer of recreation boats, signed a one-year marketing agreement with Sam’s Club to sell boats in Sam’s locations. Under the agreement, Genmar’s 2,000 dealers become Sam’s exclusive boat provider.

2004 – Bob Paulinski was appointed chief wine and spirit merchant at Sam’s. In 2002, Paulinski was awarded a Master of Wine of which there are currently 240 worldwide and only 19 in the United States. Paulinski said, “We’ll be bringing [wines] into the mix that would typically not be found in a club situation.”

2004 – Sam’s partnered with Paula Abdul to sell her line of INNERGY jewelry. The jewelry pieces are replicas of the gifts that Abdul gave to this year’s 32 *American Idol* semi-finalists.

2004 – Through a partnership with GE Consumer Finance, Sam’s is offering its business members a credit line up to \$100,000 with interest rates as low as prime-plus-zero.

2004 – Zurich North America, a property-casualty insurance provider, Answer Financial, a financial service organization, and Sam’s announced an alliance to offer small business members insurance in all states except Hawaii and Alaska. Zurich North America will offer property, liability, umbrella, automobile insurance and workers’ compensation.

2004 – When asked about key program components important to Sam’s Club buyers, Turner said, “All merchandise and programs must have a wholesale application and appeal to our nine targeted SIC business member groups.”

2004 – Turner discussed a philosophy called “purity of the business model”. Turner stated that, like the club industry’s founder, Sol Price, Sam’s is following an intelligent loss of sales by no longer offering delivery, no longer accepting Visa, MasterCard or American Express transactions, no longer discounting membership fees and no longer offering coupons.

2004 – Sam’s introduced a vision care program for its members. The program administered by American International Group included 100% coverage of eye exams, low premiums, no co-payment for basic benefits and individual and family coverage.

2004 – Sam’s 53 locations in Mexico sold more than 600 fully stocked, 90-square foot convenience stores. Each of the stores, called Mi Tiendita, or My Little Store, came with a supply of 200 products and a cash register and retailed for \$1,400.

2004 – Sam’s private label assortment includes three brands: Member’s Mark, a premium brand, Bakers & Chefs, a commercial food product brand, and the Sam’s Club label, a value driven brand.

2004 – Turner said that treasure hunt is one area where Sam’s must improve. Instead of focusing on its club competitors for treasure hunt items, it will focus on specialty retailers such as Williams Sonoma, Pottery Barn and Crate and Barrel.

2004 – RadioShack announced that it is now operating wireless kiosks in all Sam’s Club locations. The kiosks offer Sprint PCS, T-Mobile and Cingular wireless phone service. There is no RadioShack logo or branding in the kiosk.

2005 – Sam’s implemented a program to monitor merchandise quality. Sam’s created quality specifications, a process to randomly audit suppliers and a process to monitor member feedback. The testing program is managed by a third party organization and looks at the following issues: pre-production, production, post-production and consumer use testing.

2005 – One of Sam’s success stories is in private label wine. Its first, a white wine from Germany retailed for \$9 per bottle and sold out in three months. The second was a \$12 bottle of red wine from Australia and the third was a \$12 bottle of red wine from Spain. Paulinski said, “Most private brand programs are based on setting a price point and then finding something in the marketplace that fits the target ... We looked for the best possible wines available and then compared them in taste to similar types that were priced two to three times higher.”

2005 – Sam’s and Extend Benefits announced a partnership that offered employers and their employees a broad choice of individual health insurance plans in all 50 states. The program is called ExtendChoice.

2005 – Sam’s operates 334 gasoline stations in the United States.

2005 – Sam’s and Dollar Thrifty announced a partnership that offered flat-fee car rental rates to small business members.



Sam’s – U.S. Flag Kit

2006 – McMillon summarized Sam’s strategy using an inverted pyramid. At the base of the pyramid, providing the foundation, are business member needs. Above that category are the personal needs of its business and consumer members. Above personal needs, at the top of the pyramid, is affordable luxury. McMillon said that the affordable luxury area is where Sam’s has the greatest opportunity for improvement.

2006 – Although Sam’s has had success in attracting consumer electronics vendors like Sony and Samsung, many brands still do not do business with the clubs. McMillon said, “There are brands we would like to carry which haven’t determined that they want to be in the clubs yet. Some people are still hung up over the old days of channel shopping.”

2006 – The one department that all nine key member types shop is office supplies and office furniture. Sam’s re-merchandised its clubs so the office supply and office furniture departments are up-front next to the registers.

2006 – Sam’s admitted it has been too focused on providing a value by concentrating on the cost and the retail price. Now, it wants to focus on offering a value by stocking higher quality merchandise sold at prices lower than can be found elsewhere.

2006 – One of the key factors in growing its share of business member purchases is price leadership. Sam’s employees are in the market, on a weekly basis, checking competitor pricing. Sam’s also hired a third-party vendor to verify prices.

2006 – For the third year, Sam’s offered “Once in a Lifetime” products during the holiday season including a Cessna Citation Mustang jet for \$2,734,000 and a four ticket package to the NFL Championship Game for \$71,000.

- 2006** – Sam’s partnered with Warner Brothers to promote its new movie, *We Are Marshall*. For \$2,400, Sam’s offered members the ability to purchase a 250-person exclusive screening of the movie prior to its official release date.
- 2007** – Sam’s goal is to become more relevant to “Moms” as they make 80% of household purchase decisions. The departments that Sam’s will focus on to better appeal to “Moms” are consumables, grocery, jewelry and electronics.
- 2007** – Sam’s announced that Expedia is its exclusive provider of travel bookings.
- 2007** – In an effort to mitigate television and home theatre returns, Sam’s is testing television and home theatre installation services at locations in Florida and Minneapolis. The service is provided by a third party vendor.
- 2007** – Sam’s introduced an organic wine brand called Greener Planet. The initial Greener Planet blend is a Shiraz-Merlot-Cabernet Sauvignon from the Languedoc region of France. It will retail for less than \$12 in most club locations.
- 2008** – Sam’s stocked additional prepared food SKUs to attract more consumer members. The assortment is currently at 200 locations and the company plans to add the selection to 100 more clubs this year.
- 2008** – At the company’s annual meeting in October, McMillon discussed Sam’s focus on product quality. McMillon said, “We believe that’s a key dimension that Sam’s Club needs to utilize in the future to drive increasing value to our member.”
- 2008** – Sam’s furniture business is performing well primarily due to merchandising. McMillon said, “The biggest single change is that we made a dramatic shift ... in the way we present furniture. We took the steel down and created vignettes on the floor, which made a different visual impression to our members and caused them to have a different traffic pattern.”
- 2008** – Sam’s signed an agreement with PhotoChannel that would enable members to order prints, greeting cards, photo books, calendars and other photo-related gift items online and either pick them up at their local club or have them delivered.
- 2008** – Sam’s operated more than 430 gasoline stations. Sandy Skrovan, senior vice president at TNS Retail Forward, said, “In a survey, a third of Sam’s members said they would renew their membership just to get the discount on gasoline.”
- 2008** – Sam’s commissioned an independent third party survey in 50 United States markets that compared unit prices at Sam’s Club, grocery stores, pharmacies and office superstores. The study was done between March, 2008 and June, 2008. Sam’s found that its average overall savings compared to those retail groups was 38%.
- 2009** – Sam’s is using Twitter and Facebook to promote products, item deals and in-club and online events.
- 2009** – Sam’s introduced a coupon program called eValues. The program is only available to plus members. Coupons are customized for each member based on past product purchases. Coupons can be viewed online or at kiosks inside the clubs.
- 2009** – Sam’s new buying and merchandising strategy is based on gaining a better understanding of member needs. Sam’s will decrease its assortment in large appliances, sporting goods, furniture, movies, seasonal and apparel and increase its assortment in produce, prepared meals, meat, bakery, baby and HBA.
- 2010** – At a retail conference in April, Cornell discussed the company’s belief that the concept of “value” means different things depending on a particular category. For example, in the paper category members want branded product at a great value, in produce members require high quality, in electronics, seasonal and apparel members want the most unique item and in tires members want convenience and ease of purchase.
- 2010** – Sam’s Club announced that it will sell a 1.75-liter bottle of French distilled vodka under its Member’s Mark private label brand in 241 locations. The Rue 33 label will also appear on the bottle’s package.
- 2010** – Sam’s announced a new buying and merchandising strategy aimed at improved vendor collaboration. The goal of this new business planning strategy is threefold: increase member value, provide for profitable growth and returns and improve product innovation. Hefner said, “At Sam’s Club, we ... believe in working collaboratively with our suppliers to develop great quality and brands at an amazing value. Through joint business planning, we can determine how we each invest in opportunities to accelerate growth and ROI.”
- 2010** – Sam’s began offering small business members SBA-back loans. The program is operated by Sam’s Club, the Small Business Administration (SBA) and Superior Financial Group. Loans between \$5,000 and \$25,000 are available to start-ups and existing small businesses. The program includes: a one page application, no collateral, a 20% discount on loan fees, low interest rates, electronic funding and payments and no prepayment penalties.

2010 – Sam’s Club introduced three technology-related initiatives. All locations will now offer AT&T Wi-Fi service, its television signal for its television wall will be upgraded to 1080p and the company unveiled a smart phone application designed for an iPhone, Blackberry and Droid. The application features access to eValue coupons, product information and member reviews.

2010 – Sam’s new home office features a complete test kitchen and sensory lab. The lab is headed by Angela Hebert, Sam’s resident chef and food scientist. She said, “Every piece of food preparation equipment we have in a club we now have in our test kitchen and with our sensory lab, we can conduct tasting panels with food products so we know the items going into clubs will be well received by members.” Panel participants are pulled from Walmart and Sam’s Club volunteers who actually offer a diverse viewpoint.

2010 – Coinciding with its planned expansion in China, Sam’s plans to offer online product sales in the country. The online market in China offers tremendous potential. According to the China Internet Network Information Center, China has more than 420 million Internet users, exceeding the combined populations of the United States and Germany.

2011 – Radio Shack ceased operating communication kiosks inside Sam’s. Going forward, Sam’s will operate the kiosks.

2011 – Sam’s introduced three private label brands: Artisan Fresh in the bakery and deli, Simply Rite in health and beauty, diapers and pet and Daily Chef in dry grocery.

2011 – Sam’s partnered with Amneon Furniture to offer business members a discounted office furniture program called SNAP!office (www.samsclub.com/snapoffice). Sam’s Club members can save up to 40% compared to traditional furniture dealer prices.

2011 – Cornell has made sure that everyone at Sam’s Club studies Costco. He said, “We never travel in a market without going into their buildings. We have to understand their brands, the quality they offer and where they are ahead of us and then how to take what they do well one step beyond.”

2011 – In partnership with SquareTrade (and others partners), Sam’s Club introduced a new mobile phone protection plan for members. Sam’s Club is offering two plans: \$59 for standard phones and \$99 for smart phones.

2012 – Sam’s Club and Triad Retail Media introduced a new area within www.samsclub.com called Pet Central. The educational online section helps members learn about pet care and pet products. The site features commentary from Dr. Louise Murray, an accredited pet expert.

2012 – In its eCommerce Fact Sheet, Sam’s stated that “Samsclub.com totaled 10% of total Sam’s Club sales in FYE12.” It is estimated that Samsclub.com generated approximately \$4.76 billion in sales.

2012 – In fiscal 2012, total eCommerce visits increased 15% from fiscal 2011 to 162.5 million in fiscal 2012. Those visits included 141.7 million from personal computer users, 17.2 million from mobile users (a 355% increase) and 3.7 million from tablet users (a 5,211% increase).

2012 – Sam’s Club added SoloHealth Station kiosks to more than 500 Sam’s Club locations nationwide. The SoloHealth kiosks provide, free of charge, health screenings for vision, blood pressure, weight and body mass index as well as an overall health assessment.

2012 – At its analyst meeting in October, Sam’s discussed category sales: in terms of category/department growth, fresh meat sales have increased 7%, dry grocery sales have increased 9%, apparel sales have increased 12% and baby care have increased 12%.

2012 – At its analyst meeting in October, Sam’s discussed its fresh food business: approximately 90% of Sam’s Club members purchase fresh food at its locations.

2012 – At its analyst meeting in October, Sam’s discussed its focus on well know branded merchandise: Brewer highlighted key brands that Sam’s is focusing on. She said, “Our position with Apple is much stronger. Our position with Samsung is very strong. You’ll see Eddie Bauer playing out not only in apparel but in our home goods business ... We have initiated a relationship with Children’s Place and you’ll see it in our club starting [this] holiday season. We’ll be their first and only retail outlet separate of their own retail stores.”

2012 – In its third quarter conference call in November, Sam’s discussed its recent price investments. Sam’s Club selectively lowered prices on key items in key categories. For example, the company lowered its rotisserie chicken retail price and has seen “significant increases in units sold”. The company’s sales data shows that members who purchase a rotisserie chicken have a higher than average transaction. Other consumer items that have seen lower prices include apples and multiple beauty and baby products. For business members, Sam’s lowered prices for condiments, cooking oils and paper products.

2012 – Sam’s renamed its eValues coupon program, available nationally for its premium plus members, to “instant savings”.

2013 – According to an April consumer study by Market Force, a market research firm, Costco and Sam’s Club are the two most popular places for consumers to purchase gasoline. Costco was ranked first and Sam’s Club was ranked second (based on the number of votes per location) by more than 7,600 study participants. The study ranked gasoline stations on five factors: convenience, price, easy of entry/exit, safety and cleanliness.



Sam’s – Hostess Donettes

2013 – In May, Sam’s changed its coupon program offering its instant savings coupons for all members rather than just plus members. The coupon items and amounts are automatically deducted at the registers when an item is purchased. The coupon book is mailed to members. Sam’s Club still offers exclusive coupons for plus members and this program is called instant savings plus.

2013 – Third quarter online traffic generated a double digit increase. Sam’s is working to integrate sales for its online and physical locations. For example, members can special order tires at Samsclub.com and have them delivered and installed at a location of their choosing.

2013 – Sam’s Club announced a new online travel service in partnership with Tourico Holidays, a global travel company that works directly with travel providers and operates essentially as a wholesale distributor. The service will offer savings on 4,500 worldwide destinations, 90,000 hotels, 6,000 attractions, 150 airlines, 18 car rental brands and 13 cruise lines. The travel program also features a United States-based 24-hour 7-day a week customer service operation.

2014 – Sam’s Club introduced an exclusive line of furniture from Nicholas Sparks, a novelist, screenwriter and producer. The Black Mountain Collection was inspired by Sparks’ latest book, *The Longest Ride* and includes a writing desk, chair/ottoman, storage cabinet, office chair, bookcase and wooden trunk.

2014 – Sam’s Club in Freehold, New Jersey stocked a “rare” 750 milliliter bottle of Block 42 Limited Edition Cabernet Sauvignon Ampoule from Penfolds wine in Australia for \$168,000. There are only 12 bottles of this wine in the world with three for sale in the United States. The wine is stored in a hand blown and air tight glass bottle made with rhodium (a silvery white metal similar to platinum and more expensive than gold). The purchase price included the services of a Penfolds expert who would open the bottle and a lifetime Sam’s Club membership.

2014 – Sam’s Club hosted a supplier event in San Diego, California for 100 small regional businesses. Sam’s Club buyers met with each company to engage new potential suppliers, strengthen existing relationships and identify new products for locations in the Southwest and Western regions. Sam’s Club buyers were primarily looking for organic or natural snacks and beverages, health conscious grocery products, local beer and alcohol and specialty sauces, cheese and meat.

2014 – Sam’s Club said it is consolidating its private label assortment into three main brands: Member’s Mark, Daily Chef and Simply Right.

2014 – Sam’s Club started its supplier diversity program eight years ago. The goal of the program is to help identify and develop minority-owned suppliers. Charles Redfield, executive vice president of merchandising at Sam’s Club, said, “A diverse supplier base allows us to deliver unique, differentiated items, member-centric innovation and a consistent supply of product to our members.”

2014 – Sam’s Club introduced a subscription service for members who shop at Samsclub.com. The service will enable members to have products they purchase regularly delivered automatically. Members can select eligible items, select the quantity that will be delivered, select how often that item quantity will be delivered and enter payment information for each delivery. Sam’s Club is testing approximately 700 items for the subscription service. The products include baby products (diapers and wipes), beauty products and office supplies.

2015 – One theme that Sam’s Club buyers are focused on is merchandise relevance. Brewer said, “Merchandise relevance is the critical enabler. Our goal is to ensure that members are surprised and delighted by relevant merchandise every time they come into the club or visit our website, in every category across the country. Combined with price leadership and newness, merchandise relevance will keep our members coming back for more.”

Membership History

1983 – The Midwest City, Oklahoma location drew members from a 100-mile radius. Wholesale customers (40% of sales) paid a \$25 membership fee. Group members (60% of sales) did not pay a membership fee, but did pay a 5% surcharge.

- 1987** – Sam's had over one million paid members. Wholesale members represented 58% of total sales.
- 1989** – Sam's introduced a \$30 paid group membership and eliminated the 5% surcharge. Sam's used the membership revenue to further reduce prices. The group member was called advantage. Sam's business members paid \$25 per year.
- 1995** – Sam's Club managers volunteered for a day of work at a local small business. The move improved club managers' ties with the community and was an aggressive way for the club to market its wholesale members.
- 1996** – Membership renewal rates were the strongest in the last three years.
- 1998** – Sam's raised its membership fees to \$35 for group members and \$30 for wholesale members.
- 2002** – Gary Giblen, senior vice president and research director at CL King Associates, said, "Sam's did not develop the consumer side as effectively as Costco ... Consumers are proud to tell people they bought something at Costco, whereas shopping at Sam's is not something they brag about."
- 2002** – Turner said the company's primary focus going forward will be the business member. Turner said, "The box is not broken, we're just shifting our focus."
- 2004** – 25% of all U.S. small businesses are Sam's members, small business members at Sam's account for 30% of paid cardholders and 55% of total sales, business members make three times as many trips to Sam's as consumers and the average business member transaction at Sam's is twice as high as consumer transactions.
- 2004** – Sam's markets business members through one-day special events that inform them about business member only hours, online ordering, fax ordering, never out items and invoice comparisons to show how Sam's saves them money.
- 2004** – Sam's recent membership renewal rates are the highest in the company's 21 year history.
- 2004** – When asked about Sam's competitive advantage, Turner said, "We were recently meeting with a restaurant owner who went through his business requests ... and got genuinely excited about the purchase of a new power washer for his home. Serving their business ... and their personal needs with a focus on our nine SIC business member groups makes us unique."
- 2005** – A majority of Sam's business members (88%) are organizations with less than 10 employees. 38% of its business members are sole proprietors, 40% of business members have between two and five employees and 10% of business members have between six and 10 employees.
- 2005** – Since 2003, Sam's has been doing a better job at attracting higher income members. The number of members with annual household incomes between \$50,000 and \$74,999 grew 5.5%, members between \$75,000 and \$99,999 grew 22.5%, members between \$100,000 and \$124,999 grew 30.7% and members above \$125,000 grew 31.2%.
- 2005** – Sam's and GE Consumer Finance partnered to offer two new Discover credit cards. One card will be for business members and one card will be for consumers. The cards feature a 2% rebate on every purchase.
- 2006** – Sam's increased business member fees by \$5 to \$35 annually and consumer member fees by \$5 to \$40 annually. Sam's premium plus membership remains at \$100 annually.
- 2006** – The season premier of NBC's *The Apprentice* featured a contest to sell Sam's plus memberships to New Jersey consumers. Two teams on *The Apprentice* competed to see who could sell more memberships.
- 2006** – Sam's launched its first national television advertising campaign on Thanksgiving. The advertisements targeted consumer members by promoting treasure hunt SKUs. The advertisements emphasized Sam's acceptance of MasterCard.
- 2006** – Sam's sponsored its first NASCAR racing event by partnering with M&M on its Ford Fusion car.
- 2007** – Sam's Club launched a small business energy efficiency program. The program is a partnership with GE Lighting and Applied Energy Solutions. The first energy audit customer was Hughes Performance, a racing parts manufacturer in Phoenix and Tucson, Arizona. As a result of the audit, the company expects to save as much as \$650 per month on its electric bills.
- 2008** – Sam's created a special college membership that costs \$40 annually and includes a \$15 Sam's gift card and a complimentary add-on card for roommates.

2008 – In April, Sam's Club held a supplier diversity event. Sam's invited 200 women-owned and minority-owned vendors to present their products to buyers. More than half of the attendees received commitments from Sam's for distribution regionally and even, in some cases, nationwide.

2008 – Sam's partnered with SBTV.com and the National Federation of Independent Business (NFIB) to offer small business members a chance to win a \$100,000 makeover. The makeover included \$25,000 in cash, merchandise, supplies and equipment from Sam's, mentoring from SBTV.com experts and a trip to the 2008 National Small Business Summit.

2008 – While renewal rates remain steady, membership signups are weak. McMillon said, "Our new signup performance wasn't good. And yesterday's new signup performance is today's renewal performance in dollars. So we've been seeing renewal pressure in dollars."

2009 – From April to May, Sam's associates nationally visited 100,000 businesses to help them identify ways to lower costs.

2009 – Sam's eliminated more than a dozen forms that have been required for businesses to join. Business owners can now join Sam's by providing a current business card, letterhead or other documents they may use to manage their operation.

2009 – Sam's Club introduced a small business online community called the Small Business Exchange. The web site will offer small business owners a place to learn, share and connect with other small business people.

2009 – Sam's Club offered a special 100 day \$15 membership from Memorial Day to Labor Day.

2010 – Fiscal year membership income increased 2.1%. Renewal rates for all groups were "flat" compared to last year.

2010 – During National Small Business Week (May 23 through May 28), small business owners who were not currently Sam's Club members could sign up for a 15-week membership for \$15.

2011 – Cornell said that "renewals continue to increase at a rate that has exceeded our expectations and outpaced last year's performance, and our penetration of Plus members continues to grow at a healthy pace."

2012 – Members of the American Motorcyclist Association (AMA) who join or renew a membership at Sam's Club receive either a \$10 gift card (advantage members) or a \$25 gift card (advantage plus members).

2012 – In its second quarter conference call in August, Sam's discussed its renewal rates. Overall renewals were "steady". However, new signups were lower compared to last year due, primarily, due to a special promotion offered in the second quarter last year which made comparisons, this year, challenging.

2013 – At its analyst meeting in October, Brewer discussed Sam's membership growth. Brewer emphasized that Sam's continues to struggle with growing its membership revenues. That lack of growth has forced Sam's to compensate through higher gross margins. Brewer said, "So our primary driver as a club, as a club business, is our membership fee income ... We're focused on delivering more of our operating income from the membership fee income."

2013 – Sam's tested a new membership program at all its clubs in Texas. Sam's current membership rates nationwide are: \$40 for consumers, \$35 for businesses and \$100 for its premium plus program. In the test, Sam's increased its business and consumer membership rates to \$45 for each. In addition, all members (at those test clubs), including business and consumer members, will be eligible for its instant savings coupon program, and all plus members (at those test clubs) will now receive a \$10 rebate for every \$500 spent at Sam's Club (up to a maximum reward of \$500).

2013 – Livingsocial.com, an online marketing company, offered a discounted Sam's Club membership on its site in early March. For \$45, Livingsocial.com offered new Sam's Club members a one year membership, a \$20 Sam's Club gift card and \$19.84 in food vouchers valid for an Artisan Fresh rotisserie chicken, an Artisan Fresh take-and-bake 16-inch pizza and two boxes of Artisan Fresh cookies. Approximately 146,000 people used the offer to sign up for a Sam's Club membership representing one of Livingsocial.com's largest deals ever.

2014 – Sam's Club introduced three new business member services: a health insurance exchange in partnership with Aetna, a business payroll service in partnership with Execupay.com and a partnership with LegalZoom.com that will offer members a suite of legal services.

2014 – Sam's introduced a GE Capital no annual fee MasterCard features a cash back program that enables members to earn up to \$5,000 annually. The program offers 5% back on fuel purchases, 3% back on dining and travel purchases and 1% back on all other purchases. Each MasterCard includes an embedded chip that makes the card more difficult to duplicate providing enhanced security from fraudulent activity. Chip enabled credit cards require a terminal that can accept them. Walmart began installing these terminals eight years ago and all Sam's locations have them and most Walmart locations have them.

2014 – Sam’s Club offered a discounted offer for new members through Groupon. For \$45, new members received a one year membership, a complimentary membership card for a spouse, a \$20 Sam’s Club gift card and four food vouchers valued at \$26.23 for a 22-ounce package of sliced oven roasted turkey, a package of eight ciabatta rolls, a 28-ounce container of black bean five layer dip and a 10-inch apple pie. According to Sam’s second quarter prerecorded conference call on August 14, 2014, approximately 130,000 people responded to the offer.

Operations History

1984 – Sam’s taught Walmart about efficiently moving product. Jack Shewmaker, who was vice-chairman and chief financial officer of Walmart and oversaw Sam’s, said the lessons learned by Walmart “involved premarking, palletization and commodity packaging. You move merchandise with mechanical devices rather than stacking and unstacking by hand ... The freight movement process in a club is critical to the operation because you have an expense factor of 6% or less. So you must find ways of moving freight through without touching it any more than you have to.”

1999 – Sam’s introduced a way for members to check out more quickly. When lines got too long, a Sam’s employee would approach the next member in line, scan the member’s card and merchandise so that when the member got to the register, the member’s card could be re-scanned and the member’s purchases would be automatically entered into the register.

2003 – Sam’s will no longer be concerned with making sure a product display is fully stocked. A Sam’s spokesperson said, “We used to do a lot of hand stacking of merchandise. How well faced out and pretty the pallet is does not really matter to the small business member.”

2004 – Sam’s location in Plano, Texas will be Walmart’s first non-supercenter location to begin using radio frequency identification (RFID) technology when it receives product tagged with electronic product codes (EPC).

2005 – Club managers now have the authority to mark down and/or handle deleted merchandise once it reaches a certain inventory level. This will help Sam’s locations look cleaner and operate more efficiently.

2005 – Sam’s merchandised most of its fine wine, book, software and apparel merchandise on tables. Instead of storing backup inventory in the steel, Sam’s stored that inventory underneath the tables, making it easier to restock.

2005 – Sam’s produced its lowest percentage of product loss due to damage or theft (shrink).

2006 – Sam’s used to merchandise pallets next to the registers in an effort to generate last minute sales. Based on negative member feedback, Sam’s removed these pallets to organize the area in front of the registers.

2006 – Sam’s added overnight receiving shifts and six or seven day receiving hours. This enabled the company to better manage the flow of merchandise, reduce overstock and increase the speed at which new items reached the sales floor.

2007 – Sam’s asked 700 vendors to attach EPC Gen 2 RFID tags to each pallet of merchandise that is delivered to Sam’s distribution center in DeSoto, Texas. The DeSoto distribution center distributes to 40 Sam’s Club locations.

2008 – Sam’s Club and N.E.W. Customer Service Company (NEW) launched an online electronics recycling program that enabled members to get rid of their small to medium size electronics items. Members received a Sam’s Club gift card for the equivalent value of the product. If the product has no value, it would be recycled at no cost.

2008 – Sam’s tested a computer installation and repair service in Maryland, Virginia and Washington, D.C. The program was operated by Geeks on Call, which had been providing on-site information technology (IT) services since 1999.

2008 – The June, July issue of *Sam’s Club Source* was printed as an 8-inch by 10.5-inch long magazine. The issue focused on sustainability and included articles on solar energy, product packaging, recycling, composting and organic SKU recipes.

2008 – Sam’s doubled the number of clubs that offer television and home theatre installation to more than 200 locations. Seong Ohm, a senior vice president in charge of electronics at Sam’s, said, “The reason we’re testing it is because our members are asking for it. They don’t want to set up the flat panel and not be able to connect it to their home theaters.”

2009 – Conair and Sam’s tested whether RFID could reduce out-of-stocks. Paul Arguin, director of technology and engineering at Conair/United Security Applications (a Conair subsidiary), said, “We saw a significant increase [in sales]. It raised eyebrows for everybody, not just Conair. We believe that the increased sales were directly related to both Conair and ... [Sam’s Club] having visibility of out-of-stocks.”

2009 – Sam’s is training employees to keep its clubs looking better by using the “5S Methodology”. Employees are instructed to sort, straighten, sanitize, standardize and sustain merchandise so that it looks clean and straight with minimal re-work.

2010 – Cornell reported that sales per labor hour increased 4.1% and club wages were flat compared to last year. Cornell said Sam’s 5S Methodology translated into “less waste, higher associated engagement and higher productivity.”

2010 – Sam’s installed 17 micro wind turbines in its parking lot at its location in Palmdale, California. The wind turbines were supplied by DeerPath Energy and are estimated to provide 76,000 kilowatt-hours of energy annually which is enough to power more than six homes annually.

2010 – Sam’s announced that advantage plus members, in addition to business members, will be able to shop at Sam’s Club beginning at 7 a.m. daily at all United States locations.

2010 – Sam’s Club announced a national delivery, installation and assembly service for televisions, mattresses, computers, fitness equipment, barbeque grills, outdoor furniture and children’s play sets. The service is provided by a third party vendor that offers access to 11,000 certified and insured professional installers across the country. Delivery prices start at \$59 and installation is available for an additional fee.

2011 – Sam’s Club tested a self checkout system in three locations. The system does not require the member to remove items from the cart. Members remove a hand held scanner from its cradle and scan each item in the shopping cart. When the scanner is returned to the cradle, the payment process begins.

2012 – Sam’s Club added self checkout registers to 80 clubs. The company will reportedly add self checkout registers to an additional 200 locations in 2012.

2012 – Todd Harbaugh, executive vice president of operations, talked about Sam’s new convertible registers. He said, “It’s a register that can be manual and operated by one of our associates and [by] simply pulling a button and turning it like a lazy Susan, within seconds, the technology updates and turns into a self checkout ... In the next two weeks we’re going to open up our first new club where every one of our registers will be either self [checkout] or convertible. This will give us the opportunity to have the most productive and efficient front-end in the industry.”

2015 – Sam’s Club will be reducing its field divisions from three to two. However, the company does not consider this a “layoff” because there will be a small number of impacted employees and the company will work with those affected to find positions at either Sam’s Club or Walmart.

BJ's Wholesale

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BJ's Profile



BJ's – Quincy, Massachusetts

President, CEO – Laura Sen

Address – 25 Research Drive, Westborough, MA, 01582

Phone – 774-512-7400

Ownership – Owned by Leonard Green & Partners and CVC Capital Partners

Year Began – 1984

Web Site – www.bjs.com

Key Personnel

Herbert J. Zarkin – Zarkin was president and chief executive officer of BJ's from 1990 to 1993 and president and chief executive officer of Waban from 1993 to 1997. In July, 1997, Zarkin was elected as chairman of the board of directors. In December, 2006, Zarkin replaced Mike Wedge who resigned as president and chief executive officer of BJ's. In January, 2008, Zarkin relinquished the role of president to Laura Sen and in January, 2009, Zarkin relinquished the role of chief executive officer to Sen. Zarkin was BJ's chairman of the board of directors until the company was purchased by Leonard Green & Partners and CVC Capital Partners.

Laura Sen – president and chief executive officer – Sen was vice president of logistics from 1991 to 1993 and senior vice president of general merchandise from 1993 to 1997. From 1997 to 2003, Sen was executive vice president of merchandising and logistics. She was fired from BJ's in 2003 when Wedge was promoted to president and chief executive officer. In January, 2007, Sen was hired back as executive vice president of merchandising and logistics. In January, 2008, Sen was promoted to president and chief operating officer. In February, 2009, Sen assumed the role of president and chief executive officer.

Notes

BJ's Buying and Operating

Leonard Green & Associates and CVC Capital Partners purchased BJ's Wholesale in September, 2011. BJ's buying and operating strategy, as a private company, has been similar to its strategy when it was a public company. This chapter provides an overview of BJ's buying, merchandising and operating philosophies and includes five sections: buying strategy, pricing strategy, merchandising, packaging and operations.

Buying Strategy

BJ's overall strategy focuses on serving the needs of its consumer members. Approximately 80% of BJ's sales are to consumer members (see picture on the right of a variety package of Klondike ice cream bars). This focus enables BJ's to differentiate itself from its club competitors. In an interview with *Frozen and Refrigerated Buyer* (January/February 2013 issue), BJ's vice president and divisional merchandise manager, said, "BJ's was designed to be consumer friendly with the family and/or two-person household in mind, rather than focusing on small businesses like our competitors."

Product Assortment — Product selection is one of the keys in meeting the needs of its retail members. BJ's assortment of approximately 6,700 items provides members with a larger merchandise variety compared to Costco (approximately 3,800 SKUs) and Sam's Club (approximately 5,400 SKUs).

Supermarkets — BJ's believes its greatest opportunity for growth lies in taking market share from grocery stores. According to the company's 2009 annual report (when it was a public company), up to 70% of its products can be found at a grocery store or supermarket. BJ's identified nine key supermarket competitors: Kroger, Safeway, Stop & Shop, Shaw's, Publix, Giant, Albertson's, Whole Foods and Hannaford.

A food vendor said, "BJs focuses much more ... on their share of market versus grocery and is particularly sensitive to losing trips and dollars to that channel." In the 2013 warehouse club industry survey, a broker said, "They are competing more with supermarkets than other club [with] smaller package sizes [and] lower rings."

When determining what items to present to BJ's, a food vendor said BJ's tends to be more attracted to products that have shown sales success initially at non-club retailers. The respondent said, "Successful new item launches in food, drug and mass are the catalyst to securing new item distribution at BJ's. BJ's is not typically an early adopter for new items"

Consumers — The combination of a larger assortment of products and a focus on taking market share from supermarkets translates to stocking more items for its consumer or retail members.

Bakery — In a March, 2014 department analysis, the number of bakery products targeted to consumers was counted. BJ's retail bakery product assortment at 154 items was much larger than Sam's Club (86 retail bakery SKUs) and Costco (40 retail bakery products). For example, BJ's stocked 12 Thomas bread SKUs that included: a package of six sliced blueberry bagels for \$2.99, a package of six sliced onion bagels for \$2.99, a package of ten sliced plain bagel thins for \$2.99, a package of nine cinnamon raisin English muffins for \$2.99, a package of ten whole wheat mini bagels for \$2.99 and a package of ten plain mini bagels for \$2.99.

Dry Grocery and Candy — In a June, 2014 department analysis, the number of dry grocery and candy items targeted to consumer members was counted and compared to results from 2005 and 2013. The percentage of consumer items at BJ's increased from 39% in 2005 to 52% in 2013 to 54% in 2014.

Housewares — In July, 2014, BJ's stocked a wide variety of items for home use within the housewares category. Some of those items included: a 66-inch heavy duty stainless steel drying rack from Smart Works for \$39.99, a five-shelf carousel organizer from Smart Works that can spin 360-degrees and included 20 shoe pockets and five purse holders for \$19.99, a Metro Design nine-inch folding step stool that can support up to 200-pounds for \$8.99, an EZ Do four-tier revolving shoe rack for \$24.99, a package of two scarf hangars from Sheffield Home for \$9.99 (see picture on the right), a 48-quart collapsible crate from Clever Crates for \$18.99, a 36-piece organization kit from Velcro for \$9.99, a Better Living easy grip extendable squeegee for \$19.99, an 18-inch by 24-inch anti-bacterial doormat from Dr. Doormat for \$10.99 and two acrylic stackable makeup drawers from Interdesign for \$19.99.



BJ's — Klondike Ice Cream Bars



BJ's — Scarf Hangars

Brands – BJ's focus on stocking brand name products is important to its buying strategy. BJ's philosophy of offering its members a wider variety also enables the company to stock branded items that Costco and Sam's Club would not purchase. Not only does this offer a competitive advantage in terms of product availability, but BJ's is able to generate higher merchandise gross margins on these items. A food vendor said, "BJ's looks for top selling national brands that they can offer a value without interference from Sam's and Costco. They don't want competitive pricing issues."

Creative – A food vendor said, "Expect a high level of strategic thinking [at BJ's], especially at the level above the buyer. They want you to get creative to drive traffic." Commenting on a BJ's buyers, a broker 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."

In most cases, when meeting with a Costco or Sam's Club buyer, vendors are frowned upon when presenting a whole line of products. However, a food vendor said BJ's may be willing to see a vendor's complete line of products. He said, "We focus on 'showing them everything' in our bag of items, some items take hold at BJ's that might not at the other club stores."

Private Label – As of March, 2015, BJ's stocked 579 private label products compared to Costco at 638 and Sam's Club at 567. BJ's private label selection represents 9% of its overall assortment compared to 11% at Sam's Club and 17% at Costco.

BJ's strives to offer premium private label products at a value compared to the competing national brand. The value or pricing differential that BJ's offers through its private label products compared to national brands may be smaller than found at Costco or Sam's Club. BJ's does not cap its private label gross margins and believes in offering its members a value compared to the national brand and not just the lowest possible price. A non-food vendor said, "BJ's will take higher margins on private label items."

BJ's private label strategy is different in two ways compared to Costco, in particular. In many cases, when Costco introduces a new Kirkland Signature product, the competing national brand is deleted. When BJ's introduces a new private label product, it is typically added to a category's assortment. Where Costco focuses primarily on one private label brand, Kirkland signature, BJ's private label assortment includes 8 brands. Overall, BJ's private label business represents approximately 12.3% of overall sales.

Buying Strategy – Bonnie Volpe, frozen food buyer at BJ's, discussed strategies suppliers should consider when selling BJ's frozen food products (*Frozen and Refrigerated Buyer*, January/February 2013 issue). These criteria/philosophies are important for BJ's suppliers in any category. She listed seven key issues:

1. Product trends regarding items, flavors and sizes.
2. "What is Nielsen data showing us as far as white space – categories that are growing/shrinking?"
3. Whether the product meets BJ's quality standards.
4. "Can we make the item better?"
5. "Does a product meet BJ's organic, all-natural or sustainable criteria?"
6. How effective is the package at highlighting the product's features and attributes?
7. Is the item being presented something that BJ's could purchase as an exclusive?

Volpe also offered suggestions on what vendors can do to make their sales presentations more successful. She said, "Some vendors ... come in ready to answer any and all questions, as well as bring material that is relevant and necessary to do business ... Some vendors, on the other hand, prolong the buying process by not having the appropriate paperwork or information. The vendors that have the most success are the ones who sell me what I need versus what they have."

Baby Products – This is a key consumer category for BJ's. BJ's assortment at 154 SKUs is much larger than Costco (27 products) and Sam's (74 SKUs). BJ's wants new mothers to shop at its locations. BJ's stocks a full assortment of diaper brands and sizes, right down to infant diapers. BJ's also stocks other baby products such as detergents, soaps, formulas, baby food and accessories (car seats, booster seats and gates).

Organic and Natural Foods – Another key consumer product type for BJ's is organic and natural foods. In October, 2014, BJ's organic assortment included: a case of twenty-four 0.7-ounce bags of Yum Earth organic banana, cherry, peach and strawberry fruit snacks for \$8.69 (candy), a case of twenty-four 0.8-ounce bags of Annie's organic fruit snacks (six citrus, six berry, six tropical and six strawberry) for \$10.29 (candy), a package of six 8.5-ounce microwavable bags of Seeds of Change organic brown basmati rice for \$11.49 (dry grocery), a 10.8-ounce bottle of Olde Thompson organic ground Saigon cinnamon for \$4.99 (dry grocery) and a case of nine 3.5-ounce squeezable pouches of Gerber organic baby food (three carrots, apples and mangoes, three apples, blueberries and spinach and three pears, peaches and strawberries) for \$10.99 (baby).

IRI/Nielsen Data – IRI and Nielsen data are an important component of a BJ's presentation. A food vendor commented on the importance of IRI/Nielsen data for new items. He said, "[It is] a critical part of our presentation especially to support new product presentations. The data substantiates market share of product." An industry insider said, "BJ's sells branded merchandise. Vendors need to be clear in understanding their ranking in the marketplace. BJ's places a great deal of emphasis on this and relies on Nielsen and other companies for this data."

A non-food manufacturer said, “It is important for a buyer to understand the market sales trends outside of their environment. Household penetration, share growth/decline, and repeat purchase or leakage are all useful in managing a category through sales information.” A broker said, “First, the item must be supported by a strong fact based story. Once the opportunity is identified, product and packaging must be developed to support the item.”

Coupons – BJ’s introduced a redesigned coupon book when it mailed the September, 2014 book to members. As opposed the 3.5-inch by 7.25-inch member coupon book format it previously used, this new book is much larger at 5.5-inches by 9-inches. In terms of the number of coupons in the book, from January, 2014 to August, 2014, BJ’s averaged 150 items per book. With the larger size, BJ’s is listing more coupons per book with 187 in September, 2014 and 169 in October, 2014. In terms of the coupon amount per item, the value has not changed. BJ’s coupons are either “instant savings” which do not require members to clip and present a coupon at the registers or coupons that needed to be clipped and presented to a cashier.

The larger book provides BJ’s with more space and there are a couple full page coupons/advertisements. For example, in the September, 2014 book, full page advertisements appeared for: the Keurig 2.0 single serve brewing machine, Sealy mattresses (this advertisement included a coupon) and a special promotion for glasses at BJ’s optical department.

BJ’s coupon program is successful and it helps to increase member awareness about a product. Vendors recognize this marketing vehicle needs to be included in any presentation. A non-food supplier said, “When we sell an item to BJ’s, we ensure we have a strong value for the member and also support items with BBMs which are the strongest promotional vehicles for BJ’s.”

Ethnic – BJ’s stocks the most ethnic items among the three clubs. In June, 2014, BJ’s assortment included: a 26.4-ounce stand and stuff taco dinner kit from Old El Paso (ten taco shells, a sauce packet and a seasoning packet) for \$6.29, a 37.5-ounce soft taco dinner kit from Old El Paso (ten flour tortillas, a sauce packet and a seasoning packet) for \$6.29 and a hard and soft taco dinner kit from Old El Paso (six taco shells, six flour tortillas, a sauce packet and a seasoning packet) for \$6.29 (see picture on the left). Other ethnic items at BJ’s included: a package of two 16-ounce Goya canned hams for \$3.99 and a package of two 24-ounce boxes of Goya yellow rice for \$8.99.



BJ’s – Old El Paso Taco Dinner Kit

Prepared Food – BJ’s prepared food assortment in the deli is another product type the company uses to better appeal to consumer members. In February, 2014, BJ’s stocked four prepared food SKUs from Epicurean: beef fillet medallion with mushroom cabernet sauce (approximately 33.6-ounces) for \$5.99 per pound, chicken cordon bleu with cheese sauce (approximately 33.44-ounces) for \$6.29 per pound, lamb shank with mushroom shallot sauce (approximately 37.12-ounces) for \$6.59 per pound and a pot roast (approximately 40-ounces) for \$6.59 per pound.

Marketing Funds – In the 2014 warehouse club industry survey, respondents were asked of the following four marketing fund uses in the club channel (product demonstrations, end caps, coupons and price reduction), which is the most effective or least effective at increasing sales at each club? The most effective use of marketing funds at increasing sales at BJ’s are coupons cited by 77% of respondents. End caps, cited by 15% of respondents and price reduction, cited by 8% of respondents, were also listed as being effective at increasing sales. There were no respondents that listed BJ’s product demonstration program as effective at increasing sales while 50% of respondents listed this marketing vehicle as least effective.

Pricing Strategy

2014 Survey — One of the questions in our 2014 club industry survey asked respondents to list the most important program attributes to a BJ’s buyer. The chart on the right shows the results and includes data from 2004 (for a historical perspective), 2013 and 2014.

The importance of the price or cost of an item continues to be the most important program attribute to a BJ’s buyer cited by 43% of respondents in 2004, 58% of respondents in 2013 and 49% of respondents in 2014. The next three key program attributes were all cited equally by respondents at 11% and included: participation in BJ’s big brand mailer (BBM) coupon program, service, support and logistics and the volume or velocity of an item.

One program attribute not mentioned in previous industry surveys was BJ’s interest in “empty nester” products. Other important attributes that respondents mentioned included: the program and assortment offered by suppliers and whether a product was unique or exclusive to BJ’s, although this attribute was cited less frequently in 2014 (6%) compared to 2004 (22%).

Most Important Program Attribute			
Response	2004	2013	2014
Price, Value	43%	58%	49%
BBM	0%	5%	11%
Service, Support, Logistics	7%	0%	11%
Volume, Velocity	0%	9%	11%
Empty Nester Items	0%	0%	6%
Program, Assortment	14%	0%	6%
Uniqueness, Exclusivity	22%	5%	6%
Demos, End Caps, Coupons	7%	4%	0%
Organic, Natural	0%	5%	0%
Other	7%	4%	0%
Packaging	0%	5%	0%
Quality	0%	5%	0%

WCF Research, 2014

Supermarkets – BJ's is not just focused on being competitively price compared to Costco and Sam's, BJ's buyers are very concerned with the pricing differential compared to supermarkets and supercenters. A food vendor said, "BJ's expects at least a 15% value on its items compared to EDLP grocery and mass customers." A BJ's employee said, "Vendors need to understand that we need to have a value compared to mass retailers and the value needs to be 20% to 50%."

Item Basket Comparison – In September, 2014, a comparison of 94 branded items (59 food and 35 general merchandise) from 12 categories were compared at a BJ's, Costco, Sam's Club, a Publix grocery store and a Walmart supercenter in Raleigh, North Carolina.

When comparing the market basket at BJ's to the Food Lion grocery store and the Walmart supercenter, the retail price differences are significant. In comparison to BJ's, Food Lion's food prices are 61% higher, its general merchandise prices are 69% higher and its overall basket is 65% higher. In comparison to BJ's, the Walmart supercenter's food prices are 27% higher, its general merchandise prices are 18% higher and its overall basket is 23% higher.

Typical Gross Margin – In the 2014 warehouse club industry survey, respondents provided the merchandise gross margins generated on their products at each warehouse club operator. Respondents do not necessarily know the cost each club allocates for its cross dock and/or distribution center. Therefore, the merchandise gross margin results in the chart on the right may be slightly elevated. The chart includes data from 2004, 2012, 2013 and 2014.

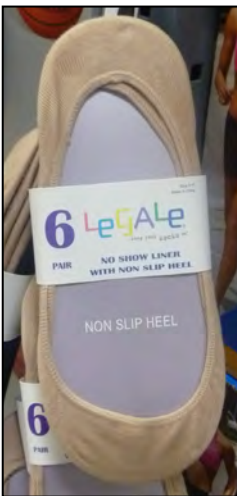
Average Gross Margin				
Club	2004	2012	2013	2014
Costco	13%	13%	13%	13%
Sam's Club	13%	16%	16%	16%
BJ's	15%	18%	18%	17%
PriceSmart	n/a	17%	16%	18%

WCF Research, 2014

As can be seen, Costco's merchandise gross margin philosophy remains consistent with vendors and stakeholders reporting an average of 13% in all four years of this study. Sam's merchandise gross margins increased from 13% in 2004 to 16% in 2012, 2013 and 2014. BJ's merchandise gross margins increased from 15% in 2004 to an average of 17.7% the last three years. PriceSmart's merchandise gross margins the last three years ranged from 16% to 18%.

Merchandising

BJ's focus on primarily serving its consumer member manifests itself in its merchandising. For example, BJ's uses shelf hangars, 40-inch pallet facings, retail merchandising displays, half pallets and freezer end caps.



BJ's – Legale Shoe Liners

Shelf Hangars – In some areas around its club location, BJ's merchandises consumer items on the steel. These items are called shelf hangars and they offer BJ's a different method of promoting unique treasure hunt/impulse-type products. Shelf hangar products enable BJ's to add items to its assortment without a tremendous amount of labor. The program began around 2008. BJ's buyers are constantly rotating shelf hangar products. Shelf hangar SKUs are not reserved for low retail price SKUs as items over \$20 have been observed in the past.

The following shelf hangar SKUs were observed in July, 2014: a package of six pairs of lady's shoe liners with a non-slip heel from Legale (see picture on the left) for \$5.99 (apparel), a set of two Munchkin click lock snack bowls for \$7.99 (baby), a package of 26 Foodsaver vacuum zipped quart sized bags for \$9.99 (kitchen), a package of six Glade automobile hanging air fresheners for \$4.99 (automotive), a package of three reusable sandwich bags from Arctic Zone for \$8.99 (kitchen) and a Disney Cinderella magiclip figure for \$4.49 (toys).

40-inch Pallet Facings – BJ's merchandises its pallets facing the 40-inch side instead of the 48-inch side like Costco. This allows BJ's to merchandise three pallets in a bay compared to two for Costco. This is one of the ways that BJ's can efficiently merchandise a larger assortment of products compared to Costco. To maximize visibility, vendors need to make sure product destined for BJ's is engineered to face the 40-inch side of the pallet.

Retail Merchandising Displays – BJ's is more willing than Costco and Sam's Club to use retail-type merchandising displays like greeting cards.

BJ's Half Pallets – A typical BJ's location, which is 20,000 to 35,000 square feet smaller than a typical Costco or Sam's Club, stocks 6,700 SKUs compared to a typical Costco with 3,800 items and a typical Sam's Club with 5,000 products. To be able to fit the extra 1,700 to 2,900 products in a smaller footprint, BJ's, in many cases, utilizes pallets that are approximately one-half to two-thirds the height of a traditional 52-inch high pallet. Those shorter pallets enable BJ's to merchandise two SKUs in the same space a single SKU is typically stocked with a pallet on the floor and a pallet above on the steel.

Freezer End Caps – In some locations, BJ's merchandised cooler and freezer end caps in the dry grocery department. These three door freezers or coolers typically stock nine products.

Packaging

Consumer Packaging – In an effort to better compete with supermarkets and supercenters, BJ's provides its core consumer member with a selection of smaller consumer sized packages. In analyzing these items, BJ's has found that members who purchase these smaller-sized packages shop more often and, on average, spend more money.

BJ's stated the following in its 2009 annual report/10K: "While all warehouse clubs sell merchandise in bulk, BJ's also offers some smaller package sizes that are easier to carry home and store, including sizes that are comparable to those offered in supermarkets. Smaller package sizes can be found in a number of our fresh food categories, including dairy, meat, bakery, fish and produce."

In the May, 2012 issue of *STORES* magazine, Laura Sen, president and chief executive officer of BJ's, said, "We tend to sell smaller package sizes and we have more unique offerings including more natural and organic foods. Our model is to gain share from other channels of distribution, whether it be food, drug, mass specialty, department store or category killer."

Multi-Item Pallet – For some vendors, BJ's will stock multiple items on the same pallet. In July, 2014, BJ's stocked a pallet of assorted Disney Jr. books with a variety of retail prices (see picture on the right).

General Packaging – The following are some packaging suggestions for BJ's items: A non-food vendor said, "Make the package larger with more graphics and build quality displays to engage the member." A non-food vendor commented on the packaging challenge BJ's creates with its larger assortment. He said, "BJ's does not mass out merchandise as much as their competition. Their footprint for non-food includes a higher SKU count and less depth" or merchandising space per item.



BJ's – Disney Jr. Books

Operations

When it comes to operations, there are some concepts that need to be highlighted: mini-locations, consumer focus, management training and farm to club.

Mini Locations – BJ's currently operates 28 mini locations in two formats: twenty 72,000 square foot clubs and eight 85,000 square foot locations. The first 85,000 square foot location was opened in 2009 and is the format currently used when BJ's opens a mini location. BJ's opens its 85,000 square foot mini locations in smaller markets in which a traditional 109,000 square foot club would be too large.

In terms of interior layout, the 85,000 square foot format is very similar to a traditional BJ's location. In terms of product assortment, BJ's stocks every category that would normally appear in a 109,000 square foot club. However, it stocks approximately 4,800 items in these 85,000 square foot locations which is 71% of its assortment in a 109,000 square foot location.

Consumer Focus – A few visible consumer-related operational features can be seen in BJ's locations including: aisle markers, express checkout lanes and video-based product demonstrations.

Management Training – BJ's offers a leadership academy for employees. This training program has four tiers or levels which BJ's managers and employees attend. Sen said, "One of the many benefits of this program is that it creates a common language and common values while building leadership competency throughout the organization."

Farm to Club – BJ's locally grown produce program called "Farm to Club" is available at all 207 club locations. BJ's defines "local" as grown within the same state as the destination club. Products include fresh fruits and vegetables. Farm to Club products are marked with the "Farm to Club, Locally Grown" seal.

Product Distribution – In a 2013 warehouse club industry survey, a large food vendor commented on a distribution strategy that helped it meet BJ's need for smaller half pallets while reducing costs. He said, "We ship BJ's DCs 12-layer tall pallets which BJ's breaks down into four 3-layer pallets and then ships to their clubs. They are able to do this more efficiently than our company and we share the cost savings, which is reinvested in their business."

Notes

BJ's Financials

Fiscal Year ends January (fiscal year ending January, 2011 is called 2010)		CAGR 06-10	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Income (million)	Merchandise Sales	6%					\$10,633	\$9,954	\$9,802	\$8,792	\$8,280	\$7,725
	Membership Fees	4%					\$191	\$182	\$178	\$176	\$162	\$150
	Other Revenues	0%					\$54	\$51	\$48	\$47	\$54	\$58
	Total Revenue	6%					\$10,877	\$10,187	\$10,027	\$9,014	\$8,497	\$7,933
	Cost of Goods Sold	6%					\$9,697	\$9,081	\$9,004	\$8,091	\$7,601	\$7,064
	SGA	6%					\$934	\$875	\$799	\$724	\$740	\$643
	Preopening Expenses and Other	35%					\$38	\$7	\$4	\$5	\$12	\$12
	Operating Expenses	6%					\$10,669	\$9,963	\$9,806	\$8,819	\$8,353	\$7,719
	Operating Income	10%					\$208	\$224	\$221	\$195	\$144	\$214
	Net Income	7%					\$95	\$132	\$135	\$123	\$72	\$129
Margins	Merchandise Margin	2%					8.80%	8.78%	8.14%	7.97%	8.20%	8.57%
	Membership Margin	-2%					1.79%	1.83%	1.81%	2.00%	1.95%	1.94%
	Gross Margin	1%					10.60%	10.60%	9.95%	9.97%	10.15%	10.50%
	Buying, Occupancy Adjusted Merchandise Margin (2.8%) *	1%					11.60%	11.58%	10.94%	10.77%	11.00%	11.37%
	SGA vs Sales	0%					8.8%	8.8%	8.1%	8.2%	8.9%	8.3%
	Operating Income vs Sales	3%					2.0%	2.2%	2.3%	2.2%	1.7%	2.8%
Net Income vs Sales	1%					0.9%	1.3%	1.4%	1.4%	0.9%	1.7%	
Comparable Sales	New England (gasoline)						3.5% (2.3%)	n/a	6.9% (2.0%)	2.7% (1.0%)	0.6% (0.3%)	3.0% (1.0%)
	Upstate New York (gasoline)						5.5% (2.5%)	n/a	13.1% (5.3%)	5.0% (1.3%)	3.1% (2.6%)	3.0% (3.0%)
	Metro New York (gasoline)						1.0% (0.5%)	n/a	8.5% (0.9%)	5.8% (0.2%)	2.3% (0.0%)	2.0% (0.0%)
	Mid Atlantic (gasoline)						3.8% (1.8%)	n/a	9.3% (3.8%)	4.9% (1.7%)	1.3% (0.8%)	4.0% (1.0%)
	Southeast (gasoline)						9.3% (6.6%)	n/a	10.6% (4.4%)	0.6% (2.1%)	0.3% (1.3%)	8.0% (2.0%)
	Overall						4.4%	-1.9%	9.4%	3.7%	1.2%	3.6%
	Gasoline						2.0%	-5.9%	3.0%	1.1%	0.7%	1.3%
	Food						4.1%	6.0%	10.0%	5.0%	1.6%	5.6%
	Non-Food						-0.5%	1.0%	1.0%	0.0%	-1.0%	-2.2%
	Average Transaction						-1.0%	1.0%	2.0%	4.0%	3.0%	3.0%
Member Traffic						3.0%	5.0%	5.0%	0.0%	-2.0%	-1.0%	
Clubs	Club Openings						7	7	4	5	9	8
	Club Closing						5	0	1	0	2	0
	Club Year End Count	2%					189	187	180	177	172	165
	Full Size (114,000 square feet)	2%					167	167	161	158	153	144
	Small Format (85,000 square feet)						3	1	0	0	0	0
	Small Format (71,000 square feet)	0%					19	19	19	19	19	19
ProFoods (62,000 square feet)						0	0	0	0	0	2	
Item Sales	Annual Physical SKU Count	1%					7,352	6,730	6,621	6,792	7,167	6,896
	Average Number of SKUs (2 Years)	0%					7,041	6,676	6,707	6,980	7,032	7,087
	YEARLY Sales per SKU						\$1,356,112	\$1,339,081	\$1,312,592	\$1,165,162	\$1,081,048	\$1,000,766
	WEEKLY Sales per SKU	6%					\$26,079	\$25,752	\$25,242	\$22,407	\$20,789	\$19,246
	YEARLY Sales per SKU per LOCATION						\$7,213	\$7,297	\$7,353	\$6,677	\$6,416	\$6,216
	WEEKLY Sales per SKU per LOCATION	3%					\$139	\$140	\$141	\$128	\$123	\$120
	Ancillary Percentage	6%					10.2%	10.2%	10.2%	7.5%	8.2%	8.2%
	Merchandise Sales less Ancillary	6%					\$9,548	\$8,939	\$8,803	\$8,132	\$7,601	\$7,092
	Private Label SKUs	-9%					608	610	610	688	904	900
	Private Label Percent of Sales	-5%					10.4%	10.4%	10.6%	12.5%	13.0%	13.0%
	Private Label Yearly Sales (million)	0%					\$993	\$930	\$933	\$1,017	\$988	\$922
	Private Label Weekly Sales per SKU per Location	8%					\$170	\$161	\$167	\$166	\$125	\$122
	Brand SKUs	1%					6,433	6,066	6,097	6,292	6,128	6,187
Brand Percent of Sales	1%					89.6%	89.6%	89.4%	87.5%	87.0%	87.0%	
Brand Yearly Sales (million)	7%					\$8,555	\$8,009	\$7,870	\$7,116	\$6,613	\$6,170	
Brand Weekly Sales per SKU per Club	3%					\$139	\$140	\$141	\$127	\$123	\$119	
Sales Data	Average Clubs Open During Year	3%					188	184	179	175	169	161
	Yearly Sales per Avg Club (million)	4%					\$57	\$54	\$55	\$50	\$49	\$48
	Yearly Operating Income per Club (mil)	7%					\$1.1	\$1.2	\$1.2	\$1.1	\$0.9	\$1.3
	Avg Weekly Sales per Avg Club (million)	4%					\$1.1	\$1.0	\$1.1	\$1.0	\$0.9	\$0.9
	Avg Weekly Operating Income per Club (thousand)	7%					\$21.3	\$23.5	\$23.8	\$21.5	\$16.4	\$25.6
	Total Square Footage (thousand)	3%					20,642	20,472	19,542	19,203	18,638	17,601
	Avg Square Foot per Club (thousand)	0%					109	109	109	108	108	107
	Sales per Square Foot	4%					\$515	\$486	\$502	\$458	\$444	\$439
	Operating Income per Square Foot	7%					\$10	\$11	\$11	\$10	\$8	\$12
	Web Site Growth						30%	10%	n/a	n/a	n/a	n/a

WCF Research, BJ's Annual Reports, * Merrill Lynch, BJ's Wholesale Club Report, March 7, 2002

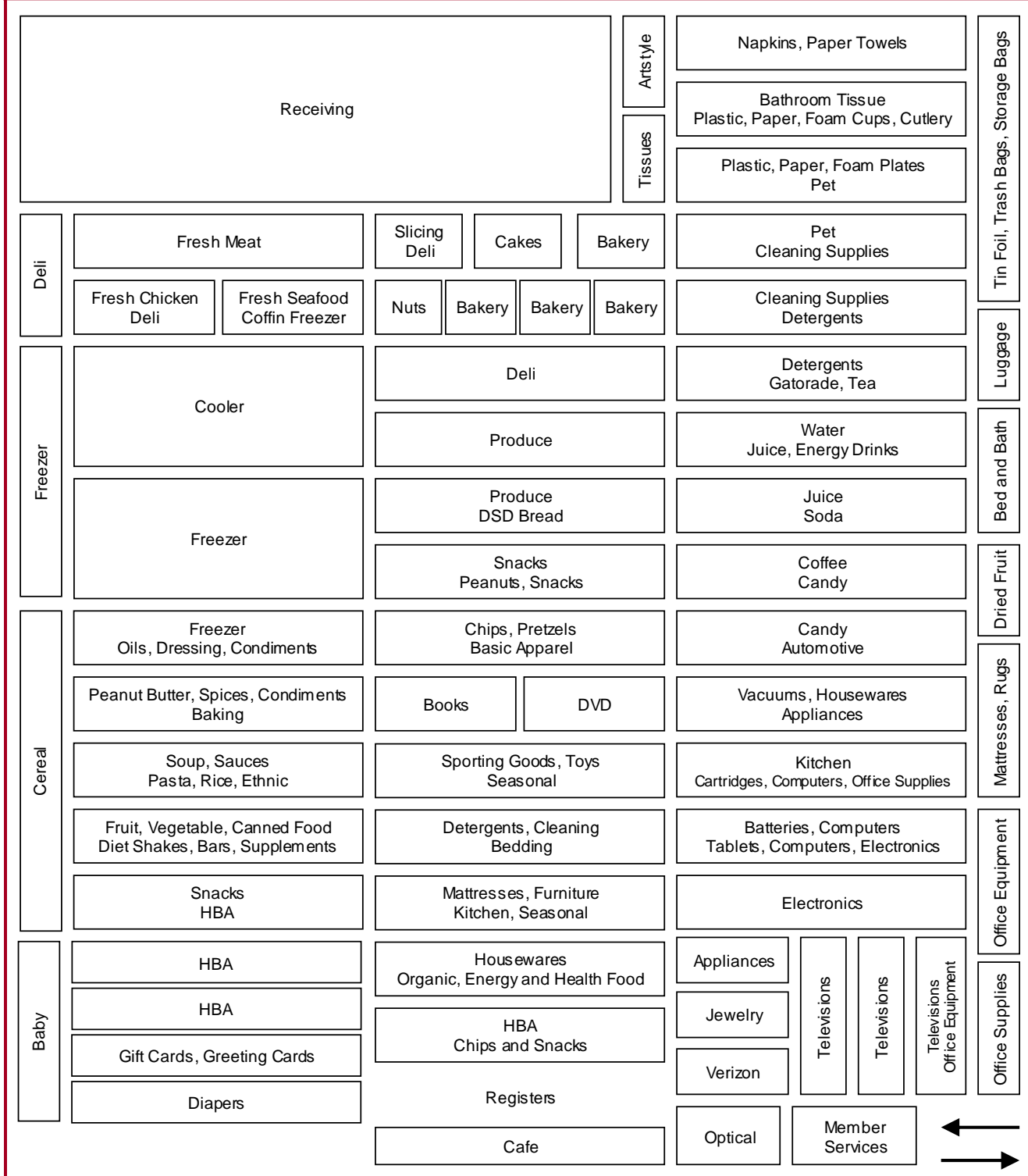
Fiscal Year ends January (fiscal year ending January, 2011 is called 2010)		CAGR 06-10	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005				
Empl.	Total Employees	4%	Private Company - Owned by Leonard Green & Associates	Private Company - Owned by Leonard Green & Associates	Private Company - Owned by Leonard Green & Associates	Private Company - Owned by Leonard Green & Associates	24,800	23,500	22,000	20,800	21,200	20,300				
	Merchandise Sales per Employee	2%					\$428,748	\$423,591	\$445,556	\$422,674	\$390,584	\$380,562				
	Operating Profit per Employee	5%					\$8,392	\$9,523	\$10,042	\$9,387	\$6,798	\$10,563				
Balance Sheet	Inventory (million)	4%					Private Company - Owned by Leonard Green & Associates	Private Company - Owned by Leonard Green & Associates	Private Company - Owned by Leonard Green & Associates	Private Company - Owned by Leonard Green & Associates	\$982	\$930	\$860	\$877	\$851	\$813
	Inventory Turnover per Year	3%									10.1	10.1	10.4	9.4	9.1	9.0
	Days in Gross Inventory	-3%									36.0	36.0	35.2	39.0	40.0	40.6
	Inventory per Club (million)	1%									\$5.1	\$4.8	\$4.8	\$4.9	\$4.8	\$4.8
	Accounts Payable (million)	4%									\$655	\$666	\$583	\$623	\$560	\$567
	A/P vs Inventory Percent	0%									69%	70%	69%	68%	68%	70%
	Business Renewal										87%	87%	87%	87%	87%	87%
Membership	Group Renewal										83%	83%	83%	82%	83%	83%
	Paid and Supplemental Business (thousand)										n/a	1,396	1,360	1,349	1,374	1,404
	Paid and Supplemental Consumer (thousand)										n/a	8,033	7,629	7,425	7,326	7,215
	Total Cardholders (thousand)	2%									9,600	9,429	8,989	8,774	8,700	8,619
	Rewards Membership Percentage	12%									7.8%	5.5%	5%	4%	5%	5%
	Rewards Membership Sales	7%	17%	13%	13%	13%					13%	10%				
	Average Cardholders per Club	0%	51,064	51,384	50,359	50,281					51,632	53,534				
	Average Annual Sales per Cardholder	4%	\$1,108	\$1,056	\$1,090	\$1,002					\$952	\$896				
	Average Annual Member Fees per Cardholder	2%	\$20	\$19	\$20	\$20	\$19	\$17								
	Merchandise Sales		7%	2%	11%	6%	7%	7%								
Growth Rates	Membership Revenue		5%	2%	1%	9%	8%	8%								
	SGA		7%	10%	10%	-2%	15%	8%								
	Cost of Goods		7%	1%	11%	6%	8%	7%								
	Gross Margins		0%	7%	0%	-2%	-3%	2%								
	Operating Income		-7%	1%	13%	35%	-33%	16%								
	Total Membership		2%	5%	2%	1%	1%	3%								
	Warehouse Count		1%	4%	2%	3%	4%	5%								
	Return on Equity		8%	13%	14%	13%	7%	13%								
	Return on Assets		4%	6%	7%	6%	4%	6%								
	Stock Closing Price	9%	\$43.50	\$33.79	\$28.68	\$32.44	\$31.35	\$32.01								
Financial	Price/Earnings Ratio		24	14	13	17	29	17								
	Market Capitalization (millions)	3%	\$2,290	\$1,809	\$1,665	\$2,065	\$2,054	\$2,177								
	Current Ratio		1.3	1.2	1.2	1.2	1.2	1.3								

WCF Research, BJ's Annual Reports, * Merrill Lynch, BJ's Wholesale Club Report, March 7, 2002

BJ's Layout

Quincy, MA

(Opened April—2010, Layout January—2014, 85,000 square feet)



Fayetteville, NC

(Opened June, 2013, Layout – July, 2013)

Deli, Meat, Hot Dogs	Fresh Meat, Seafood	Deli	Produce	Walk-In Produce	Produce	Ice Cream Cake	Bagels	DSD Bread	DSD Bread	
	Ham Fresh Chicken	Fresh Chicken Dom. Cheese	Int'l Cheese Dips	Pasta, Soup Entrees	Prepared Meals	Produce	Produce Crates	Bananas		Refrigerated Pastry Refrigerated Cakes
Cooler	Cooler			Produce Crates	Produce Crates	Dried Fruit	DSD Pastry DSD Cakes		Energy Drinks	
	Cooler			Wine Kitchen Supplies			Beer Soda			
Freezer	Freezer			Storage, Kitchen Containers Kitchen Appliances			Tea, Drink Mixes Juice		Gatorade	
	Freezer			Vacuums Bedding Supplies			Juice Pet			
Baking	Freezer Cereal			Mattress Pads, Pillows, Luggage Diapers			Pet Pet		Toilet Paper, Paper Towels	
	Coffee Oils, Dressing			Diapers Baby Food and Supplies			Tissues, Napkins Artstyle, Tin Foil, Plastic Wrap			
	Condiments Hispanic, Rice, Macaroni and Cheese			Apparel			Plastic Bags, Trash Bags Plates, Cups, Dart Foam Cups and Lids			
	Canned Meat, Chicken, Seafood Pasta, Sauces			Shoes Socks			Cutlery, Plates, Cups Cleaning Supplies			
	Fruit, Vegetables Chocolate Candy, Gum, Mints			DVD, Books			Cleaning Supplies Laundry Detergent			
Chips	Fruit, Vegetables Chocolate Candy, Gum, Mints			Go Carts, Batteries, Toys			Laundry Detergent Storage Racks, Light Bulbs		Mattresses	
Dried Fruit	Non Chocolate Candy Nuts, Snacks			Toys Seasonal			Automotive Furniture			
Granola Bars	Cookies, Crackers Oral Care			Seasonal Seasonal			Area Rugs Office Furniture, Office Supplies			
Health, Bars, Diet, Shakes	Shampoo Shaving, Hand Soap			Seasonal Appliances, Storage, Baskets			Office Supplies, Office Equipment Televisions		Phones, Furniture Lifetime Tables, Chairs	
	Soap Beauty Care			Storage, Baskets, Shelving Backpacks, Back-To-School			Tablets Software	Notebooks Monitors		
	Vitamins, OTC Medicine			Office Supplies Seasonal			Printers, Cartridges Televisions	Televisions Televisions, DVD		
	Greeting Cards			Registers			Stereo/Audio Video Games, Stereo			
	Offices	Member Services	Cafe	Café Seating	Optical					



BJ's Locations

United States Locations – December 31, 2014 – 207

Country	Mini Club	Address	Town	State	Zip	Opened
United States		106 Federal Road	Brookfield	CT	06804	Dec-12
United States	Yes	20 Division Street	Derby	CT	06418	Dec-03
United States		40 Black Rock Turnpike	Fairfield	CT	06824	Apr-91
United States		1046 Tolland Turnpike	Manchester	CT	06042	May-07
United States		555 Universal Drive N.	North Haven	CT	06473	Jul-97
United States		75 Spring Street	Southington	CT	06489	Nov-10
United States		955 Ferry Blvd.	Stratford	CT	06614	Dec-07
United States	Yes	1288 East Main Street	Torrington	CT	06790	Nov-98
United States		1046 N. Colony Rd.	Wallingford	CT	06492	Oct-06
United States		344 Reidville Drive	Waterbury	CT	06705	Nov-94
United States		125 Cross Road	Waterford	CT	06385	Nov-95
United States		507 New Park Avenue	West Hartford	CT	06110	Oct-96
United States	Yes	1589 Main Street	Willimantic	CT	06226	Jan-99
United States	Yes (85,000)	2131 Kirkwood Hwy	Elsmere	DE	19805	Feb-11
United States		26676 Centerview Dr	Millsboro	DE	19966	Dec-08
United States		124 Sunset Boulevard	New Castle	DE	19720	Feb-88
United States		100 Pencader Plaza	Newark	DE	19713	Dec-05
United States		1540 West Boynton Beach Blvd.	Boynton Beach	FL	33436	Nov-01
United States		1929 NE Pine Island Road	Cape Coral	FL	33909	Aug-06
United States		2577 South Highway 27	Clermont	FL	34711	Jun-09
United States		10425 Marlin Road	Cutler Ridge	FL	33157	Jul-97
United States		5100 NW 9th Ave.	Fort Lauderdale	FL	33309	Nov-07
United States		9372 6 Mile Cypress Parkway	Fort Myers	FL	33912	Dec-06
United States		8005 NW 95th St.	Hialeah	FL	33016	Jun-00
United States		4000 Oakwood Boulevard	Hollywood	FL	33020	Oct-99
United States		650 SE 8th Street	Homestead	FL	33034	Aug-05
United States	Yes (85,000)	620 Riverside Drive	Coral Springs	FL	33071	Oct-14
United States		12200 Atlantic Boulevard	Jacksonville	FL	32225	Feb-00
United States	Yes (85,000)	1800 Dunlawton Avenue	Port Orange	FL	32127	Sep-13
United States		8046 Philips Hwy. (US Rte. 1)	Jacksonville	FL	32256	Jan-06
United States		4150 NW Federal Highway	Jensen Beach	FL	34957	Jun-99
United States		7007 SW 117th Avenue	Kendall	FL	33183	Nov-92
United States		1100 West Osceola Parkway	Kissimmee	FL	34741	Oct-03
United States		7050 Coral Way	Miami	FL	33155	Jun-14
United States		1155 Palm Bay Road NE	Melbourne	FL	32905	Nov-01
United States		415 East Merritt Ave.	Merritt Island	FL	32953	Aug-00
United States		17250 NW 57th Ave.	Miami Lakes	FL	33015	Jan-06
United States		560 Blanding Blvd	Orange Park	FL	32073	Dec-01
United States		4697 Millenia Plaza Way	Orlando	FL	32839	Oct-01
United States		12200 Lake Underhill Rd.	Orlando	FL	32825	Sep-01
United States		5901 W Hillsboro Boulevard	Parkland	FL	33067	Sep-00
United States		13700 Pines Boulevard	Pembroke Pines	FL	33027	Aug-98
United States		500 N State Road 7	Royal Palm Beach	FL	33411	Jun-99
United States		4270 W. State Road 46	Sanford	FL	32771	Dec-01
United States		8085 Cooper Creek Blvd	Sarasota	FL	34201	Sep-01
United States		6290 Commerce Palms Blvd.	Tampa	FL	33647	Sep-06
United States		7651 W. Waters Ave.	Tampa	FL	33615	Jan-07
United States		16200 SW 88th St.	West Kendall	FL	33196	Apr-06
United States		1800 Dogwood Drive SE	Conyers	GA	30013	Aug-02
United States		1725 Marketplace Boulevard	Cumming	GA	30041	May-02
United States		3585 N. Commerce Drive	East Point	GA	30344	2003
United States		331 Bullsboro Drive	Newnan	GA	30263	2003
United States		105 Long Drive	Woodstock	GA	30189	May-02
United States		777 Washington Street	Auburn	MA	01501	Nov-92
United States		650 Memorial Drive	Chicopee	MA	01020	Jul-88
United States		6 Hutchinson Drive	Danvers	MA	01923	Sep-92
United States		688 Providence Hwy	Dedham	MA	02026	Jun-03
United States		26 Whittier Street	Framingham	MA	01701	Sep-93
United States		100 Corporate Drive	Franklin	MA	02038	Jul-00
United States	Yes	42 Colrain Road	Greenfield	MA	01301	Sep-98
United States		25 Shelley Rd.	Haverhill	MA	01835	Jul-07
United States		1 Highland Commons West	Hudson	MA	01749	Dec-10
United States	Yes	420 Attucks Lane	Hyannis	MA	02601	Feb-05
United States		115 Erdman Way	Leominster	MA	01453	May-93
United States		278 Middlesex Avenue	Medford	MA	02155	Sep-84
United States		460 State Road	North Dartmouth	MA	02747	Jan-90
United States		6102 Shops Way	Northboro	MA	01532	Sep-11
United States	Yes	495 Hubbard Street	Pittsfield	MA	01201	Oct-11
United States		105 Shops at 5 Way	Plymouth	MA	02360	Nov-04
United States	Yes (85,000)	200 Crown Colony Drive	Quincy	MA	02169	Apr-10
United States		5 Ward Street	Revere	MA	02151	Jan-09
United States		175 Highland Avenue	Seekonk	MA	02771	Aug-12
United States		287 Washington Street	South Attleboro	MA	02703	Nov-93
United States		85 Cedar Street	Stoneham	MA	02180	Jul-95
United States		901 Technology Center Drive	Stoughton	MA	02072	Oct-91
United States		2085 Bay St	Taunton	MA	02780	Nov-03
United States		66 Seyon Street	Waltham	MA	02453	Jun-10
United States		622 Washington Street	Weymouth	MA	02188	Aug-87
United States		413 Constant Friendship Blvd	Abingdon	MD	21009	Jul-94
United States		4201 Wholesale Club Drive	Baltimore	MD	21236	Mar-92
United States		16520 Ballpark Road	Bowie	MD	20716	Jun-02
United States	Yes	44950 Worth Avenue	California	MD	20619	Dec-03
United States		1781 Ritchie Station Court	Capitol Heights	MD	20743	Nov-10
United States		9011 Snowden River Parkway	Columbia	MD	21046	Jun-93
United States		55 Music Fair Road	Owings Mills	MD	21117	Jun-93

Country	Mini Club	Address	Town	State	Zip	Opened
United States		8139 Ritchie Highway	Pasadena	MD	21122	Nov-92
United States		1000 St. Nicholas Drive	Waldorf	MD	20603	Nov-93
United States		820 Market St	Westminster	MD	21157	Nov-01
United States	Yes	110 Mt. Auburn Avenue	Auburn	ME	04210	Jun-95
United States		513 Warren Avenue	Portland	ME	04103	Sep-91
United States	Yes (85,000)	1433 Boone Station Drive	Burlington	NC	27215	Oct-11
United States		2370 Walnut Street	Cary	NC	27511	Oct-99
United States		7905 Lyles Road	Concord	NC	28027	Sep-01
United States		5200 Red Tip Road	Fayetteville	NC	28314	Jun-13
United States		255 Shenstone Lane	Gamer	NC	27529	Nov-02
United States		585 Bluefield Road	Mooreville	NC	28117	Dec-00
United States		11715 Carolina Place Parkway	Pineville	NC	28134	Jan-00
United States		Rt. 1, Capital Blvd.	Raleigh	NC	27616	Oct-06
United States		8811 Brier Creek Parkway	Raleigh	NC	27617	Sep-01
United States		400 Quality Drive	Hooksett	NH	03106	May-03
United States		8 Sexton Avenue	Nashua	NH	03060	Jun-92
United States		1801 Woodbury Avenue	Portsmouth	NH	03801	May-93
United States		70 Cluff Road	Salem	NH	03079	Nov-86
United States	Yes	119 Laconia Road	Tilton	NH	03276	May-96
United States	Yes	262 Plainfield Road	West Lebanon	NH	03784	Jun-02
United States		1910 Deptford Center Road	Deptford	NJ	08096	Oct-95
United States		300 Route 17	East Rutherford	NJ	07073	Nov-85
United States		1000 US Highway 1	Edison	NJ	08817	Nov-91
United States	Yes	186 State Route 31	Flemington	NJ	08822	Feb-98
United States	Yes	U.S. Highway 9, Lanes Mills Road	Howell	NJ	07731	Jan-15
United States		900 Marketplace Blvd	Hamilton	NJ	08691	Dec-02
United States		396 Luis Munoz Marin Blvd	Jersey City	NJ	07302	May-94
United States		One Howard Boulevard	Ledgewood	NJ	07852	Jun-93
United States		1001 E. Edgar Road (Route 1-9)	Linden	NJ	07036	Oct-94
United States		321 Martin Truex Jr. Blvd.	Manahawkin	NJ	08050	May-08
United States		131 E. Kings Highway	Maple Shade	NJ	08052	Oct-86
United States		2300 Wrangleboro Road	Mays Landing	NJ	08330	Nov-96
United States		2100 88th Street	North Bergen	NJ	07047	Jul-09
United States		2451 US Highway 1 South	North Brunswick	NJ	08902	Apr-13
United States		1904 State Route 35	Oakhurst	NJ	07755	Jul-92
United States		1007 U.S. Highway 9	Old Bridge	NJ	08857	Jan-06
United States		30 S. State Route 17	Paramus	NJ	07652	Dec-99
United States		106 State Route 23	Riverdale	NJ	07457	Nov-98
United States		941 Route 37 West	Toms River	NJ	08755	Aug-99
United States		3849 S. Delsea Drive, Suite 2500	Vineland	NJ	08360	Sep-03
United States		152 Route 73	Voorhees	NJ	08043	Jun-04
United States		1601 US Highway 22	Watchung	NJ	07069	May-94
United States		1440 Central Avenue	Albany	NY	12205	Oct-85
United States	Yes	11 Plaza Drive	Auburn	NY	13021	Jul-96
United States	Yes	8330 Lewiston Road	Batavia	NY	14020	Sep-96
United States		790 Sunrise Highway South Service Road	Bellport	NY	11713	Aug-14
United States		610 Exterior Street	Bronx	NY	10451	Jun-09
United States		339 Gateway Drive	Brooklyn	NY	11239	Sep-02
United States		4408 Milestrip Road	Buffalo	NY	14219	Nov-90
United States		8719 Avenue D	Canarsie	NY	11236	Nov-10
United States		1752 Shore Parkway	Brooklyn	NY	11214	Sep-14
United States		4145 State Route 31	Clay	NY	13041	Jul-94
United States		13705 20th Avenue	College Point	NY	11356	Oct-98
United States		1900 The Arches Circle	Deer Park	NY	11729	Jan-12
United States		4000 Nesconset Highway (Route 347)	East Setauket	NY	11733	Jun-99
United States		Two Chew Drive	East Syracuse	NY	13057	Jun-93
United States		50 Daniel Avenue	Farmingdale	NY	11735	Jan-02
United States		131-07 40th Road, Suite A 100	Flushing	NY	11354	Jan-10
United States		100 Mill Rd	Freeport	NY	11520	Dec-01
United States		711 Stewart Avenue	Garden City	NY	11530	Oct-12
United States		3056 Sheridan Drive	Amherst	NY	14226	May-13
United States	Yes	3635 Berry Fields Road	Geneva	NY	14456	Oct-95
United States		300 Bellwood Dr.	Greece	NY	14606	Dec-06
United States		1000 Old Nichols Road	Islandia	NY	11749	Nov-96
United States		40 Graham Road West	Ithaca	NY	14850	Jan-12
United States		3635 Hempstead Turnpike	Levittown	NY	11756	Dec-04
United States	Yes	6100 St. Lawrence Centre	Massena	NY	13662	Nov-94
United States		6626 Metropolitan Ave	Middle Village	NY	11379	Nov-02
United States		232 Larkin Drive	Monroe	NY	10950	Oct-02
United States	Yes	1899 Cinema Drive	Olean	NY	14760	Nov-94
United States	Yes	Intersection Route 28 and Route 23	Oneonta	NY	13820	Jul-95
United States		825 Pelham Parkway	Pelham	NY	10803	May-09
United States	Yes	607 Old Country Road (Route 58)	Riverhead	NY	11901	Nov-95
United States		400 Jay Scutti Boulevard	Rochester	NY	14623	Jan-06
United States		70 W Campbell Road	Rotterdam	NY	12306	Jul-96
United States		3067 Route 50	Saratoga Springs	NY	12866	Nov-93
United States		400 River Road	Utica	NY	13502	Nov-93
United States		125 Green Acres Rd.	Valley Stream	NY	11581	Mar-07
United States		50 Eastview Mall Drive	Victor	NY	14564	Oct-99
United States		1357 Route 9	Wappingers Falls	NY	12590	May-93
United States		950 Ridge Road	Webster	NY	14580	Nov-93
United States		1050 Palisades Center Drive	West Nyack	NY	10994	Jan-98
United States		6000 Brush Hollow Road	Westbury	NY	11590	Dec-99
United States		5183 Transit Road	Williamsville	NY	14221	Dec-01
United States		3303 Crompond Road	Yorktown Heights	NY	10598	Oct-95
United States		1677 Home Avenue	Akron	OH	44310	Aug-98
United States		38292 Colorado Avenue	Avon	OH	44011	Nov-99
United States		6944 W. 130th St.	Middleburg Heights	OH	44130	Oct-00
United States		6924 Frank Avenue, NW	North Canton	OH	44720	Nov-98
United States		4365 Richmond Rd.	Warrensville Heights	OH	44122	Dec-00
United States		36595 Euclid Avenue	Willoughby	OH	44094	Sep-98
United States		1785 Airport Road South	Allentown	PA	18109	Dec-91
United States		3805 Hartzdale Drive	Camp Hill	PA	17011	Aug-90
United States		300 Alan Wood Road	Conshohocken	PA	19428	Dec-98
United States		1008 E. Lancaster Avenue	Downingtown	PA	19335	Jul-96
United States		350 Commerce Boulevard	Fairless Hills	PA	19030	Feb-96
United States		110 Centerville Road	Lancaster	PA	17603	Jul-96
United States		200-C Mill Road	Oaks	PA	19456	Nov-09

Country	Mini Club	Address	Town	State	Zip	Opened
United States		2054 Red Lion Road	Philadelphia	PA	19115	Sep-88
United States		2300 W Oregon Avenue	Philadelphia	PA	19145	Aug-04
United States	Yes (85,000)	540 Gateway Avenue	Chambersburg	PA	17201	Sep-14
United States	Yes (85,000)	616 North West End Boulevard	Quakertown	PA	18951	Nov-09
United States		550 Madison Avenue	Reading	PA	19605	Jun-94
United States		1260 E Woodland Avenue	Springfield	PA	19064	Oct-92
United States	Yes	250 Pocono Commons	Stroudsburg	PA	18360	Aug-01
United States		200 Easton Road	Warrington	PA	18976	May-05
United States		2250 York Crossing Drive	York	PA	17404	Nov-95
United States		790 Centre of New England Boulevard	Coventry	RI	02816	Apr-00
United States		200 Stonehill Drive	Johnston	RI	02919	May-10
United States	Yes	173 East Main Road	Middletown	RI	02842	Sep-98
United States		101 South Van Dom Street	Alexandria	VA	22304	Oct-92
United States		2301 Taylor Road	Chesapeake	VA	23321	Oct-94
United States		13053 Fair Lakes Shopping Center	Fairfax	VA	22033	Nov-92
United States	Yes (85,000)	6607 Wilson Boulevard	Falls Church	VA	22044	Oct-10
United States		3985 Plank Road (Route 3 West)	Fredricksburg	VA	22407	Jul-94
United States		5100 Wellington Road	Gainesville	VA	20155	Jan-12
United States		2000 Power Plant Parkway	Hampton	VA	23666	Nov-06
United States		7260 Bell Creek Road	Mechanicsville	VA	23111	Jun-02
United States		5820 E. Virginia Beach Blvd.	Norfolk	VA	23502	Mar-06
United States		1320 Starling Dr.	Richmond	VA	23229	Nov-08
United States		3712 Virginia Beach Blvd	Virginia Beach	VA	23452	Oct-90
United States		14123 Noblewood Plaza	Woodbridge	VA	22193	Oct-91

Notes

BJ's History

Corporate History

1984 – Zayre, a \$2.6 billion retail chain based in New England, opened BJ's first location in Medford, Massachusetts. The company's first chief executive officer was Mervyn Weich. His wife, Barbara Jane, was the inspiration for the company name.

1987 – John Levy replaced Weich as BJ's president. Levy focused on three areas: reducing food gross margins, improving operations and creating a better mix of general merchandise.

1989 – James Halpin, previously vice president and general merchandise manager, was named BJ's president and chief executive officer. Analysts said that Halpin had a difficult task ahead. Robert Cheadle, an analyst with Montgomery Securities in San Francisco, said, “[BJ's is] in one of the most densely populated areas of the country, they've got no competition, yet they're barely in the black. What happens when the best wholesalers in the business come into their market?”

1989 – Zayre shifted its focus away from its warehouse club division, which now included HomeBase, a home improvement chain. Zayre spun off its warehouse club division into a publicly traded company called Waban. The company was named after a small town in Massachusetts.

1991 – Herbert Zarkin replaced Halpin as president and chief executive officer of BJ's. Levy was promoted to president and chief executive officer of Waban and Halpin was moved to president and chief executive officer of HomeBase.

1993 – Levy resigned as president and chief executive officer of Waban and Zarkin replaced Levy. Allen Sherman was named president and chief executive officer of BJ's.

1993 – An unexpected resignation at HomeBase led to Sherman being transferred to that division as its president and chief executive officer. Jack Nugent replaced Sherman as president and chief executive officer of BJ's. Nugent, who had been with BJ's since 1990, was previously a senior vice president.

1996 – Waban announced that it would split itself into two separate publicly traded companies: BJ's Wholesale and HomeBase. The spin-off would be a tax-free distribution of all outstanding common stock and was completed in Spring, 1997.

1997 – On July 28, BJ's traded on the New York Stock Exchange under the symbol BJ at \$29 per share. With 37.5 million shares issued, BJ's had a market capitalization of \$1.1 billion. Zarkin was named chairman of the board of directors.

2001 – Commenting on BJ's success, Nugent said, “We're the smallest of the three [clubs], and I haven't seen many companies that are second or third players who are successful when they try to clone themselves to the number one guy. We thought there were more retail customers available than there were small-business owners. We've built a lot of programs that make us more appealing to those retail customers.”

2002 – Nugent resigned and was replaced by Michael Wedge, former executive vice president of operations.

2003 – Laura Sen, executive vice president of merchandising since 1997, was fired.

2005 – A *Supermarket News* report said that investment firms Bain Capital Partners and Kohlberg Kravis Roberts had discussions with Vornado Realty Trust, a real estate firm, about taking BJ's private. BJ's stock price reacted favorably to the rumors increasing 21%.

2006 – Wedge announced his resignation. Herbert Zarkin, chairman of the board of directors, was named interim chief executive officer. Zarkin and Wedge, said, “While the company has made great strides ... overall progress has not come as quickly as we had hoped and expected ... The company's leadership team will benefit from a fresh perspective at this time.”

2007 – BJ's named Herbert Zarkin as president and chief executive officer. Zarkin retained his role as chairman of the board of directors.



BJ's – Ocean Spray Juice

2007 – BJ's rehired Sen as executive vice president of merchandising and logistics. The day Sen was reintroduced to her team, she needed to "sneak" into the cafeteria where a closed door meeting was being held for approximately 150 managers. The meeting was a mystery to the attendees since they did not know that Zarkin was going to reintroduce Sen. When he did, the room erupted in applause. Commenting on the day that followed, Sen said, "I was totally blown away. Other than the days my two children were born and the day I got married, it was the most incredible day of my life."

2008 – BJ's promoted Sen to president and chief operating officer, responsible for day-to-day operations. Zarkin remained chief executive officer and chairman of the board of directors responsible for strategic planning, management succession and expansion. Christina Neppel replaced Sen as executive vice president of merchandising and logistics.

2009 – Sen was named president and chief executive officer. Zarkin remained chairman of the board of directors.

2009 – Sen commented on the former management team, saying, "We had very different feelings about how to run the business ... When [Wedge] ran the company, it didn't turn out to be a successful period ... We were segmenting customers too narrowly to drive business decisions. The merchandise had grown so much that it was difficult for members to find what they wanted."

2010 – Since May, Leonard Green & Associates (Leonard Green), a private investment firm whose capital is concentrated with retail organizations, acquired 2.1 million shares of BJ's common stock and through options has the right to take delivery of an additional 3.0 million shares. The 5.1 million shares represented 9.5% of BJ's outstanding common stock. According to a filing with the SEC reporting the investment, Leonard Green believes BJ's shares to be undervalued and the investment firm wants to talk with BJ's management about ways to enhance that value. Those discussions could involve taking BJ's private.

2011 – BJ's announced it restructured its home office and field operations. As part of a presentation in January at the Cowen and Company 9th Annual Consumer Conference, BJ's stated that it would eliminate 114 home office and field positions.

2011 – In February, BJ's board of directors announced the company will explore and evaluate strategic alternatives that include possibly selling the company. BJ's retained Morgan Stanley to assist in the process.

2011 – In March, according to a report from *Fox Business*, Leonard Green entered into a confidentiality pact with BJ's where BJ's would provide certain confidential data to Leonard Green on its business and properties.

2011 – According to an April 28 report from the *Reuters*, Apollo Management, a private equity firm, submitted a \$3.0 billion buyout bid for BJ's valuing BJ's at \$56 per share of common stock. BJ's stock closed at \$48.17 on April 26.

2011 – In the spring, 2011, according to a report from the *New York Post*, Walmart submitted an offer to BJ's board of directors to purchase the company for more than \$55 per share of common stock. A source told the *New York Post* that Walmart's proposal "seemed like a serious offer, like they weren't just kicking the tires." BJ's was informed that the offer did not include "significant divestitures" of overlapping locations in order to pass antitrust regulations.

The combination of BJ's and Sam's Club would have most likely drawn antitrust review and possibly required the sale of overlapping locations. Chul Pak, an antitrust attorney at Wilson Sonsini Goodrich & Rosati, said, "More often than not, a merger that reduces the number of significant competitors from three to two is a major antitrust problem." In the end, BJ's board of directors did not want to provide detailed company information to a competitor especially for a transaction that was not likely to occur nor one, that potentially, could have cost employees their jobs.

2011 – On June 29, Leonard Green and CVC Capital Partners purchased BJ's in an all cash transaction at \$51.25 per share of common stock, valuing the company at \$2.8 billion. BJ's board of directors approved the transaction pending a shareholder vote. Laura Sen, president and chief executive officer of BJ's, said, "BJ's will benefit from the continued execution of our business plan and the significant retail experience of our new partners at LGP and CVC, as well as from continued investments in our clubs, our people and technology, and the future of our business."

Jonathan Seiffer, partner at LGP, said, "BJ's is the clear leader in the wholesale club industry in the eastern United States with strong brand equity and a proven and successful strategy. We are pleased to partner with Laura and the management team and look forward to the next phase of the company's growth."

Cameron Breitner, managing director at CVC, said, "We are delighted to work in partnership with the BJ's management team and our friends at LGP to support continued growth of the company. With its leading market positions, outstanding value proposition and service, and valued employee base, BJ's is very well positioned to extend its history of strong financial performance and operating performance."



BJ's – Brain Quest Workbooks

2011 – On September 9, BJ's shareholders approved the acquisition by Leonard Green and CVC Capital Partners.

2011 – On September 30, Leonard Green and CVC Capital Partners completed the purchase of BJ's Wholesale. BJ's common stock (BJ) was delisted from the New York Stock Exchange prior to the start of trading on October 3, 2011.

2011 – In an interview with *The Boston Herald* in October, Sen commented on how her job may change now that BJ's is private, Sen said, "I don't anticipate a lot of change in terms of how we think about our business. For me, it was not burdensome to be a public company ... but I don't think it will be a lot different."

Financial History

Gross Margin – BJ's includes buying and occupancy costs in gross margins. This reduces gross margins by an estimated 2.8%. The gross margin figures reported in this section should be increased by 2.8% to accurately compare to Costco.

1984 – BJ's fiscal year ended with three locations and \$20.1 million in sales.

1987 – BJ's ended its fiscal year with 19 clubs, sales of \$565 million and an operating loss of \$4.8 million. Average club sales approached \$33 million per year.

1990 – Although sales increased 21% to \$1.19 billion, comparable sales decreased 9.8% and operating income dropped to 0.9% of sales. BJ's conversion to a fully paid membership was one of the reasons for the mediocre results.

1993 – Fiscal year sales increased 12% to \$1.96 billion and operating income increased to 2.0% of sales. However, comparable sales decreased 9.9% and average annual sales per warehouse decreased to \$44.0 million.

1997 – Fiscal year sales increased 10% to \$3.22 billion. Comparable sales increased 3.1% and operating income increased to \$120.6 million. BJ's ended the year with 84 clubs, average annual sales per club of \$39.1 million and 4.6 million members.

2001 – Fiscal year sales increased 17.3% to \$4.83 billion. Operating income increased 17.1% to \$207.9 million and comparable sales increased 5.1%.

2004 – Fiscal year sales increased 14.9% to \$6.58 billion. Comparable sales increased 7.8%, including a 6.5% increase in food, a 3% increase in gasoline and a 1.9% increase in general merchandise. Operating income decreased 25.5% to \$163.7 million and gross margins decreased 88 basis points to 8.18%.

2006 – Fiscal year sales increased 7.8% to \$7.78 billion. Operating income increased 13.8% to \$203.9 million and comparable sales increased 3.6% including a contribution from gasoline of 1.3%.

2009 – Fiscal year revenues increased 11.2% to \$10.02 billion. Operating income increased 13.3% to \$221.0 million and comparable sales increased 9.4% including a contribution from gasoline of 3.0%.

2011 – Fiscal year revenues increased 8.2% to \$10.90 billion and operating income decreased 8.6% to \$208.1 million. Overall gross margins decreased 6 basis points from 8.86% last year to 8.80% this year. Comparable sales increased 4.4% including a 4.4% increase in food and a 1% decrease in general merchandise.

Location History

1984 – BJ's followed its first location in Medford, Massachusetts with locations in Johnston, Rhode Island and Hialeah Gardens, Florida.

1984 – BJ's initially located its clubs near existing Zayre discount stores. Weich said, "We'd have to be crazy not to be capitalizing on the fact that we're owned by Zayre. As we get bigger and the name BJ's means more, there will be less reason to build BJ's in areas where Zayre stores are."

1985 – In two short years, BJ's spread itself out over the Northeast, operating in six states. Its strategy concentrated its expansion efforts on the East Coast in anticipation of club competitors.

1986 – BJ's opened clubs in two new states this year. Its first New Hampshire club was located in Salem and it opened three locations in Chicago, Illinois. The Chicago clubs were former Metro Cash and Carry locations.

1988 – BJ's slowed its expansion for the next couple years planning instead to concentrate on improving operations.

1990 – BJ's decided to concentrate future expansion efforts in Florida and the Northeast.

1991 – BJ's closed one of its locations in Chicago and converted the other two clubs to HomeBase stores. It also converted its only club in Ohio to a HomeBase location.

1991 – Management came to believe that in order to survive, it needed to cluster its clubs in markets to gain marketing, distribution and management efficiencies. BJ's planned to pursue a strategy of cannibalizing its own club sales to gain a stronger foothold in the markets in which it operated.

1992 – BJ's opened 10 new club locations including its first two locations in Maryland.

1993 – Zarkin estimated that BJ's had seen a 60% increase in competition over the last 18 months. Zarkin said, "We knew they were coming so we came up with a game plan that would modernize our locations. We changed our merchandising and distribution techniques, and we've been very pleased with our results."

1993 – Zarkin commented on BJ's real estate strategy, "We look for fairly large communities, about 250,000 people ... We have opened a couple of stores in places with a lighter population base than we might like to have, but they are highly affluent marketplaces."

1994 – BJ's tested a 70,000 square foot mini-club in Albany, New York. The club ranked among BJ's best in terms of sales per square foot. The Albany club had a market population of approximately 180,000 people.

1997 – At the end of the year, BJ's operated nine small format locations averaging 69,000 square feet.

1998 – BJ's planned to open five or six Ohio clubs within two years.

2002 – According to WR Hambrecht, BJ's locations, which average \$42 million in sales per year, have a break-even point of \$17 million. This is much lower than a typical Costco location, which has a break-even point of \$45 million.

2002 – BJ's closed two locations in Columbus, Ohio and another in North Dade, Florida. Wedge said, "While we're happy with our Cleveland, Ohio, market, the two clubs in Columbus have been consistently unprofitable."

2003 – BJ's used its new location in Kissimmee, Florida to test general merchandise buying and merchandising concepts. Those concepts included: a wider assortment of jewelry, dressing rooms for its apparel merchandise, a supervised childcare area and a low-steel presentation of general merchandise in the center aisle of the club.

2004 – BJ's opened a new concept called ProFoods Restaurant Supply. It serviced restaurants, foodservice distributors, caterers and non-profit organizations and was not open to the public. The first location, 56,000 square feet, was in the Bronx, New York. The second location, 68,000 square feet, was in Long Island City, New York.

2007 – BJ's announced that it closed its two ProFoods Restaurant Supply locations in New York.

2007 – According to Zarkin, approximately 90% of BJ's locations overlap with other big-box locations.

2008 – BJ's closed its location in Greenville, South Carolina, its only club in the state.

2009 – BJ's opened a new type of mini-location in Pennsylvania. The 85,000 square foot club is a new design/format that could provide BJ's with a vehicle to accelerate expansion in markets deemed too small for a full size location.

2011 – BJ's announced that five underperforming locations were closed in January. The locations included three in the Atlanta, Georgia market (Powder Springs, McDonough and Norcross), its location in Sunrise, Florida and its location in Charlotte, North Carolina.

Sen said, "The five clubs ... have historically underperformed and, after careful consideration, we concluded that improvement of their operating results was unlikely ... We remain committed to the Atlanta, Charlotte and South Florida markets and will look to expand in those markets if compelling opportunities present themselves."

2011 – BJ's reported that sales and operating results from its new mini-locations were encouraging. The company ended the year with five of these 85,000 square foot clubs.



BJ's – Light Bulb Display

2011 – In an interview with *The Boston Herald* in October, Sen commented on the company's expansion plans as a private company. Sen said, "We actually have a five year plan that contemplates continued growth in our core markets. It does not at this point call for any growth outside our core markets. Obviously that will change as things unfold, but I wouldn't say that in the foreseeable future we'll be leaping to new geography."

2012 – In January, BJ's opened three clubs: Gainesville, Virginia; Deer Park, New York and Ithaca, New York.

Buying and Merchandising History

1984 – BJ's focus on the retail member affected decisions that it made with regard to real estate, distribution and merchandising and differentiated it from its club competitors.

1989 – BJ's 16 buyers were taught to be aggressive with slow selling merchandise. With gross margins of 8% to 10%, there was no room for slow-selling items. Buyers were taught to move slow selling items quickly by reducing prices.

1990 – BJ's added a fresh produce department to its clubs and tested fresh meat and bakery and a delivery service. The delivery service required a minimum order of \$250.

1990 – BJ's added more products targeted specifically to restaurants and other food service members.

1991 – BJ's added fresh meat and bakery departments to the rest of its clubs. The bakery department was primarily a bake-off operation in which BJ's purchased frozen product that it baked in ovens located on-site.

1991 – BJ's tested a free emergency road service to customers who purchased a pair of tires.

1993 – The food court was another example of BJ's focus on brand names as it partnered with recognized restaurant operators. For example, Burger King tested a limited menu at BJ's.

1994 – BJ's hired an advertising agency to create a print and radio campaign comparing it not to the other clubs in its markets, but to supermarkets and discount stores. The campaign focused on BJ's low prices.

1994 – To add value to its membership program, BJ's tested ancillary businesses, such as optical centers, lottery ticket counters, a cellular phone kiosk and a travel service kiosk.

1995 – BJ's issued a private label credit card that would not have an annual fee and members would receive a 2% rebate on BJ's purchases and a 1% rebate on purchases made at other locations. The rebates could only be used at BJ's.

1995 – BJ's introduced greeting card, gift-wrap and candle sections in its clubs.

1996 – BJ's introduced a real estate service that offered members discounts on real estate commissions and mortgages. Within the first six months, approximately 400 BJ's members used the program.

1996 – BJ's opened a new concept called Club 2000 in Downingtown, Pennsylvania. The bakery department was moved to the front, the location was BJ's first to stock pet food and supplies, an international cheese section was introduced, aisle signs were used and the food court included pizza from Pizza Hut.

1997 – In appropriate markets, BJ's regional buyers stocked a kosher food section, an Italian section and a Hispanic section.

1997 – In its fresh food department, BJ's introduced 2.5-pound rotisserie chickens.

1997 – BJ's merchandised magazines next to its registers.

1997 – BJ's introduced a member service program through Transmedia that offered a 20% discount on restaurant bills.

1997 – BJ's announced that Visa credit cards would be accepted at its clubs. BJ's was the first club to accept Visa.

1997 – BJ's created a "power" display area in the front of its clubs near the registers. The 15 to 20 SKU area was dedicated to products from one vendor. P&G and General Mills were among the vendors who took advantage of this space.

1997 – Au Bon Pain, a local breakfast and lunch chain in New England, added products to BJ's bakery department. BJ's dedicated three to four bakery racks for Au Bon Pain products which included bagels, pastries and French bread.

1997 – BJ's introduced a web site, www.bjswholesale.com, which did not offer products for sale.

1998 – BJ's tested a garden center in six locations. The merchandise was stocked outside the location in the parking lot.

1998 – BJ's tested a mini-bank branch in a club and tested a muffler service as part of its tire department.

1998 – BJ's introduced private label brands such as Executive Choice for its business members and Berkley & Jensen for its retail members. BJ's predicted that private label could account for 10% of sales within three years.

1998 – BJ's announced that all new clubs would have gas stations on site and 50% of existing clubs would be retrofitted.

1998 – In partnership with Chase Merchant Services, BJ's offered businesses a credit card processing service.

1999 – In association with Bilt-Well Uniforms, BJ's offered a discounted embroidery service to business and retail members.

2000 – BJ's introduced an automobile buying service.

2000 – BJ's introduced a natural foods department in one location. The assortment included 66 grocery sized SKUs.

2001 – BJ's introduced a web site (www.bjschecks.com) that offers members the ability to order business or personal checks. Members can also order executive binders, address labels, checkbook covers and accessories.

2001 – BJ's introduced a web site (www.bjsgazebos.com) where members can order a gazebo.

2001 – BJ's introduced a product warranty program called Protection Plus. Products powered by electricity, batteries or gasoline are eligible for the warranty.

2001 – BJ's tested a home heating oil program in 17 Northeast locations. The program called, Heating Oil Advantage, offered BJ's members a competitive rate on heating oil.

2001 – Gas stations have had a positive effect on club operations. According to a Bear Stearns financial analyst, "BJ's has seen increases of 30% to 40% in weekday [traffic] in those clubs with gas [stations]."

2001 – BJ's decided a pharmacy is a necessary part of the club business. Analysis showed that a pharmacy will increase the frequency of member visits, as well as increase sales in its HBA department.

2002 – BJ's marketed a co-branded MasterCard with no annual fee. Cardholders received 1.5% back from purchases at BJ's and for purchases made elsewhere, members received 0.5% to 1% back depending on whether they carry a balance.

2002 – Flower retailer KaBloom (www.kabloom.com) tested self-serve flower sections at 11 BJ's locations.

2003 – To better appeal to consumers, in its Cleveland locations, BJ's tested the addition of smaller, consumer-sized SKUs in the cooler (six items), bakery (nine items), produce (10 items), fresh food (seven items) and pet food (11 items) departments.

2003 – BJ's redesigned its *BJ's Journal* publication to a magazine format.

2003 – Wedge reiterated BJ's four corporate goals: to be the dominant club in its core geographic markets, take market share from less efficient retail channels, strengthen its position as a consumer club and be the lowest cost operator in all retail, including the club industry.

2003 – Massachusetts based Montilio's bakery began selling its specialty cakes and bakery products at nine BJ's locations in Massachusetts. Montilio's sells wedding cakes in five of those locations.

2003 – BJ's will pay closer attention to pricing its merchandise competitively, but will not get into a pricing war with its club competitors. Wedge said BJ's will not play the "penny game" and will not sell merchandise below cost.

2004 – To better meet the needs of its consumer member, BJ's deleted large exercise equipment. BJ's added consumable SKUs not stocked at Costco and Sam's.

2004 – 70% of BJ's sales are in the food and consumable categories.

2004 – BJ's is very pleased with the results from its club in Kissimmee, Florida. Two of the test concepts, expanded jewelry and re-merchandising furniture, home fashions and domestics to the center aisle, are already being expanded to other clubs.



BJ's – Kid Kraft Furniture

2004 – BJ's expanded its home heating oil program to more than 80 locations in eight states. BJ's program is now managed by PriceEnergy which estimated that BJ's members saved 20% on each gallon of heating oil purchased last year.

2005 – BJ's operated 44 pharmacies, 20 more than the previous year.

2005 – BJ's introduced a private label beauty line under the Altaire Paris brand name. The nine SKU line was developed with the Kelemata Group, a French manufacturer.

2006 – Private label merchandise represented 12% of overall sales compared to 9% at the end of the previous fiscal year and private label comparable sales increased 47%. BJ's believed that private label sales penetration could reach 20%.

2006 – BJ's announced that in 29 locations in metropolitan New York and around Boston, the company hired a third party sales organization to answer consumer electronics questions.

2006 – BJ's began selling items on its web site, www.bjs.com. BJ's offered 747 SKUs in five categories including computers (24 SKUs), electronics (58 SKUs), books, DVD and CDs (438 SKUs), appliances (55 SKUs) and jewelry (172 SKUs).

2006 – BJ's added branded foodservice operators to some of its locations. Subway will be added to 18 existing locations and Dunkin Donuts will be added to two locations.

2006 – BJ's general merchandise strategy, going forward, will be to expand its assortment by providing a higher quality SKU and an opening price point SKU.

2007 – BJ's announced that it will close its 46 in-club pharmacies and use the space to merchandise existing products.

2007 – Zarkin said that BJ's brought merchandise gross margins in line. Going forward, BJ's goal is to offer members a more consistent pricing philosophy.

2007 – Zarkin discussed a number of initiatives to improve the business: reduce its assortment in some categories, reduce the number of private label items, continue to focus on taking market share from supermarkets and discontinue its high/low pricing philosophy.

2008 – BJ's is the only club that accepts both its own in-store or online coupons as well as manufacturer coupons found in newspapers.

2008 – One of the areas that Sen believes BJ's needs to focus on are treasure hunt items. Sen said, "We'll put more of that on the floor and excite members and [it is hoped] there will be enough demand to make those items successful ... The core business has not changed since I started in 1989. It is just a matter of how we execute against that."

2009 – Sen commented on the current economy, saying, "We are fortunately in a business model that is well positioned in a bad economy or a good economy. There's been a migration toward value in the retail world over the years. The value players are winning ... We're well positioned to not only survive but grow."

2010 – BJ's redesigned its web site, www.bjs.com, making product searches and selection easier. The new site included an improved product search feature, a side-by-side product comparison tool, the ability to read and write product reviews and product sharing capabilities using a number of different social network services such as Facebook and Twitter.

2010 – In partnership with eHealthInsurance, BJ's introduced a health insurance member service program. Members can purchase individual, family and small business insurance online. The company is licensed in all 50 states and the District of Columbia and has developed partnerships with more than 180 health insurance providers.

2010 – BJ's web site sales increased 30%.

2011 – In partnership with Refinement Services (www.refinementservices.com), BJ's members can exchange their gold jewelry or items for cash. The service includes: free shipping via UPS, video documentation of every shipment being processed by Refinement Services and a guarantee that merchandise can be returned if the member is not satisfied with the payment.

2012 – BJ's announced a sustainable seafood policy where the company is committing to purchase seafood products from suppliers identified as sustainable or on track to meet sustainable guidelines by 2014. BJ's worked with three organizations in developing this policy: the Sustainable Fisheries Partnership, the Marine Stewardship Council and the Global Aquaculture Alliance (GAA).

2012 – BJ's locally grown produce program called "Farm to Club" is available at all club locations. BJ's defines "local" as grown within the same state as the destination club. Products include fresh fruits and vegetables such as zucchini, tomatoes, corn, green peppers, yellow squash and cucumbers. Farm to Club products will be clearly marked with the "Farm to Club, Locally Grown" seal as well as the farm's address so the member can understand where the product came from.

2013 – BJ's and *Cooking Light* magazine introduced a 14 item line of prepared foods. Prior to this partnership with BJ's, *Cooking Light* never sold its own brand of food products. The product categories included entrees, stuffed pastas, take and bake and soups/side dishes. Some of the products included: chicken and spinach ravioli, chipotle pork roast, garden minestrone soup, chicken penne alfredo, seared sliced chicken breast, premium sliced beef sirloin and chicken pasta primavera.

2013 – Up until June, the coupons BJ's offered to members in its *BJ's Journal* magazine and via bulk mail had to be clipped and presented to a cashier or were called "instant rebates" which were automatically deducted at checkout. Beginning with its June, 2013 coupon book, BJ's changed its terminology from "instant rebates" to "instant savings" which did not require members to clip and present a coupon. BJ's included 26 instant savings in June, 2013, 15 instant savings in July, 2013 and 23 instant savings in August, 2013.

2013 – BJ's is now placing all its produce orders through FoodLink®. The service/network connects more than 2,000 retailers and their fresh food suppliers. Jeff Desroches, senior vice president and director of logistics at BJ's, said, "FoodLink will help us improve supply chain visibility into market data and enable us to work closely with our suppliers to better meet the needs of our members."



BJ's – Lego Duplo Set

2014 – PromoWorks, a division of CROSSMARK, will manage BJ's product demonstration program. BJ's current product demonstration staff of approximately 1,400 BJ's team members will be given priority to apply for positions within PromoWorks. Laura Sen, president and chief executive officer of BJ's, said, "Demos and sampling are critical to a positive member shopping experience. After extensive examination of our demo and events program, we came to the conclusion that to build on BJ's already strong program, the company needed to add specialized expertise and resources, which is why BJ's chose to work with PromoWorks."

2014 – BJ's and IZ-ON Media announced the companies renewed their in-club HDTV television advertising contract and agreed to expand the relationship to BJ's in-club radio network. Kevin Carbone, senior vice president of retail partnerships at IZ-ON Media, said, "The catalyst of this new agreement was the recent success of an integrated ad campaign across the BJ's HDTV and in-club radio network that resulted in a 91% sales lift increase. This lays a strong foundation for IZ-ON Media to build upon and further integrate other in-club media solutions for BJ's."

2014 – BJ's introduced a redesigned coupon book when it mailed the September, 2014 book to members. As opposed the 3.5-inch by 7.25-inch member coupon book format it previously used, this new book is much larger at 5.5-inches by 9-inches. In terms of the number of coupons in the book, from January, 2014 to August, 2014, BJ's averaged 150 items per book. With the larger size, BJ's is listing more coupons per book with 187 in September, 2014 and 169 in October, 2014. In terms of the coupon amount per item, the value has not changed.

Membership History

1984 – Business members paid a \$30 annual fee. Employees of certain companies, such as credit unions, did not have to pay a membership fee, but paid a 5% surcharge on all purchases.

1989 – BJ's changed its membership policy for its group members. It eliminated the 5% surcharge and converted these members to a \$30 annual fee.

1990 – BJ's had 2.2 million members, 60% of these members were retail members and 40% were business members.

1997 – Business members accounted for 25% of BJ's total membership and 35% of sales. Business member renewal rates were 85% and consumer renewal rates were 80%. Retail members had above average incomes, were between 30 and 55 years old, had two children living at home, owned more than one car and over 90% owned their own home.

1997 – BJ's had 4.6 million members and 75% of them were consumers.

1998 – BJ's offered its business members an express fax service.

- 1998** – Membership renewal rates were 81% for consumers and 86% for businesses.
- 1998** – BJ's increased its group membership fee by \$5 to \$35. Its business membership remained at \$30 per year.
- 1999** – BJ's increased its business membership fee by \$5 to \$35 and increased the non-member surcharge from 5% to 10%.
- 2001** – BJ's increased its annual business and consumer membership fees to \$40.
- 2002** – BJ's membership renewal rates remained strong: 83% for consumers and 87% for businesses.
- 2003** – BJ's premium reward members (\$75 membership fee) represented 1% of members and 2% of sales.
- 2004** – Renewal rates for members in Atlanta, Georgia, who received a free membership in 2001, are under 30%.
- 2004** – BJ's consumer member shops 12 to 15 times annually, averages \$75 to \$100 per trip and is brand conscious.
- 2005** – BJ's premium rewards members represented 3% of members and 7% of sales.
- 2006** – Approximately 75% of BJ's merchandise sales are to its consumer members. The average member currently spends only 10% of their annual food budget at BJ's. The club operator sees this as a tremendous opportunity to grow its business.
- 2006** – BJ's increased membership fees for consumers and businesses to \$45 and for rewards members to \$80.
- 2006** – BJ's premium rewards members represented 6% of members and 13% of overall sales.
- 2007** – In terms of marketing, BJ's will concentrate its efforts on member acquisition and retention and less on brand building and coupons. It will use a direct sales force and the Internet to market potential members.
- 2008** – Approximately 85% of BJ's members are consumers and 15% are businesses. Wholesale members represent approximately 25% of overall sales.
- 2008** – BJ's membership renewal rates remained steady: 82% for consumers and 87% for businesses.
- 2010** – Fiscal year renewal rates remain strong with consumers at 83% and business members at 87%.
- 2010** – Fourth quarter new consumer member signups increased 1% compared to last year and new business member signups increased 4% compared to last year.
- 2011** – BJ's Reward members represented 8% of members and approximately 17% of sales.
- 2011** – Fiscal year renewal rates were 83% for consumers and 87% for business members.
- 2013** – BJ's offered a discounted membership through Groupon in the middle of December. The \$35 offer included a discounted BJ's members (normally \$50) and a \$25 BJ's gift card. Over 1,000 were purchased.
- 2013** – BJ's offered military members a special membership program. Military members who present a valid military ID are eligible to pay an annual membership fee of \$35 which is \$15 less than the normal \$50 rate.
- 2014** – BJ's introduced two new membership programs: BJ's Perks Plus and BJ's Perks Elite. The Perks Plus annual membership fee is \$40 and includes a 3% rebate on most in-club and online purchases, 10-cents off per gallon of gasoline at BJ's, a 2% rebate on eating out and non-BJ's gasoline purchases and a 1% rebate on non-BJ's purchases where MasterCard is accepted. The Perks Elite annual membership fee is \$75 and includes a 5% rebate on most in-club and online purchases, 10-cents off per gallon of gasoline at BJ's, a 2% rebate on eating out and non-BJ's gasoline purchases and a 1% rebate on non-BJ's purchases where MasterCard is accepted.

Operations History

- 1991** – BJ's operated a crossdock distribution center in Franklin, Massachusetts. Product was checked and scanned at the crossdock facility and not at its locations.
- 1993** – BJ's tested electronic data interchange (EDI) for purchase orders. The company had previously used automatic faxing, but EDI had the potential to provide ongoing long-term benefits.

- 1996** – BJ's opened its second cross-dock facility in Bristol, Pennsylvania.
- 1997** – BJ's accepted manufacturer coupons at its front-end registers. This was another point of differentiation for BJ's as Costco and Sam's Club, at the time, did not accept coupons.
- 2001** – BJ's opened a new 600,000-square-foot distribution center in New Jersey. It replaced an existing distribution center.
- 2002** – After testing self-checkout, BJ's announced that it will add the feature to its clubs.
- 2003** – BJ's installed four solar powered electricity plants on top of four of its locations on Long Island. Each club has 96 solar panels on the roof, which will help generate clean electricity for each location.
- 2003** – BJ's introduced an online rebate program. When an item with a rebate is purchased, a BJ's rebate receipt will print out. Members can then log onto BJ's web site and go to the rebate area to submit their rebate online.
- 2004** – BJ's began accepting American Express cards. In addition to ATM/debit cards, BJ's now accepts MasterCard, Visa, Discover and American Express.
- 2004** – In its Framingham, Massachusetts club, BJ's replaced its food court with an Au Bon Pain bakery and sandwich cafe.
- 2004** – BJ's announced that its computer system was compromised and credit card information from a portion of its eight million member database was stolen.
- 2005** – BJ's changed the opening times of its clubs from 9 am to 8 am. This was done to better compete with supermarket and supercenter operators.
- 2005** – BJ's increased the number of annual issues of its *BJ's Journal* magazine from eight to ten.
- 2006** – BJ's opened a new crossdock distribution center in Uxbridge, Massachusetts. The 618,000 square foot location will replace an existing 108,000 square foot facility in Franklin, Massachusetts. The new distribution center will initially service 61 locations (with a capacity of 86 locations), use 239 loading doors and be capable of accepting and distributing 500 truckloads per day. Approximately 70% of BJ's merchandise is shipped through its crossdock facilities.
- 2007** – BJ's expanded the number of in-club marketing specialists from 32 to 160, almost one per club. These people will be responsible for promoting and informing existing members about the benefits that BJ's offers. BJ's also expanded the number of field marketing people from 120 to 160, almost one per club. These salespeople will be responsible for selling memberships to small businesses and corporations in each club's market.
- 2008** – BJ's announced that it will embark on a five to six year plan to overhaul its aging information technology systems.
- 2009** – BJ's began accepting government-issued food stamps via electronic benefit transfer (EBT) payments at all locations.
- 2009** – BJ's information technology initiatives include: a new store register system, a payroll and human services project and a data center conversion.
- 2011** – BJ's moved its corporate headquarters from Natick, Massachusetts to Westborough, Massachusetts. BJ's former headquarters was comprised of five separate buildings housing approximately 1,000 employees. BJ's new headquarters is the former campus for National Grid, an electricity and gas company.
- 2011** – BJ's Leadership Academy is the company's in-house training program that has four tiers or levels which BJ's managers and employees attend. BJ's management team already completed the first tier. Sen said, "One of the many benefits of this program is that it creates a common language and common values while building leadership competency throughout the organization."
- 2012** – Tioga Energy installed a solar electric system atop BJ's new location in Deer Park, New York. Tioga will sell the electricity generated from the system, which it owns and operates, back to BJ's. This is the fifth solar electric project that Tioga and BJ's have worked on.
- 2013** – BJ's offered military members a special membership program. Military members who present a valid military ID are eligible to pay an annual membership fee of \$35 which is \$15 less than the normal \$50 rate.

Cost-U-Less

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Cost-U-Less Profile



Cost-U-Less – Grand Cayman

Address – 3633 136th Place SE, Suite 110, Bellevue, WA 98006

Phone – 425-945-0213

Ownership – Owned by The North West Company

Year Began – 1989

Web Site – www.costuleless.com, www.northwest.ca

Key Personnel

Jim Rose – founder - Rose was a manufacturer's representative who sold merchandise to the warehouse clubs and discount retailers. In 1989, Rose opened the first Cost-U-Less in Hawaii. Rose was president and chief executive officer of Cost-U-Less until 1999.

Rex Wilhelm – The North West Company, International, president and chief operating officer – After Cost-U-Less was purchased by The North West Company in December, 2007, Wilhelm was named president. In addition, Wilhelm was president of Alaska Commercial Company, another division of The North West Company. Wilhelm joined Alaska Commercial Company in 1984 and has worked as a manager in small and large stores, as a category manager and as vice president of operations. Wilhelm is currently president and chief operating officer of the international operations of The North West Company.

Notes

Cost-U-Less Buying and Operating

Cost-U-Less, with 13 locations in the Caribbean and Pacific, share some buying, merchandising and operating strategies with traditional clubs. However, it has incorporated non-club buying and operating principles that enable the company to successfully operate primarily in remote island locations. This chapter includes seven sections: company profile, buying and merchandising, locations and market access, web site, sales analysis, product registration and customs and distribution.

Company Profile

Jim Rose, who represented manufacturers to warehouse club operators, founded Cost-U-Less and was president of the company until 1999. The company, which does not charge an annual membership fee, opened its first location on the Hawaiian island of Maui in 1989. At the time, a majority of its merchandise was purchased at Costco.

The company operated that single building until Guam and Hilo, Hawaii opened in 1992. Today, Cost-U-Less operates 13 locations: two each in Hawaii, Guam, the United States Virgin Islands and Netherlands Antilles and one each in Fiji, Grand Cayman, American Samoa, Barbados and California.

Cost-U-Less was a public company from 1998 to 2007. The company went public in 1998 selling 1.38 million shares of common stock at \$7 per share for a value of \$9.7 million. The company was purchased in 2007 by The North West Company (NWC) for \$52.2 million or \$11.75 per share of common stock.

The North West Company – NWC's roots date back to 1668, making it one of the world's oldest existing retail organizations. NWC's core strategy, according to its web site (www.northwest.ca), is to operate in "underserved rural communities and urban neighborhood markets" in northern Canada (Northern stores, NorthMart stores and Quickstop convenience stores), western Canada (Giant Tiger stores), rural Alaska (AC Value Center stores) and the South Pacific and the Caribbean (Cost-U-Less locations and Island Fresh supermarket).

Buying and Merchandising

Rex Wilhelm, currently president and chief operating officer of The North West Company International, commented on Cost-U-Less' buying and merchandising philosophy. He said, "The philosophy remains what it has been which is to buy the best quality merchandise and offer it at the best price possible for the consumer. What has always set Cost-U-Less apart from traditional club stores is that besides not charging a membership fee, we offer a slightly broader selection of product including retail pack SKUs that are tailored to each market we serve."

Assortment – Cost-U-Less stocks a much wider variety of merchandise per square foot than any other club. A typical Costco is approximately 143,000 square feet and will stock approximately 3,800 items (38 square feet per item). A typical PriceSmart is approximately 68,000 square feet and will stock approximately 2,200 items (31 square feet per item). A typical Cost-U-Less is approximately 28,000 square feet and will stock approximately 3,300 items (8 square feet per item).

Private Label – Unlike traditional clubs, Cost-U-Less has not developed a private label brand.

Buying Responsibilities – Wilhelm said, "Approximately 25% to 30% of the goods sold in a Cost-U-Less store are procured locally. The remaining 75% to 70% is sourced by our marketing and procurement department located in Bellevue, Washington. We have 14 category managers reporting to two directors, one for food and one for general merchandise. Overall direction for buying is provided by a vice president for procurement and marketing."

Business Members – Cost-U-Less does focus on business customers. Wilhelm said, "We have a dedicated person on staff at each store to address business members' needs."

Store Managers – Cost-U-Less store managers act as in-country buyers. Any item that a store manager wants to purchase, however, must be approved and set up in the company's computer system by the corporate buying staff. The process does not require multiple signatures and approvals at the corporate level, but it does need to be reviewed.

Locations and Market Access

The markets in which Cost-U-Less operate are small with 40,000 to 50,000 people per location. The per capita income level, in those markets, tends to be fairly low.

Market Access – One of the advantages of doing business with Cost-U-Less is gaining access to markets that otherwise would not be easy to sell. Cost-U-Less has a number of vendors who have never sold merchandise in the markets in which it operates.

Sonora, California – The company’s only mainland location is in Sonora, California, which is approximately 75 miles southeast of Sacramento. Cost-U-Less uses the location for testing new merchandise, operating strategies and even for training.

Web Site

In 2010, Cost-U-Less began offering online shopping (www.costuleless.com) at its 13 locations. Online categories include: grocery, produce, meat, seafood, health and beauty, home and office. Members select whether they will pick their order up at the club location or have it delivered.

Sales Analysis

Despite the fact that the company operates in smaller-sized buildings, its sales per square foot are among the highest of the five club operators. The chart on the right provides a calendar sales comparison of all five club operators. Cost-U-Less compares very favorably to other club operators in terms of sales per square foot which is at \$714 ahead of Sam’s Club at \$704 and BJ’s at \$621. In terms of sales per SKU per location, Cost-U-Less ranks last at \$133.

2014 Calendar Year - Worldwide					
Club	Sales per Club		Sales per Square Foot	Sales per SKU	
	Yearly (million)	Weekly (million)		Yearly/Chain (million)	Weekly/Club
Costco	\$171	\$3.3	\$1,187	\$24.8	\$710
PriceSmart	\$74	\$1.4	\$1,058	\$1.2	\$628
Cost-U-Less	\$23	\$0.4	\$714	\$0.1	\$133
Sam’s Club	\$94	\$1.8	\$704	\$12.2	\$278
BJ’s	\$68	\$1.3	\$621	\$1.8	\$168

WCF research, estimates, club reports.

Product Registration and Customs

The most important point to consider when doing business with Cost-U-Less is that, depending on the item, the product registration and permit process in its Caribbean and Pacific markets may be non-existent. Cost-U-Less does not face the same filing and product registration issues that PriceSmart faces in its Latin American locations. When it comes to clearing customs, Cost-U-Less has developed an automated system that minimizes paperwork and helps to clear containers and pay duties efficiently.

Distribution

Like other warehouse clubs, Cost-U-Less operates both dry and perishable cross dock distribution centers. For locations in the Pacific region, Cost-U-Less operates a dry and perishable facility in San Leandro, California. For locations in the Caribbean, Cost-U-Less operates a dry and perishable facility in Port Everglades, Florida. Wilhelm said, “One of our operational strengths is our ability to move goods quickly and cost effectively to the remote and sometimes logistically challenged markets we serve.”

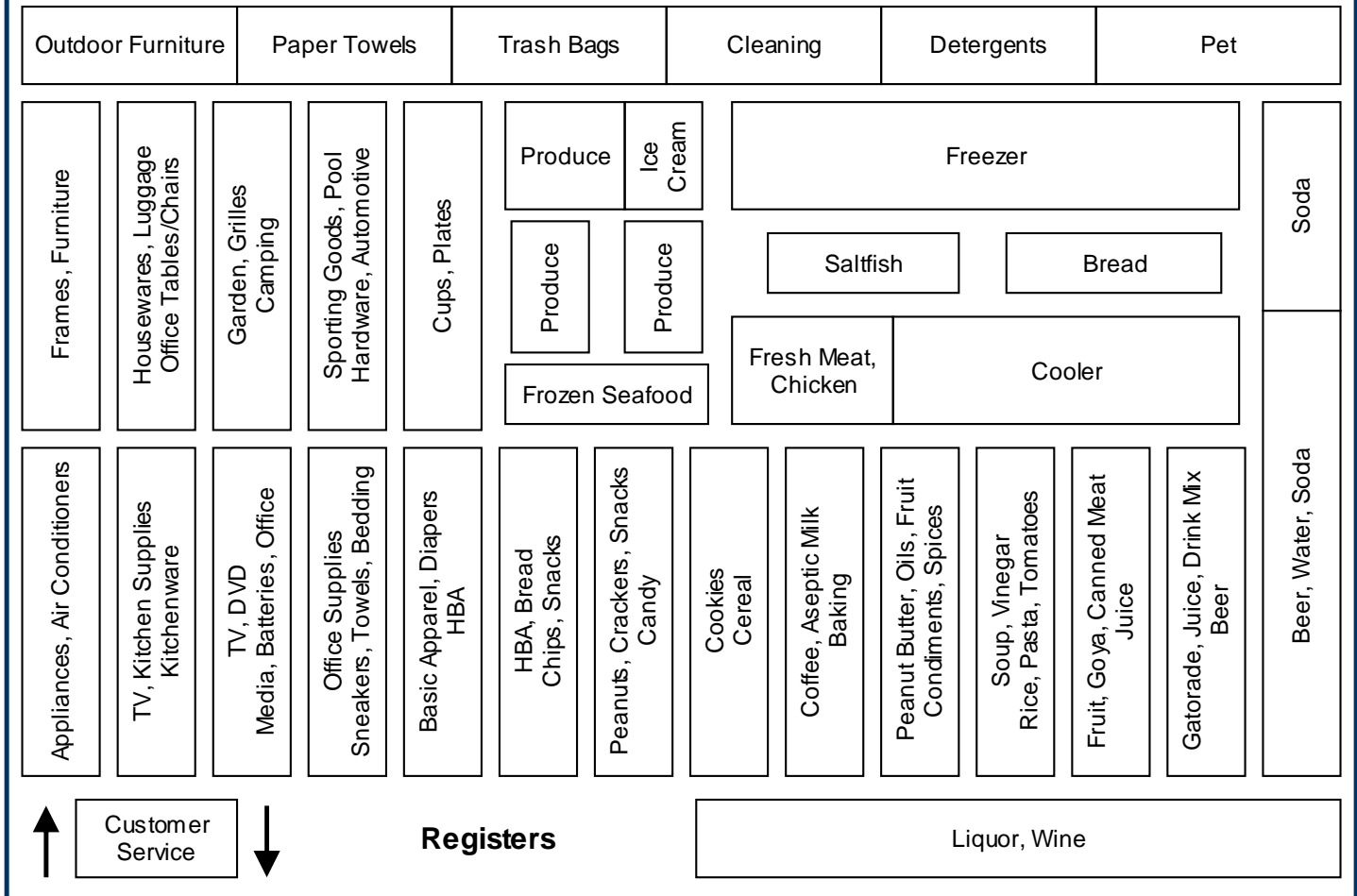
In-Transit – The one area that is a challenge for Cost-U-Less is managing the relationship between inventory in the locations, sales volume and inventory moving through the distribution network. The transit times differ for each market and the replenishment team must calculate those differences and account for them in the buying process.

Shipping Allowances – The Cost-U-Less payment calendar begins upon receipt at its distribution centers. Due to the longer transit times, Cost-U-Less asks vendors for extended payment terms, freight allowances and off-shore allowances.

Cost-U-Less Layout

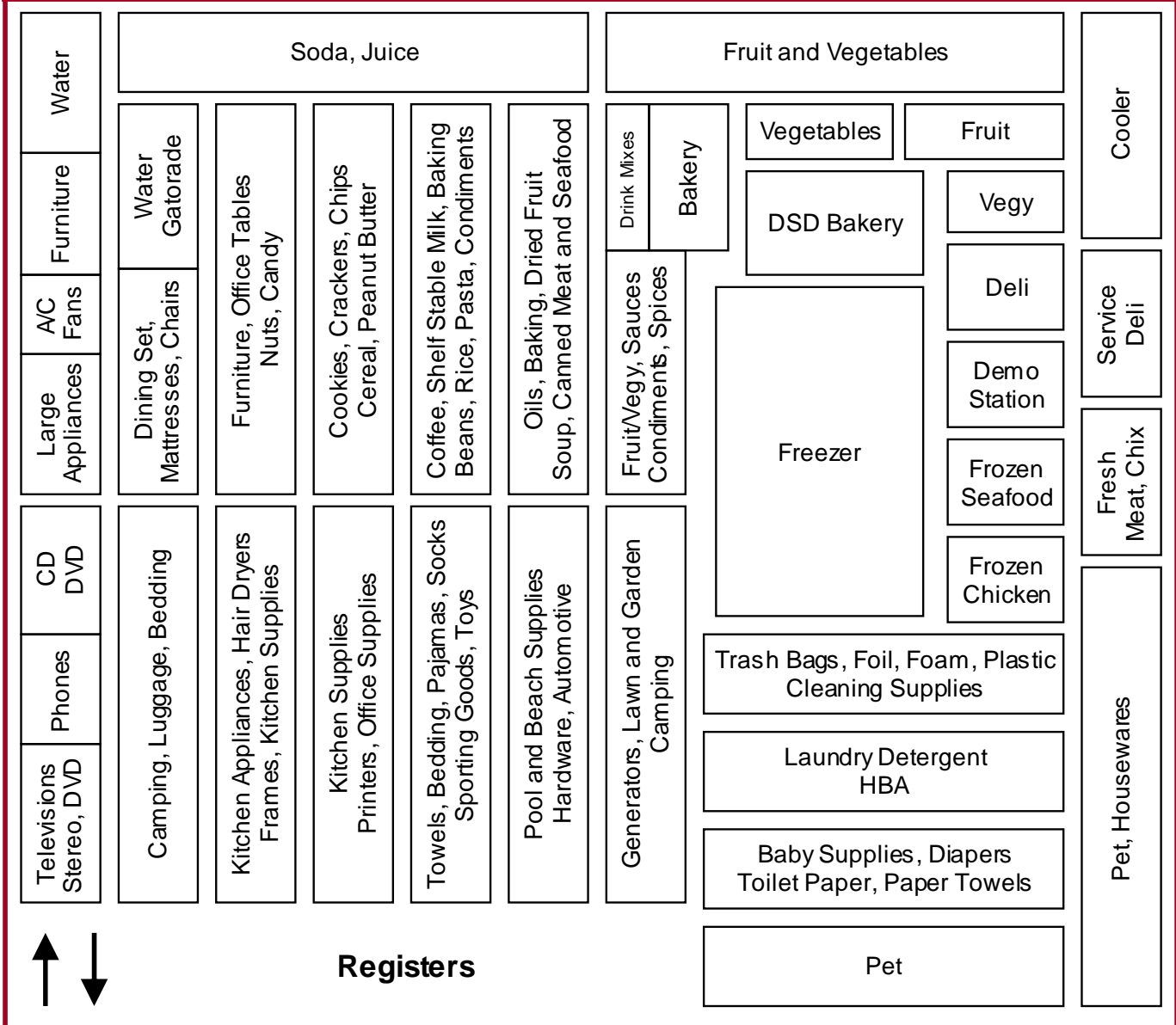
St. Thomas, U.S. Virgin Islands

(Opened 1993, Layout—January, 2010)



Grand Cayman, Cayman Islands

(Opened 2007, Layout—April, 2011)



Cost-U-Less Locations

Worldwide Locations – December 31, 2014 – 13

Caribbean - 6

Region	Country	Address	Town	State	Zip	Opened
Caribbean	Barbados	C2 Arthur Seat Rd, Welches	St. Thomas	Barbados	n/a	2013
Caribbean	Grand Cayman	51 Lime Tree Bay Ave.	West Bay	Grand Cayman	n/a	2007
Caribbean	Netherlands Antilles	Jan Noodrduynweg Z/N	Curacao	Netherlands Antilles	n/a	1999
Caribbean	Netherlands Antilles	72 Bush Road	St. Maarten	Netherlands Antilles	n/a	2000
Caribbean	United States	4300 Sion Farm, Christiansted	St. Croix	US Virgin Islands	00820	2005
Caribbean	United States	4400 Weymouth Rhymer Hwy	St. Thomas	US Virgin Islands	00802	1993

Pacific – 6

Region	Country	Address	Town	State	Zip	Opened
Pacific	Fiji	Laucala and Grantham Road	Suva	Fiji	n/a	1998
Pacific	United States	Ottoville Center	Pago Pago	American Samoa	96799	1995
Pacific	United States	615 Harmon Loop Road	Dededo	Guam	96912	2003
Pacific	United States	265 Chalan San Antonio Road	Tamuning	Guam	96911	1995
Pacific	United States	715 Kinoole Street	Hilo	Hawaii	96720	1992
Pacific	United States	4525 Akia Road	Kapaa, Kauai	Hawaii	96746	1993

United States Mainland – 1

Region	Country	Address	Town	State	Zip	Opened
United States	United States	760 E. Mono Way	Sonora	CA	95370	1994

Notes

Cost-U-Less History

Corporate History

1989 – Jim Rose founded Cost-U-Less and opened its first location on the Hawaiian Island of Maui. In the beginning, 90% of the merchandise was purchased at a nearby Costco in Honolulu.

1998 – Cost-U-Less went public and sold 1.38 million shares at \$7 per share.

1999 – J. Jeffrey Meder was named president and chief executive officer of Cost-U-Less, replacing cofounder Jim Rose.

2007 – The North West Company (NWC) acquired Cost-U-Less for \$52.2 million or \$11.75 per share of common stock. NWC generated \$945 million annually from 206 food and general merchandise stores in Canada and Alaska. Edward Kennedy, president and chief executive officer of NWC, said, “We plan to continue Cost-U-Less’ approach of tailoring each store’s merchandise mix to local market needs. Over the next five to seven years we expect to add new warehouse stores within Cost-U-Less’ geographic regions and expand into other store types that build on Cost-U-Less’ existing market presence.”

2007 – Rex Wilhelm, president of the Alaskan division of NWC, was named president of Cost-U-Less.

2014 – Executives at NWC won a proxy battle with shareholders that would have forced the company to sell ownership of its 13 Cost-U-Less locations. Investors claimed Cost-U-Less is not consistent with NWC’s brand and consumer base. H. Sanford Riley, chairman of the board of directors at NWC, said, “We don’t expect to sell winter gloves in Hawaii, but there are buying synergies.”



Cost-U-Less – Coolers

Financial History

1993 – Cost-U-Less’ annual sales were \$85.6 million. It produced operating profits of \$3.8 million, or 4.4% of sales, and net income of \$2.4 million, or 2.8% of sales.

1997 – Cost-U-Less’ annual sales were \$124.9 million and operating profits were \$1.0 million, or 0.8% of sales. Gross margins were 16.4%, an all-time high.

1999 – Retail analysts were impressed with Cost-U-Less. Alex Woodward, an analyst at Black & Company, who rated Cost-U-Less a BUY, said, “They have had some impressive numbers and they’ve been doing well. It’s just that this is a little company that everyone has sort of overlooked because they don’t have any exposure on the mainland to speak of.”

2001 – Cost-U-Less reported that fiscal year sales decreased from \$186.3 million last year to \$177.9 million. Gross margins increased from 15.2% in 2000 to 16.3%. Operating income increased from a loss of \$4.1 million last year to a profit of \$1.8 million and net income increased from a loss of \$5.5 million last year to a profit of \$556,000.

2003 – Cost-U-Less’ annual sales increased 0.5% to \$177.1 million. Comparable sales increased 8.2% and operating income increased 89.5% to \$2.1 million. Gross margins increased 121 basis points to 17.79% of sales.

2006 – Annual sales increased 1.2% to \$222.0 million. Comparable sales increased 3.4%. Gross margins increased 18 basis points to 18.77%. Operating income decreased 6.5% to \$4.7 million and net income decreased 11.5% to \$2.7 million.

Location History

1992 – After opening its first location on Maui in 1989, Cost-U-Less did not open a second location until 1992 when it opened a location in Guam.

1992 – 1995 – During this time period, Cost-U-Less opened four island locations and six United States locations. The mainland locations experienced stiff competition from discount retailers and warehouse clubs and became unprofitable. Cost-U-Less decided to abandon its mainland operation, with the exception of its Sonora, California location, which continues to operate. After closing its mainland clubs, the company focussed on its island strategy.



Cost-U-Less – Vitamin Display

1999 – Cost-U-Less opened two locations in New Zealand.

2000 – Cost-U-Less closed its two clubs in New Zealand. Meder said, “We are disappointed that awareness of and demand for U.S. goods was below expectations in the New Zealand market ... By exiting this market, we can now redirect our human and financial resources to improving business in our remaining eleven stores.”

2001 – Cost-U-Less reported that it will close one of its locations in Fiji due to the political turmoil in the country. Cost-U-Less will continue to operate its location in Suva, the capital of Fiji.

2004 – Meder discussed the company’s turnaround efforts which began in fiscal 2000. Meder said, “We are now poised for expansion, and we are focused on identifying and analyzing opportunities in selected new markets and relocation opportunities for existing stores where leases are expiring, such as the St. Croix market. Executing our growth strategy is one of management’s top priorities, and although we have nothing to report at this time, we are currently working on several opportunities we hope to be able to announce in the future.”

2005 – Cost-U-Less relocated its existing location in St. Croix, U.S. Virgin Islands from the western side of the island to a location closer to the main trade area. At 38,000 square feet, the new location is 45% bigger than the existing club.

2007 – Cost-U-Less opened a new club in Grand Cayman. This is the company’s 12th location.

2013 – Cost-U-Less opened a new club in Barbados. This is the company’s 13th location.

Buying and Merchandising History

1997 – Cost-U-Less stocked approximately 2,500 items. It does not stock items in the apparel, tires and prescription drug categories. Perishable foods account for approximately 25% of sales. Dry grocery products and alcohol account for 40% of sales. Non-food items account for 35% of sales.

1997 – The average transaction is approximately \$50 per customer.

2002 – Cost-U-Less generated \$583 in sales per square foot which compared favorably to BJ’s (\$382) and Sam’s (\$471).

2004 – Cost-U-Less introduced Prime Grade Beef, the highest U.S. Department of Agriculture grade for beef, to its location in Guam. The product will be sold by request only and will not be available in the club display cases. The product will be delivered weekly to Cost-U-Less in a chilled environment and will never be frozen.

2008 – Cost-U-Less is spending capital to clean and brighten its locations. After this effort is complete, the company will analyze its merchandising strategy and evaluate whether financial services and/or durable goods should be added to its product assortment.

2010 – Cost-U-Less began selling merchandise online in 2010. Costuleless.com offers four product categories: grocery, product, meat and seafood, health and beauty and home office.

2011 – Cost-U-Less initiated a paid end cap program.

2011 – At its location in Grand Cayman, Cost-U-Less introduced demonstration stations located in the perishables department. The program is based on vendors purchasing an eight hour product demonstration. Vendors can choose to divide the eight hours into four 2-hour time slots spread over multiple days. Cost-U-Less has found that changing the product being demonstrated every couple hours keeps its demonstration employees more energized eliminating the repetitive nature of promoting the same item all day. Vendors are also able to sign up to use the demonstrations stations themselves.

2011 – At its location in Grand Cayman, Cost-U-Less reset its produce merchandising displays. In the past, produce in smaller grocery-sized packages were merchandised throughout this section. Managing and rotating those items was time consuming and costly. With the reset, Cost-U-Less now stocked club-sized products on the bottom and smaller grocery-sized products on top. After the reset, Cost-U-Less found that employees spent less time managing and restocking the display freeing them to work in other areas of the store. Within a couple weeks of the reset, produce comparable sales were consistently in the double digits.

Membership History

1997 – Cost-U-Less does not charge a membership fee. The company makes up for the lack of membership fees with higher gross margins of 16% to 19%. To increase gross margins, the company introduced higher margin perishable products, negotiated lower freight costs and stocked smaller packaged, more profitable, items.

Operation History

1997 – By operating in remote island locations, the company has been able to effectively compete with local retailers who have limited access to brand name products and are not familiar with modern, computerized distribution and retailing techniques. The island locations also protect Cost-U-Less from larger competitors like Costco, Sam's, Kmart and Walmart.

1997 – Cost-U-Less has acquired specialized knowledge in operating its island locations. It has learned how to cost effectively distribute product from the U.S. over the ocean to its locations. Government approvals have varied by island and the company has learned how to deal with the different processes. Finally, the company has learned how to construct clubs that can withstand tropical weather, such as hurricanes and typhoons.

1997 – Each location has approximately 45 employees and every new store manager completes a six-month training program.

1997 – Its shrink expense (damaged product that cannot be sold) was reduced from 0.6% of sales in fiscal 1995 to 0.3%.

Notes

PriceSmart

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PriceSmart Profile



PriceSmart – Escazu Exterior

President, CEO – Jose Luis Laparte

Address – 9740 Scranton Road, San Diego, CA, 92121

Phone – 858-404-8800

Stock Symbol – PSMT

Year Began – 1994

Fiscal Year End – August

Web Site – www.pricemart.com

PriceSmart Stock – 1997 to 2015 – Yahoo! Finance



Key Personnel

Robert Price – chairman of the board of directors – Along with Sol Price, Robert, at the age of 33, opened the first Price Club in San Diego, California in 1976. Robert Price was president of The Price Company and managed the day to day operations. He eventually relinquished his role as president and was promoted to chairman of The Price Company in 1988. Price is currently chairman of the board of PriceSmart.

Jose Luis Laparte – president, chief executive officer and director – Laparte was hired as the company's president in June, 2004. Laparte was named chief executive officer in July, 2010. Laparte had worked for Walmart in Mexico and was responsible for the expansion of Sam's Club in Mexico. In October, 2002, Laparte was promoted to vice president of Sam's international operation with responsibility for all international Sam's Club locations. Laparte left Walmart/Sam's late in 2003.

Bill Naylor – executive vice president and chief operating officer – Prior to being promoted to executive vice president and chief operating officer in January, 2002, Naylor was senior vice president of merchandising, senior vice president of operations in Latin America, vice president of Asian operations and worked for ten years managing Price Club and Costco locations.

John Heffner – executive vice president and chief financial officer – Prior to joining PriceSmart in January, 2004 as executive vice president and chief financial officer, Heffner worked for Kyocera, Qualcomm and Digital.

Thomas Martin – executive vice president and chief merchandising officer – Martin began working in the warehouse club industry in 1977 for Price Club. By 1990, he was promoted to vice president of merchandising for Price Club. At PriceSmart, Martin was responsible for developing the direct merchandise sourcing program for its Asian locations and is currently responsible for PriceSmart's entire merchandising program as executive vice president of merchandising.

John Hildebrandt - executive vice president of operations – Hildebrandt began working in the warehouse club industry in 1979 for Price Club. Hildebrandt was promoted to executive vice president of operations in February, 2010. At PriceSmart, he was executive vice president of Central American and Trinidad operations from 2009 to 2010, executive vice president of Central American operations from 2003 to 2009 and executive vice president of Caribbean and Asian operations from 2001 to 2003.

PriceSmart Buying and Operating

PriceSmart opened its first location in 1995 (Panama) and is publicly traded under the symbol PSMT. The company currently operates 36 locations in Central America, South America and the Caribbean. Despite PriceSmart's smaller location size that ranges from 50,000 to 80,000 square feet, its sales production and operations are very similar to United States-based warehouse clubs.

PriceSmart offers its paid members a limited selection of nationally branded (see picture on the right of Wesson canola oil) and private label merchandise within a wide range of product categories. Fiscal 2014 merchandise margins including ancillary businesses were 14.6%. This chapter includes six sections: buying and merchandising, operations, web site, expansion, sales information and product registration, distribution and payment terms.



PriceSmart – Wesson Canola Oil

Buying and Merchandising

PriceSmart's locations average between 50,000 and 80,000 square feet and stock approximately 2,200 items. Bill Naylon, executive vice president and chief operating officer of PriceSmart, said, "Our clubs are less than half the size of a typical American warehouse club. However, we follow the same warehouse club principles ... an annual membership fee to shop, a warehouse facility instead of a store, a limited number of items, unique and higher quality products, a supplier to small businesses and low prices."

Six Rights – PriceSmart's overall buying and merchandising strategy follows the same philosophy developed by Sol Price when he created The Price Club. That belief is summarized as "The Six Rights of Merchandising." PriceSmart provides:

1. **Right Merchandise** – high quality brand name and private label items.
2. **Right Place** – merchandising standards created to maximize sales, secure product and reduce labor/storage.
3. **Right Time** – be in-stock without being overstocked, cleanly transition seasonal SKUs at season's end.
4. **Right Quantity** – utilize just-in-time principles when ordering merchandise.
5. **Right Condition** – merchandise should be packaged, pre-marked and prepared for the club environment.
6. **Right Price** – assure low prices through volume buying, expense reduction and low gross margins.

Buying Philosophy – During its second quarter conference call with financial analysts in April, 2012, Jose Luis Laparte, president and chief executive officer of PriceSmart, discussed four key concepts PriceSmart buyers follow:

1. **Exciting Merchandise** – PriceSmart buyers are focused on purchasing and consistently rotating through its locations a unique assortment of products that members will be interested in buying even if it is not on their shopping list.
2. **Pricing** – PriceSmart buyers are focused on making sure products are purchased and distributed in the most efficient way ensuring low prices.
3. **Pass On Savings** – A critical aspect of PriceSmart's buying strategy is to be a conduit for any price reduction and distribution savings reflecting those cost decreases in an item's retail price.
4. **Small Business** – PriceSmart's buyers are also focused on sourcing products that are important for key small business members like restaurants and convenience stores.

Private Label – PriceSmart's private label strategy is similar to the strategy used by BJ's, Costco and Sam's Club. Tom Martin, executive vice president and chief merchandising officer, said, "We use private label much like the guys in the U.S do to keep the brands honest and where we can provide quality and value above and beyond what we currently have."

When PriceSmart is successful in causing a brand to reduce its prices, it will delete its comparable private label item. Martin said, "That's happened in a couple cases where the spread between the brand and the private label got so narrow we just dropped the private label and went strictly with the brand." PriceSmart stocks four private label brands that account for approximately 27% of overall sales: Member's Selection is the high quality brand, Club Select is an institutional brand, the PriceSmart label is an in-house brand for bakery and some fresh items and Tender Quality, a fresh meat brand.

Local Vendors – PriceSmart works with a number of small local and regional vendors and in some cases, it has been able to help those companies expand outside that initial market. Martin said, “There’s quite a few success stories, but I think for me the biggest success stories are mostly where you do a local play, and that local vendor becomes a regional vendor. One of the better success stories is Irex who started out in Costa Rica being our bulk detergent powder supplier for the bulk program, and at this point they are providing merchandise to 75-80% of the clubs in the company including the Caribbean market.”

Operations

PriceSmart is a victim of its own success as it is faced with how to balance overall sales growth and operations inside its locations. Martin said, “The buildings aren’t getting any bigger but the volumes are increasing, so we’ve really had to be disciplined on efficiencies of handling merchandise in the buildings, and that ties into making sure we’ve got the most effective SKUs in clubs.”

The chart on the right shows how strong PriceSmart’s sales growth has been. The chart shows overall comparable sales by month for the last five calendar years for PriceSmart and Costco.

COMPS	PriceSmart					Costco				
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014
January	6%	17%	15%	4%	8%	8%	9%	8%	4%	4%
February	7%	19%	15%	9%	5%	9%	8%	8%	6%	2%
March	12%	17%	17%	8%	2%	10%	13%	6%	4%	5%
April	9%	22%	9%	10%	5%	11%	12%	4%	4%	5%
May	11%	19%	13%	9%	2%	9%	13%	4%	5%	6%
June	15%	20%	11%	10%	1%	4%	14%	3%	6%	6%
July	16%	21%	9%	9%	2%	6%	10%	5%	4%	5%
August	17%	18%	10%	9%	2%	7%	11%	6%	4%	7%
September	17%	19%	10%	9%	1%	5%	12%	6%	3%	4%
October	18%	19%	7%	9%	2%	6%	9%	7%	3%	4%
November	16%	19%	8%	6%	3%	9%	9%	6%	2%	5%
December	16%	20%	14%	7%	0%	6%	7%	9%	3%	3%
Overall	14%	19%	12%	8%	3%	7%	11%	6%	4%	5%

PriceSmart, Costco Monthly Reports.

Laparte said, “Every inch of space is a premium for us and we always ask how we can better utilize that space.” Even when PriceSmart expands its locations like in Aruba, they don’t just add items. Laparte said, “When we make an expansion, we don’t necessarily add SKUs. In some cases we do, but basically we do a better job merchandising existing product. Members are able to have a better shopping experience.”

Martin went on to say, “It is really about being smart as to how we use every square foot in our locations. For example, in our Escazu location in Costa Rica, we’ve started testing new POS fixtures for deli and fresh. We’ve gone to three tier cases like Costco and we’ve found that we might be able to reduce the amount of footprint allocated to fresh which might allow us to add a couple more bays in some dry grocery categories.”

Web Site

PriceSmart offers online sales in every location. The major difference in how PriceSmart operates its online business is on the fulfillment side. Martin said, “We fulfill through our DC direct to the clubs and the member picks up their order at our location. We do not fulfill to the member’s home.” Online product pricing includes standard shipping, handling and all duties and taxes. Members, however, can choose an express delivery option.

However, PriceSmart has been testing home delivery for members in Bogota, Colombia of merchandise in its nearby Colombian club locations. A third party delivery company is working with PriceSmart on this program. Delivery occurs within 48 hours.

In terms of its buying and merchandising strategy, PriceSmart’s online business expands its assortment. Martin said, “For the most part, our web sites offer only unique items not found in our club locations. Now, we may find a successful online item that could become a traditional club item and the online guys might lose that SKU. We have had some real good success in most of the markets in higher end institutional products like deep fat fryers, ice machines, and other higher ticket restaurant equipment.”

Expansion

In its May 28, 2011 issue, *Barron’s* reported on PriceSmart’s long term opportunities not only in Colombia but also potentially in Brazil. South America’s largest economy is Brazil followed by Venezuela, Argentina and Colombia. Robert Price, chairman of the board of director’s at PriceSmart, said, “The opportunities remain immense in the Latin emerging markets.”

In the company’s 2012 annual report, Price said, “We are directing much attention to finding sites for new PriceSmart warehouse clubs in the major cities of Colombia. In this regard, since real estate selection is an important strategic aspect of our company’s operations we are taking a deliberate approach to choosing our new sites in Colombia, in order to purchase or lease real estate that is located in the right place and at the right price ... In addition to these efforts, our real estate team continues to seek opportunities to add more locations in Central America and the Caribbean.”

Sales Information

2014 Calendar Year - Worldwide					
Club	Sales per Club		Sales per Square Foot	Sales per SKU	
	Yearly (million)	Weekly (million)		Yearly/Chain (million)	Weekly/Club
Costco	\$171	\$3.3	\$1,187	\$24.8	\$710
PriceSmart	\$74	\$1.4	\$1,058	\$1.2	\$628
Cost-U-Less	\$23	\$0.4	\$714	\$0.1	\$133
Sam's Club	\$94	\$1.8	\$704	\$12.2	\$278
BJ's	\$68	\$1.3	\$621	\$1.8	\$168

WCF research, estimates, club reports.

When analyzing two key club industry metrics, PriceSmart's operations stack up very strongly against larger United States-based club operators (see calendar year sales chart on the left). PriceSmart is second in sales per square foot and in average weekly sales per item per club. In terms of category sales penetration, according to PriceSmart's 2014 annual report: food represented 53% of sales, sundries represented 26% of sales, hardlines represented 12% of sales, softlines represented 7% of sales and ancillary businesses represented 2% of sales.

Product Registration, Distribution and Payment Terms

Product Registration – Any manufacturer who ships food products to Latin America must register each item in each country in which the product will be sold. Food product registration requirements in the Caribbean change by country and product and in some cases may not be required at all. The registration, which is required by law in each country, lasts an average of five years. Registration costs vary by item and country with some items as low as \$150 and the average is approximately \$350. Product registrations are not required for any non-food item sold to Central America and the Caribbean.

PriceSmart works hard to minimize the amount of registration work for vendors. PriceSmart has an in-house product registration staff that helps both buyers and vendors secure registrations in each country. In most cases, all the vendor does is pull paperwork together as PriceSmart does the registration legwork. PriceSmart provides each vendor with the necessary documents for each country and the vendor fills out the documents and provides samples of the items it intends to sell PriceSmart. Sample requirements vary by item and country.

Distribution – PriceSmart has developed an expertise and competitive advantage in shipping merchandise to its Latin American and Caribbean locations. PriceSmart operates three distribution centers. Its primary facility, 274,000 square feet, is located in Miami, Florida. It also operates a facility (27,201 square feet) in Costa Rica and a facility in Panama (25,690 square feet).

The majority of United States vendors ship merchandise through PriceSmart's primary distribution center in Miami. PriceSmart does not divert merchandise. When an item is delivered to one of PriceSmart's distribution centers, a manufacturer should feel 100% confident that the item will be delivered to a PriceSmart location. PriceSmart ships to each location once per week. A U.S. vendor's payment terms begin when PriceSmart signs for merchandise in Miami and vendors are paid, when those payment terms are due, in U.S. dollars.

Payment Terms – PriceSmart typically looks for payment terms of 60 days, especially from United States vendors. This is because PriceSmart's payment calendar begins upon product receipt at its distribution center in Florida. Since PriceSmart only ships to each location once per week, an item will typically remain in the distribution center for ONE WEEK. It then will typically take an additional TWO WEEKS for the item to get from the distribution center to the club location. When an item passes through customs in each country, PriceSmart is required by law to pay the duty on the item, which can range from 1% to 25% of the item's cost. In addition, PriceSmart is responsible for paying a customs broker fee. Before PriceSmart is able to sell an item, three weeks have counted against its payment calendar and it has incurred import costs for that item.

Notes

PriceSmart Financials

Fiscal Year ends August		CAGR 10-14	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Income (million)	Merchandise Sales	16%	\$2,444	\$2,239	\$1,999	\$1,675	\$1,366	\$1,224	\$1,098	\$869	\$720	\$605
	Export Sales (Philippines)	66%	\$31	\$23	\$15	\$9	\$4	\$4	\$1	\$1	\$0	\$0
	Membership Fees	18%	\$38	\$34	\$27	\$23	\$20	\$18	\$16	\$14	\$12	\$9
	Club Related Revenues	16%	\$2,514	\$2,296	\$2,042	\$1,706	\$1,389	\$1,246	\$1,115	\$884	\$731	\$615
	Other Income	4%	\$4	\$4	\$4	\$4	\$3	\$3	\$5	\$5	\$4	\$4
	Total Revenues	16%	\$2,518	\$2,300	\$2,045	\$1,710	\$1,393	\$1,249	\$1,120	\$889	\$735	\$619
	Cost of Goods Sold (merchandise)	16%	\$2,084	\$1,908	\$1,701	\$1,423	\$1,156	\$1,045	\$935	\$738	\$611	\$517
	Cost of Goods Sold (export)	66%	\$30	\$22	\$15	\$8	\$4	\$4	n/a	n/a	n/a	n/a
	SGA	14%	\$262	\$241	\$221	\$189	\$158	\$145	\$134	\$115	\$103	\$96
	Other Costs	30%	\$5	\$2	\$1	\$1	\$2	\$1	\$3	\$7	\$2	\$11
	Operating Expenses	16%	\$2,381	\$2,173	\$1,938	\$1,621	\$1,320	\$1,191	\$1,072	\$861	\$717	\$624
	Operating Income	17%	\$137	\$127	\$108	\$89	\$73	\$58	\$48	\$28	\$18	-\$5
	Net Income	17%	\$93	\$84	\$68	\$62	\$49	\$42	\$38	\$13	\$12	-\$5
	Comparable Sales	4.8%	9.0%	14.7%	18.0%	8.2%	8.7%	20.1%	20.1%	15.6%	14.1%	
Margins	Merchandise Margin - Locations	-1%	14.74%	14.81%	14.91%	15.05%	15.32%	14.60%	14.77%	15.05%	15.02%	14.54%
	Merchandise Margin - Export	-5%	4.95%	5.48%	4.38%	5.20%	6.02%	n/a	n/a	n/a	n/a	n/a
	Merchandise Margin - Overall	-1%	14.62%	14.71%	14.83%	15.00%	15.29%	14.60%	14.77%	15.05%	15.02%	14.54%
	Membership Margin	2%	1.56%	1.51%	1.35%	1.36%	1.45%	1.46%	1.46%	1.59%	1.60%	1.56%
	Gross Margin	-1%	16.18%	16.23%	16.17%	16.37%	16.73%	16.06%	16.24%	16.65%	16.62%	16.10%
	SGA vs Revenues	-2%	10.4%	10.5%	10.8%	11.1%	11.4%	11.6%	12.0%	13.1%	14.1%	15.6%
	Operating Income vs Sales	1%	5.5%	5.6%	5.3%	5.3%	5.3%	4.7%	4.3%	3.2%	2.5%	-0.9%
Net Income vs Sales	1%	3.8%	3.7%	3.4%	3.7%	3.6%	3.4%	3.5%	1.5%	1.6%	-0.8%	
Clubs	Panama	0%	4	4	4	4	4	4	4	4	4	4
	Colombia		3	3	1	1	n/a	n/a	n/a	n/a	n/a	n/a
	Costa Rica	5%	6	5	5	5	5	5	4	4	4	3
	Guatemala	0%	3	3	3	3	3	3	3	2	2	2
	El Salvador	0%	2	2	2	2	2	2	2	2	2	2
	Honduras	11%	3	2	2	2	2	2	2	2	2	2
	Nicaragua	0%	1	1	1	1	1	1	1	1	1	1
	Total Latin America	7%	22	20	18	18	17	17	16	15	15	14
	Trinidad	0%	4	4	4	4	4	3	3	2	2	2
	Aruba	0%	1	1	1	1	1	1	1	1	1	1
	Dominican Republic	11%	3	3	3	3	2	2	2	2	2	2
	Barbados	0%	1	1	1	1	1	1	1	1	1	1
	U.S. Virgin Islands	0%	1	1	1	1	1	1	1	1	1	1
	Jamaica	0%	1	1	1	1	1	1	1	1	1	1
Total Caribbean	2%	11	11	11	11	10	9	9	8	8	8	
Total Worldwide	5%	33	31	29	29	27	26	25	23	23	22	
Saipan (license)		n/a	n/a	n/a	n/a	1	1	1	1	1	1	
Worldwide Detail (million)	US Revenue (Export Sales)	66%	\$31	\$23	\$15	\$9	\$4	\$4	\$1	\$1	\$0	\$0
		42%	1%	1%	1%	1%	0%	0%	0%	0%	0%	0%
	Latin America Revenue	19%	\$1,701	\$1,542	\$1,337	\$1,060	\$857	\$741	\$671	\$542	\$450	\$379
		2%	68%	67%	65%	63%	63%	60%	61%	62%	63%	63%
	Caribbean Revenue	10%	\$785	\$734	\$692	\$614	\$535	\$507	\$447	\$346	\$285	\$239
		-5%	31%	32%	34%	36%	39%	41%	41%	40%	40%	40%
	US Operating Income	24%	\$38	\$34	\$31	\$25	\$16	\$4	\$4	\$6	\$2	\$1
		6%	28%	27%	29%	28%	23%	7%	8%	22%	9%	n/a
	Latin America Operating Income	14%	\$72	\$70	\$57	\$49	\$42	\$33	\$29	\$13	\$13	\$5
		-2%	53%	55%	53%	55%	58%	56%	60%	47%	72%	-93%
Caribbean Operating Income	15%	\$26	\$23	\$19	\$15	\$15	\$21	\$16	\$8	\$3	-\$11	
	-2%	19%	18%	18%	16%	21%	36%	34%	30%	19%	n/a	
Item Sales	Annual Physical SKU Count (est)		2,200	2,200	2,200	2,200	2,100	2,159	1,850	1,850	1,839	n/a
	Ancillary Percentage	0%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
	Merchandise less Ancillary (mil)	16%	\$2,426	\$2,217	\$1,974	\$1,650	\$1,342	\$1,203	\$1,077	\$853	\$705	n/a
	YEARLY Sales per SKU	15%	\$1,102,764	\$1,007,763	\$897,450	\$749,976	\$639,182	\$557,316	\$582,177	\$460,927	\$383,494	n/a
	WEEKLY Sales per SKU		\$21,207	\$19,380	\$17,259	\$14,423	\$12,292	\$10,718	\$11,196	\$8,864	\$7,375	n/a
YEARLY Sales/SKU/LOCATION	9%	\$34,461	\$33,592	\$30,947	\$26,785	\$24,120	\$21,856	\$24,257	\$20,040	\$17,044	n/a	
WEEKLY Sales/SKU/LOCATION		\$663	\$646	\$595	\$515	\$464	\$420	\$466	\$385	\$328	n/a	
Sales Data	Average Clubs Open During Year	5%	32	30	29	28	27	26	24	23	23	22
	Yearly Sales per Club (million)	10%	\$76	\$75	\$69	\$60	\$52	\$48	\$46	\$38	\$32	\$27
	Yearly Sales/Club (annual report)		\$74	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	Total Square Footage (thousand)	7%	2,295	2,104	1,933	1,933	1,769	1,656	1,578	1,426	1,080	1,056
	Square Foot per Club (thousand)	2%	70	68	67	67	66	64	63	62	61	61
	Sales per Square Foot	9%	\$1,098	\$1,100	\$1,035	\$898	\$786	\$754	\$725	\$609	\$524	\$451
	Yearly Operating Income/Club (mil)	12%	\$4.3	\$4.2	\$3.7	\$3.2	\$2.7	\$2.3	\$2.0	\$1.2	\$0.8	-\$0.2
Weekly Sales per Club (million)	10%	\$1.5	\$1.4	\$1.3	\$1.2	\$1.0	\$0.9	\$0.9	\$0.7	\$0.6	\$0.5	
Weekly Op. Income/Club (thous)	12%	\$82.2	\$81.4	\$71.4	\$61.3	\$52.8	\$43.9	\$38.3	\$23.4	\$15.5	-\$11.0	

WCF Research, PriceSmart Annual Reports

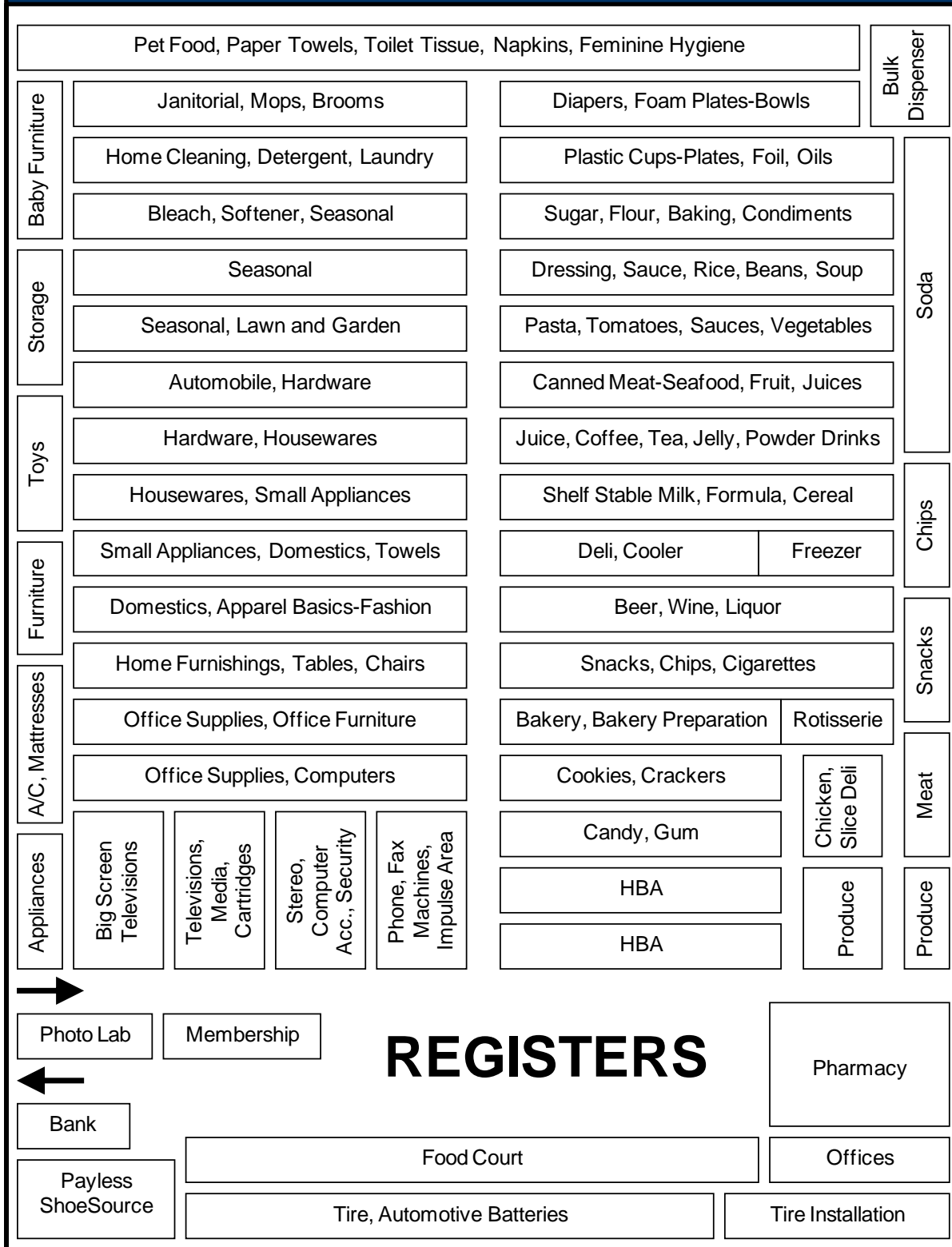
Fiscal Year ends August		CAGR 10-14	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	
Employ.	Total Employees	9%	6,772	6,371	5,752	5,455	4,728	4,385	4,200	3,434	2,937	2,961	
	Merchandise Sales per Employee	6%	\$365,563	\$355,097	\$350,258	\$308,638	\$289,695	\$280,000	\$261,669	\$253,383	\$245,025	\$204,464	
	Operating Profit per Employee	7%	\$20,187	\$19,941	\$18,709	\$16,374	\$15,399	\$13,267	\$11,382	\$8,147	\$6,173	-\$1,794	
Sales (Percent from 10K)	Sundries	15%	\$636	\$582	\$520	\$435	\$369	\$331	\$285	\$269	\$216	\$175	
		-1%	26%	26%	26%	26%	27%	27%	26%	31%	30%	29%	
	Food	17%	\$1,295	\$1,187	\$1,060	\$871	\$696	\$624	\$538	\$365	\$309	\$266	
		1%	53%	53%	53%	52%	51%	51%	49%	42%	43%	44%	
	Hardlines	11%	\$293	\$291	\$260	\$234	\$191	\$171	\$176	\$139	\$115	\$103	
		-4%	12%	13%	13%	14%	14%	14%	16%	16%	16%	17%	
	Softlines	20%	\$171	\$134	\$120	\$100	\$82	\$73	\$77	\$78	\$65	\$48	
		4%	7%	6%	6%	6%	6%	6%	7%	9%	9%	8%	
	Ancillary	16%	\$49	\$45	\$40	\$33	\$27	\$24	\$22	\$17	\$14	\$12	
		0%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	
	Balance Sheet	Inventory (million)	15%	\$226	\$217	\$201	\$177	\$131	\$116	\$114	\$96	\$77	\$66
		Inventory Turnover per Year		9.8	9.7	10.2	9.7	9.4	9.1	8.9	8.5	8.5	8.5
Days in Gross Inventory			37.4	37.8	35.6	37.6	38.7	40.1	40.9	42.9	42.7	43.1	
Inventory per Club (million)		9%	\$6.5	\$6.4	\$5.7	\$5.1	\$4.5	\$4.4	\$4.2	\$3.8	\$3.1	\$2.8	
Accounts Payable (million)		16%	\$226	\$199	\$173	\$163	\$124	\$101	\$96	\$81	\$66	\$57	
A/P vs Inventory Percent			93%	92%	90%	90%	90%	86%	84%	84%	86%	88%	
Membership	Renewal Rate		84%	85%	88%	88%	86%	84%	85%	83%	85%	85%	
	Membership Accounts	13%	1,182,355	1,095,513	965,601	832,500	717,000	651,000	604,000	535,000	480,000	414,000	
	Members per Club	8%	36,949	36,517	33,297	29,732	27,057	25,529	25,167	23,261	21,333	18,818	
	Sales per Member	2%	\$2,067	\$2,044	\$2,071	\$2,012	\$1,905	\$1,880	\$1,817	\$1,624	\$1,499	\$1,461	
	Average Member Fee	4%	\$32	\$31	\$28	\$27	\$28	\$28	\$27	\$26	\$24	\$23	
Growth Rates	Merchandise Sales		9%	12%	20%	23%	12%	12%	26%	21%	19%	14%	
	Membership Revenue		13%	25%	18%	16%	10%	12%	16%	20%	22%	19%	
	SGA		9%	9%	17%	20%	9%	8%	16%	12%	8%	3%	
	Cost of Goods		9%	12%	20%	23%	11%	12%	27%	21%	18%	13%	
	Gross Margin		0%	0%	-1%	-2%	4%	-1%	-2%	0%	3%	5%	
	Operating Income		8%	18%	20%	23%	25%	22%	71%	54%	n/a	n/a	
	Membership Accounts		8%	13%	16%	16%	10%	8%	13%	11%	16%	n/a	
	Warehouse Count		6%	7%	0%	7%	4%	4%	9%	0%	5%	0%	
Financial	Return on Equity		17%	18%	16%	16%	15%	14%	14%	5%	5%	-2%	
	Return on Assets		10%	10%	9%	9%	9%	9%	8%	3%	3%	-1%	
	Stock Closing Price	37%	\$89.62	\$85.97	\$73.14	\$65.46	\$25.81	\$17.75	\$21.25	\$23.96	\$12.92	\$8.27	
	Price/Earnings Ratio		29	31	33	32	16	12	16	53	31	negative	
	Market Capitalization (millions)		\$2,666	\$2,549	\$2,162	\$1,927	\$755	\$514	\$621	\$701	\$353	\$167	
Current Ratio		1.3	1.4	1.4	1.3	1.3	1.3	1.3	1.2	1.4	1.3		

WCF Research, PriceSmart Annual Reports

PriceSmart Layout

Escazu, Costa Rica

(Opened 2000, Layout – March, 2006)



St. Thomas, United States Virgin Islands

(Opened 2001, Layout—January, 2010)

Receiving	Beer, Malt		Paper Towels, Diapers		HBA
	Baking, Oils Tomatoes, Pasta, Rice		Detergents Cutlery, Cups, Storage Bags, Foil		
Water	Spices, Dressing, Sauces, Ketchup Soup, Canned Meat and Seafood		Plates, Cups, Bowls Trash Bags, Cleaning Supplies		Pet
	Dried Fruit, Fruit, Olives, Vegetables Juice, Drink Mix		Cleaning Supplies Camping, Pool Supplies		
Gatorade	Juice Breakfast, Coffee, Aseptic Milk		Outdoor Furniture		Baby Supplies
	Chips, Snacks Cereal		Air Conditioners Hardware, Light Bulbs		
Soda	Freezer	Juice	Automotive Apparel		Bedding
	Freezer	Bakery	Apparel Bath Towels, Vacuums		
Bread	Freezer	Cooler	Bedding Office Tables and Chairs		Housewares
	Alcohol, Wine		Foodservice Supplies, Kitchen Kitchen, Appliances		
Rotisserie Chicken	Saltfish	Cookies, Crackers Candy		Cereal, Dried Fruit Computer Acc., Batteries	Printers, Cartridges Phones, Stereo
	Fresh Turkey Fresh Seafood	HBA			
Fresh Meat	Produce		Wall Mounts, DVD Televisions		Major Appliances
	Fresh Chicken	Produce	Registers		
Prep Area	Food Court		Tires and Batteries		TV

PriceSmart Locations

Worldwide Locations – December 31, 2014 – 36

Caribbean – 11

Region	Country	Address	Alternate Name	Town	State	Year Opened
Caribbean	Aruba	Avenida Mliio J. Croes #103		Oranjestad	Aruba	2001
Caribbean	Barbados	Lodge Road and Highway 2		St. Michaels	Barbados	2001
Caribbean	Dominican Republic	Avenida Estrella Sahdalá No.21		Santiago	Dominican Republic	1999
Caribbean	Dominican Republic	Ave. República de Colombia, No.: 84 Altos de Arroyo Hondo, Santo	Arroyo Hondo	Domingo	Dominican Republic	2010
Caribbean	Dominican Republic	Avenida Charles Sumner No. 54, Los Prados	Los Prados	Santo Domingo	Dominican Republic	1999
Caribbean	Jamaica	111 Red Hills Road		Kingston 19	Jamaica	2003
Caribbean	Trinidad & Tobago	Endeavour and Narsaloo Ramaya Road		Chaguanas	Trinidad	2000
Caribbean	Trinidad & Tobago	Corner of Churchill Roosevelt Highway And Mausica Main Rd. Arima		Mausica	Trinidad	2007
Caribbean	Trinidad & Tobago	2 Mile Mark South Trunk Road Corner Lucky Street		San Fernando	Trinidad	2010
Caribbean	Trinidad & Tobago	Invaders Bay off Audrey Jeffers Highway		Port of Spain	Trinidad	2001
Caribbean	USVI	4400 State, 28-2A Estate Charlotte Amalie		St. Thomas	USVI	2001

Central America – 19

Region	Country	Address	Alternate Name	Town	State	Year Opened
Central America	Costa Rica	Carretera a Heredia, de Mabe (antigua Atlas Eléctrica) 300 metros norte		Heredia	Costa Rica	2000
Central America	Costa Rica	Frente al Convento de las Monjas, 450 mts noreste del paso elevado Carretera 32		Llorente	Costa Rica	2005
Central America	Costa Rica	Barrio San José frente a Mutual Alajuela		Alajuela	Costa Rica	2009
Central America	Costa Rica	Contiguo a Terra Campus y Terramall La Unión		Cartago	Costa Rica	2013
Central America	Costa Rica	150 metros al este de Multiplaza, Frente a la Autopista Próspero Fernández	Escazu	San Jose	Costa Rica	2000
Central America	Costa Rica	Frente al Registro Nacional	Zapote	San Jose	Costa Rica	1999
Central America	El Salvador	Urbanización Madre Selva, Calle Cortez Blanco y Ave. El Pepeto #86, Antiguo Cuscatlán	Santa Elena	La Libertad	El Salvador	1999
Central America	El Salvador	Bhd. Tutunichapas Urb Siglo XXI, Lote #1	Los Heroes	San Salvador	El Salvador	2000
Central America	Guatemala	Km. 20.5 - Carretera a El Salvador		Fraijanes	Guatemala	2007
Central America	Guatemala	21 avenida 7-90 zona 11, Miraflores	Miraflores	Guatemala City	Guatemala	2001
Central America	Guatemala	20 avenida 18-46. Zona 10	Pradera	Guatemala City	Guatemala	1999
Central America	Honduras	100 Mts al Sur de CURN, El Playón		San Pedro Sula	Honduras	2006
Central America	Honduras	Colonia Florencia Between Sears and Mall Multiplaza		Tegucigalpa	Honduras	2000
Central America	Honduras	Anillo Periférico Sur, Entrada a Residencial El Sauce, Comayagüela, D.C.	El Sauce	Tegucigalpa	Honduras	2014
Central America	Nicaragua	De la Rotonda el Gueguense 100 mts east Antigua Hospital		Managua	Nicaragua	2003
Central America	Panama	Corregimiento San Pablo Viejo, Distrito de David Provincia de Chiriquí, sobre el Km.443		David	Panama	2000
Central America	Panama	\	El Dorado	Panama	Panama	1999
Central America	Panama	About Via Tocumen, Brnsas del Golf entrance, next to Bonlac	Brnsas	Panama	Panama	2010
Central America	Panama	Corner of Via Brasil and Via España	Via Brasil	Panama	Panama	1997

South America – 6

Region	Country	Address	Alternate Name	Town	State	Year Opened
South America	Colombia	Carrera 53 con calle 106 esquina		Barranquilla	Colombia	2011
South America	Colombia	Plaza Comercial Cañasgordas, Cra 121 No 18 - 34	Canas Gordas	Cali	Colombia	2012
South America	Colombia	Calle 64N No 5BN – 183	Menga	Cali	Colombia	2013
South America	Colombia	Avenida Las Américas con Calle 52 (Barrio El Rosal)		Pereira	Colombia	2014
South America	Colombia	Intersección Avenida Boyacá con Calle 26 (costado nororiental)		Bogota	Colombia	2014
South America	Colombia	Carrera 70 con Calle Primera (Antiguos Hangares de ACES)		Medellin	Colombia	2014

Notes

PriceSmart History

Corporate History

1993 – Price Club and Costco Wholesale merged into a new company called PriceCostco.

1994 – Price Enterprises, which was created as a wholly owned subsidiary of PriceCostco consisting of non-club commercial real estate and other assets, was spun off from PriceCostco and became a public company.

1994 – Robert Price became president, chief executive officer and chairman of the board of directors of Price Enterprises. A subsidiary of Price Enterprises called Price Quest was created to manage retail and merchandising operations.

1997 – Price Enterprises and Price Quest became separately traded public companies. Price Enterprises continued to operate a real estate business. Price Quest, whose name was changed to PriceSmart (NASDAQ – PSMT), would operate an international and domestic retail business.

1997 – Gilbert A. Partida, a director, was named president and chief executive officer of PriceSmart.

2001 – Bill Naylor was promoted to executive vice president and chief operating officer from executive vice president of foods.

2003 – Gil Partida resigned. Price retained his role as chairman and acted as interim chief executive officer of PriceSmart.

2003 – PriceSmart hired John M. Heffner as its executive vice president and chief financial officer.

2004 – PriceSmart hired Jose Luis Laparte as president. Prior to PriceSmart, Laparte worked for Walmart in Mexico where he was vice president of international operations for Sam's Club.

2009 – Sol Price is universally credited with being a leading force behind discount retail merchandising and he co-founded The Price Club with his son Robert Price, creating the warehouse club industry. On December 14, 2009, Sol Price passed away at the age of 93 at his home in La Jolla, California.

2010 – PriceSmart promoted Laparte to president and chief executive officer. Price remained as chairman of the board. Price said, "Jose Luis Laparte has demonstrated excellent operational and merchandising skills since he joined our Company in 2004. Under his leadership as president, net warehouse sales have more than doubled from \$605 million in fiscal year 2005 to over \$1.3 billion in the most recent 12 month period ... Jose Luis' promotion to chief executive officer and president is very well earned and deserved."



PriceSmart – Soap

Financial History

1998 – Fiscal year revenues increased 35% to \$83.8 million with net income of \$3.0 million compared to a loss of \$24.8 million last fiscal year.

2000 – Fiscal year revenues increased 206% to \$299.8 million. Merchandise gross margins were 12.24%.

2003 – Based on an internal audit, PriceSmart restated its financial results for its 2002 fiscal year and the first three quarters of its 2003 fiscal year. An accounting mistake caused net warehouse sales to be overstated in fiscal 2002 by 2.7%, or \$16.6 million, and in the first three quarters of fiscal 2003 by 2.5%, or \$12.7 million.

2003 – PriceSmart's financial results were weak due to the following buying and operating strategies: it used a high/low pricing strategy and members purchased a larger amount of items with lower gross margins, PriceSmart did not stock enough American merchandise, membership renewal rates were declining and its Mexican locations were performing poorly.

2005 – Fiscal year revenues increased 13.7% to \$618.8 million, merchandise sales increased 14.1% to \$604.9 million and membership fees increased 18.7% to \$9.4 million. PriceSmart reported an operating loss of \$5.3 million compared to a loss of \$6.7 million last year. Gross margins increased 53 basis points to 14.61%.

2007 – Fiscal year merchandise sales increased 20.8% to \$869.1 million. Membership revenues increased 20.3% to \$13.9 million and overall revenues increased 21.0% to \$888.8 million. Merchandise gross margins increased 12 basis points to 15.15% and operating income increased 54.3% to \$28.0 million.

2008 – In its last four calendar years, PriceSmart's comparable sales have been the highest in the club industry at 15.7% in 2005, 16.2% in 2006, 21.2% in 2007 and 17.5% in 2008.



PriceSmart – Organic Soy Milk

2009 – Fiscal year merchandise sales increased 11.6% to \$1.22 billion. Membership revenues increased 11.6% to \$17.9 million and overall revenues increased 11.8% to \$1.25 billion. Merchandise gross margins decreased 37 basis points to 14.68% and operating income increased 18.7% to \$57.5 million.

2011 – Fiscal year merchandise sales increased 22.7% to \$1.68 billion. Membership revenues increased 15.6% to \$22.8 million and overall revenues increased 22.8% to \$1.71 billion. Merchandise gross margins decreased 23 basis points to 15.10% and operating income increased 21.3% to \$90.9 million.

2013 – Fiscal year merchandise sales increased 12.0% to \$2.24 billion. Membership revenues increased 25.5% to \$33.8 million and overall revenues increased 12.5% to \$2.30 billion. Merchandise gross margins decreased 10 basis points to 14.80%, operating income increased 18.5% to \$127.9 million and net income increased 24.6% to \$84.3 million.

2013 – PriceSmart's comparable sales continue to be strong. Quarterly comparable sales were: 8.3% in the first quarter, 9.3% in the second quarter, 9.2% in the third quarter, 9.3% in the fourth quarter and a 9% overall increase for the fiscal year.

2014 – Fiscal year merchandise sales increased 9.2% (an 8.1% increase in member frequency and a 1.1% average transaction increase) to \$2.44 billion, membership revenues increased 12.5% to \$38.1 million, export sales increased 35.6% to \$31.3 million and overall revenues (including other income) increased 9.5% to \$2.52 billion. Operating income increased 7.6% to \$136.7 million and net income increased 10.2% to \$92.9 million.

2014 – Fiscal year comparable sales increased 4.8%. Countries reporting double digit comparable sales growth included Colombia, Panama, Trinidad and Tobago and Aruba.

Location History

1998 – PriceSmart announced a joint venture with PSC, S.A., a Panamanian company, to open nine club locations in Costa Rica, the Dominican Republic, El Salvador, Honduras and Nicaragua.

2000 – PriceSmart opened its 21st location in the republic of Trinidad & Tobago, which is just off the coast of Venezuela. The company signed up more members prior to opening day (approximately 27,000) than at any of its other locations.

2001 – PriceSmart stated that it does not plan to expand operations into the United States.

2001 – PriceSmart opened its first location in the US Virgin Islands on St. Thomas. During its pre-opening marketing efforts, PriceSmart signed up over 10,000 business accounts and 13,000 consumer accounts. When combined, these accounts represent approximately 23% of the island's population.

2001 – PriceSmart announced a joint venture with the Myers family, the authorized franchisee for Kentucky Fried Chicken and Pizza Hut in Jamaica. PriceSmart plans to open two locations in Jamaica.

2001 – PriceSmart announced a partnership with Grupo Gigante S.A. de C.V. (Gigante), one of Mexico's largest retailers. The joint venture will open PriceSmart locations in Mexico, going head to head with Costco, which currently has 20 clubs in Mexico, and Sam's, which currently has 41 clubs in the country. PriceSmart will manage day-to-day operations.

2001 – PriceSmart opened a new location in Barbados and set a pre-opening membership sign-up record of 27,500 accounts. It produced the highest opening day sales in the company's history.

2002 – PriceSmart opened its first two locations in Mexico in November in the cities of Irapuato and Celava. PriceSmart signed up 20,000 members before the opening of each location.

2003 – PriceSmart closed one of its three locations in the Dominican Republic, one of its four locations in the Philippines and its only location in Guam. PriceSmart announced that it will open its fourth location in Costa Rica next year.

2005 – In February, PriceSmart announced that it will close its three locations in Mexico.

2005 – PriceSmart announced that it sold its interest in its Philippine subsidiary to a minority shareholder. PriceSmart will continue to export merchandise to the Philippines on a cash-on-delivery basis.

2006 - PriceSmart took full control of its Jamaican club in Kingston by buying its minority partner's stake.

2007 – PriceSmart opened its third location in Guatemala and its 24th overall.

2007 – PriceSmart's location in the Barbados is one of the company's highest volume locations and the country could support another location. However, Price indicated finding a location would be challenging.

2010 – PriceSmart opened its third location in the Dominican Republic and its 28th overall.

2011 – PriceSmart opened its 29th location and its first in Colombia in Barranquilla.

2012 – PriceSmart opened its second location in Colombia (Cali) in October.

2012 - In 2008, the company passed \$1.0 billion in sales with an average location generating \$40.0 million per year. In 2012 (just four years later), the company passed \$2.0 billion in sales with an average location generating \$68.9 million per year.

2013 – PriceSmart opened its third location in Colombia and its second in Cali.

2013 – PriceSmart opened its sixth location in Costa Rica in Cartago in October. The Cartago location has two levels with parking on the first floor and the club location on the second floor. This is PriceSmart's fifth two story location.

2014 – The company opened four locations in 2014 including one in Honduras and three in Colombia (Bogota, Medellin and Pereira). Since at least its 2001 fiscal year, PriceSmart has never opened four locations in a calendar year.

2014 – PriceSmart opened its third location in Honduras in May. The location incorporated recent changes PriceSmart has made to its club design including: more sales space on the floor, more steel racking to inventory merchandise, more seating for its food court, improved bathrooms and more parking spaces.

2015 – PriceSmart reported that its three recent openings in Colombia have been very successful. All three of the locations, Bogota, Pereira and Medellin generated preopening membership signups above plan. Since it opened, sales at its Bogota location are already in the top five of all PriceSmart locations.

2015 – The company plans to open its fifth location in Panama in the Summer.



PriceSmart – Blue Bunny Ice Cream

Buying and Merchandising History

1999 – PriceSmart developed a line of private label products under the PriceSmart name. It stocked paper napkins, toilet tissue, cashews, mixed nuts, film, legal pads, seafood, trash bags, baby wipes and baby diapers.

1999 – PriceSmart offered its Panamanian members discounted auto insurance. The company claimed to be able to save its members 35% compared to local rates. The program also included ambulance service and towing.

2000 – Through a partnership with two communication companies, PriceSmart members in El Salvador will be able to call the United States and Canada without any charges or fees, as well as have discounted calling rates to 200 countries worldwide.

2001 – Payless ShoeSource, a footwear retailer serving North America, will open Payless locations, where possible, next to PriceSmart locations. PriceSmart members will receive a 10% discount on shoe purchases at Payless.

2002 – PriceSmart introduced a co-branded Visa credit card that has no annual fee and a 1% cash back rebate feature.

2002 – In one of its Costa Rica locations, PriceSmart tested bulk sales of certain commodity products in returnable containers. Members can purchase six items in bulk including: rice, black beans and laundry detergent. Since PriceSmart eliminated the packaging associated with these items, it was able to reduce retail prices on those bulk items by 15% to 30%. Member response was so strong that PriceSmart expanded the program to other markets.

2003 – A regional merchandise director at PriceSmart commented on the club's buying strategy. "We focus our buying strategy on the power brands ... We are not everything to everybody, unlike other stores that try to keep a lot of brands of certain products. We concentrate on those products that offer quality and can be sold at a good price."

2006 – PriceSmart stocked 1,839 items compared to Costco with 4,108, Sam's with 4,970 and BJ's with 6,896. An average item per week per location at PriceSmart generated \$282 in sales, which compared favorably to BJ's (\$124) and Sam's (\$235).

2006 – PriceSmart's top selling bulk item is its powdered detergent. The package size of the powdered detergent is 10-kilograms, or approximately 22-pounds, and it generates \$12.0 million in annual sales.

2006 – To alleviate problems associated with returns on appliances, electronics and power tools, PriceSmart created service centers for each of its locations. Products that fail after 30 days from purchase, and are still within the manufacturer's warranty period, are repaired for the member at no cost. If a product cannot be repaired, the member is given a full refund.

2006 – PriceSmart's average transaction was \$65.

2006 – PriceSmart has three private label brands: Member's Selection is a premium brand, Club Select is an institutional brand and PriceSmart is for its bulk packaging program as well as the bakery and meat department.

2007 – PriceSmart introduced online shopping for members in Costa Rica. PriceSmart offered more than 1,500 products on the site, many of which are not offered in its four clubs in Costa Rica. Product categories include appliances, baby products, computers, electronics, hardware, health care, home furnishings, office, outdoor, restaurant/institutional and sporting goods.

2008 – PriceSmart introduced a new business member service at its locations in the U.S. Virgin Islands, El Salvador and Aruba. Wholesale members can place an online order at their local club (\$50 minimum) and pick it up the next day.

2012 – PriceSmart.com offers members who have family in El Salvador the opportunity to purchase merchandise for them online and have those family members pick it up at one of the two PriceSmart locations in the country. Those family members do not even have to be a PriceSmart member to pick up the merchandise. The service is only available to members shopping online from the United States. Once an order is placed and paid for, the merchandise will be available to be picked up within three days.

2013 – Members have been able to order merchandise online at PriceSmart.com but members have been required to pick up their orders in their club location. Most of the online merchandise is not stocked in the club locations. Home delivery was not available. PriceSmart has been testing home delivery for members in Bogota, Colombia of merchandise in its nearby Colombian club locations. A third party delivery company is working with PriceSmart on this program. Delivery occurs within 48 hours.

Membership

2006 – Membership renewal rates were strong at 85% with an average paid membership base per club of 18,818 members.

2012 – In June, the company increased its consumer or diamond membership fee in most markets by \$5 to \$35. Its business membership fee continues to be \$25.

2012 – The number of membership accounts in the fourth quarter increased 16% and the company's overall renewal rates are at 88%. The company currently has 965,000 membership accounts.

2012 – In November, PriceSmart introduced a premium membership program called Platinum. The program is just available to members at its locations in Costa Rica. A platinum membership costs \$75 annually (compared to the normal \$35 membership fee) and includes a 2% rebate on club purchases. PriceSmart already offers a 2% rebate on club purchases made using its co-branded PriceSmart credit card so members who sign up for a platinum membership and charge purchases on that private label credit card will receive a 4% total rebate.

2013 – Of PriceSmart's paid members in Costa Rico, approximately 7% are platinum members.

2014 – PriceSmart's fiscal year membership renewal rate was 84% and it ended the year with 1.18 million members.

Operations

2008 – PriceSmart announced it moved its existing distribution center in Miami, Florida to a facility in Medley, Florida that is 40% larger.

Notes

Financial Past, Future

Yearly Financial History

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Club Industry Future

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Yearly Financial History

The sales data in the following charts represents FISCAL YEAR information from 1984 to 2000 and CALENDAR YEAR information from 2001 to 2014. Revenues and average sales-per-club figures are in millions. Costco, Sam's Club, PriceSmart and Price Club location counts include all international clubs, whether joint ventures or wholly owned.

Yearly Financial Summary

Club Industry					BJ's, Costco, Sam's Club	
Fiscal Year	Revenues (millions)	Clubs	Sales Per Club	Operators	% Revenues	% Clubs
1984	\$1,722	52	\$33	12	9%	25%
1985	\$3,387	100	\$45	12	22%	37%
1986	\$6,083	164	\$46	13	31%	37%
1987	\$8,854	228	\$45	12	41%	48%
1988	\$12,449	285	\$49	12	45%	52%
1989	\$16,220	335	\$52	12	48%	55%
1990	\$19,554	389	\$54	9	54%	54%
1991	\$23,240	405	\$59	7	60%	61%
1992	\$29,676	525	\$64	7	61%	65%
1993	\$35,308	641	\$61	11	63%	65%
1994	\$34,488	743	\$50	9	98%	95%
1995	\$40,360	789	\$53	6	99%	98%
1996	\$42,212	829	\$52	5	100%	99%
1997	\$45,578	844	\$54	5	100%	99%
1998	\$49,287	884	\$57	5	100%	99%
1999	\$55,407	934	\$61	5	100%	97%
2000	\$63,140	988	\$66	5	99%	97%
2001	\$74,947	1,101	\$72	5	99%	97%
2002	\$82,501	1,174	\$73	5	99%	97%
2003	\$91,398	1,227	\$76	5	99%	97%
2004	\$101,216	1,279	\$81	5	99%	97%
2005	\$110,446	1,326	\$85	5	99%	97%
2006	\$120,579	1,401	\$88	5	99%	98%
2007	\$133,462	1,451	\$94	5	99%	98%
2008	\$141,717	1,495	\$96	5	99%	98%
2009	\$143,287	1,527	\$95	5	99%	98%
2010	\$154,753	1,563	\$100	5	99%	97%
2011	\$172,561	1,596	\$109	5	99%	97%
2012	\$186,025	1,648	\$115	5	99%	97%
2013	\$198,336	1,711	\$118	5	99%	97%
2014	\$207,187	1,766	\$119	5	99%	97%
CAGR 10-14	8%	3%	4%			
CAGR 05-14	7%	3%	4%			

Fiscal year data 1984 to 2000, Calendar year data 2001 to 2014.

Yearly Financial Detail

1984	Revenues	Clubs	Per Club	Comps
Price Club	\$1,164	15	\$88	24%
Makro	\$190	4	\$48	n/a
Costco Wholesale	\$102	7	\$15	n/a
Price Savers	\$50	4	\$13	n/a
The Wholesale Club	\$47	3	\$16	74%
Super Saver	\$40	3	\$13	n/a
Sam's Club	\$37	3	\$13	n/a
The Warehouse Club	\$27	5	\$9	n/a
BJ's Wholesale	\$20	3	\$7	n/a
Club Wholesale	\$19	3	\$10	n/a
PACE Membership	\$15	1	\$15	n/a
Buyer's Club	\$10	1	\$10	n/a

Fiscal year data.

1985	Revenues	Clubs	Per Club	Comps
Price Club	\$1,887	21	\$102	22%
Costco Wholesale	\$371	15	\$34	43%
Sam's Club	\$222	11	\$32	n/a
Makro	\$220	4	\$55	n/a
BJ's Wholesale	\$154	11	\$22	n/a
Price Savers	\$130	5	\$29	n/a
Super Saver	\$100	9	\$17	n/a
The Warehouse Club	\$93	7	\$15	n/a
The Wholesale Club	\$77	5	\$19	32%
PACE Membership	\$76	6	\$22	n/a
Club Wholesale	\$34	4	\$10	n/a
Buyer's Club	\$24	2	\$16	n/a

Fiscal year data.

1986	Revenues	Clubs	Per Club	Comps
Price Club	\$2,667	25	\$113	22%
Sam's Club	\$777	23	\$46	n/a
Costco Wholesale	\$762	22	\$41	28%
Super Saver	\$400	20	\$28	n/a
BJ's Wholesale	\$349	15	\$27	n/a
PACE Membership	\$275	15	\$26	n/a
Makro	\$255	4	\$64	n/a
Price Savers	\$175	6	\$32	n/a
The Warehouse Club	\$164	14	\$16	n/a
The Wholesale Club	\$161	11	\$20	16%
Buyer's Club	\$45	3	\$18	n/a
Club Wholesale	\$45	5	\$10	n/a
American Wholesale	\$9	1	\$10	n/a

Fiscal year data.

1987	Revenues	Clubs	Per Club	Comps
Price Club	\$3,323	32	\$114	12%
Sam's Club	\$1,678	49	\$47	20%
Costco Wholesale	\$1,401	42	\$44	23%
PACE Membership	\$603	27	\$29	n/a
BJ's Wholesale	\$565	19	\$33	-1%
Price Savers	\$300	12	\$33	n/a
Makro	\$295	5	\$66	n/a
The Wholesale Club	\$276	15	\$21	17%
The Warehouse Club	\$237	12	\$18	n/a
Buyer's Club	\$76	5	\$19	n/a
Club Wholesale	\$70	6	\$13	n/a
American Wholesale	\$30	4	\$12	n/a

Fiscal year data.

1988	Revenues	Clubs	Per Club	Comps
Price Club	\$4,162	41	\$111	6%
Sam's Club	\$2,711	84	\$41	1%
Costco Wholesale	\$2,030	43	\$48	25%
PACE Membership	\$954	33	\$32	n/a
BJ's Wholesale	\$817	22	\$40	1%
Price Savers	\$550	13	\$44	n/a
The Wholesale Club	\$409	18	\$25	19%
Makro	\$340	6	\$62	n/a
The Warehouse Club	\$258	12	\$22	n/a
Buyer's Club	\$100	4	\$22	n/a
Club Wholesale	\$75	5	\$14	n/a
American Wholesale	\$43	4	\$11	n/a

Fiscal year data.

1989	Revenues	Clubs	Per Club	Comps
Price Club	\$5,033	44	\$115	14%
Sam's Club	\$3,829	105	\$41	9%
Costco Wholesale	\$3,000	56	\$61	25%
PACE Membership	\$1,291	41	\$35	n/a
BJ's Wholesale	\$984	23	\$44	2%
Price Savers	\$685	14	\$51	n/a
The Wholesale Club	\$579	23	\$28	15%
Makro	\$475	9	\$63	n/a
The Warehouse Club	\$276	12	\$23	n/a
Club Wholesale	\$50	4	\$11	n/a
Wholesale Depot	\$10	3	\$3	n/a
American Wholesale	\$8	1	\$3	n/a

Fiscal year data.

1990	Revenues	Clubs	Per Club	Comps
Price Club	\$5,412	57	\$105	2%
Sam's Club	\$5,186	123	\$43	10%
Costco Wholesale	\$4,132	62	\$70	20%
PACE Membership	\$1,650	61	\$32	n/a
BJ's Wholesale	\$1,196	27	\$48	10%
Price Savers	\$900	18	\$56	n/a
The Wholesale Club	\$764	28	\$30	15%
The Warehouse Club	\$274	10	\$25	n/a
Wholesale Depot	\$40	3	\$13	n/a
Fiscal year data.				

1993	Revenues	Clubs	Per Club	Comps
Sam's Club	\$12,734	259	\$53	-3%
Price Club	\$7,848	78	\$98	-9%
Costco Wholesale	\$7,649	107	\$78	3%
PACE Membership	\$4,600	115	\$46	n/a
BJ's Wholesale	\$2,003	52	\$43	-10%
The Warehouse Club	\$232	10	\$23	n/a
Wholesale Depot	\$88	9	\$11	n/a
Cost-U-Less	\$86	6	\$21	10%
PriceSmart	\$32	0	n/a	n/a
Source Club	\$30	3	\$10	n/a
Max Club	\$5	2	\$3	n/a
Fiscal year data.				

1996	Revenues	Clubs	Per Club	Comps
PriceCostco	\$19,566	265	\$77	5%
Sam's Club	\$19,548	471	\$44	1%
BJ's Wholesale	\$2,925	81	\$38	6%
Cost-U-Less	\$135	10	\$13	-5%
PriceSmart	\$38	2	n/a	n/a
Fiscal year data.				

1999	Revenues	Clubs	Per Club	Comps
Costco Wholesale	\$27,456	308	\$94	10%
Sam's Club	\$23,481	495	\$51	10%
BJ's Wholesale	\$4,205	107	\$41	7%
Cost-U-Less	\$167	13	\$13	7%
PriceSmart	\$98	11	\$17	n/a
Fiscal year data.				

2002	Revenues	Clubs	Per Club	Comps
Costco Wholesale	\$40,125	412	\$101	5%
Sam's Club	\$35,834	591	\$63	2%
BJ's Wholesale	\$5,714	140	\$42	2%
PriceSmart	\$652	21	\$31	-1%
Cost-U-Less	\$176	10	\$17	1%
Calendar year data.				

2005	Revenues	Clubs	Per Club	Comps
Costco Wholesale	\$55,510	471	\$121	7%
Sam's Club	\$46,281	659	\$71	5%
BJ's Wholesale	\$7,756	162	\$49	4%
PriceSmart	\$680	23	\$30	0%
Cost-U-Less	\$219	11	\$20	5%
Calendar year data.				

2008	Revenues	Clubs	Per Club	Comps
Costco Wholesale	\$73,303	550	\$136	5%
Sam's Club	\$57,166	729	\$80	5%
BJ's Wholesale	\$9,808	179	\$55	10%
PriceSmart	\$1,169	25	\$47	18%
Cost-U-Less	\$271	12	\$24	4%
Calendar year data.				

2011	Revenues	Clubs	Per Club	Comps
Costco Wholesale	\$90,460	598	\$153	11%
Sam's Club	\$68,281	765	\$90	8%
BJ's Wholesale	\$11,750	192	\$61	8%
PriceSmart	\$1,808	29	\$63	19%
Cost-U-Less	\$262	12	\$22	1%
Calendar year data.				

2014	Revenues	Clubs	Per Club	Comps
Costco Wholesale	\$112,750	671	\$171	5%
Sam's Club	\$78,118	839	\$94	0%
BJ's Wholesale	\$13,801	207	\$68	1%
PriceSmart	\$2,518	36	\$74	3%
Cost-U-Less	\$297	13	\$23	2%
Calendar year data.				

1991	Revenues	Clubs	Per Club	Comps
Sam's Club	\$6,939	148	\$49	14%
Price Club	\$6,756	69	\$105	4%
Costco Wholesale	\$5,305	71	\$80	14%
PACE Membership	\$2,295	74	\$34	n/a
BJ's Wholesale	\$1,650	29	\$59	10%
The Warehouse Club	\$250	10	\$25	n/a
Wholesale Depot	\$45	4	\$13	n/a
Fiscal year data.				

1994	Revenues	Clubs	Per Club	Comps
PriceCostco	\$16,481	221	\$76	-3%
Sam's Club	\$15,174	426	\$44	-2%
BJ's Wholesale	\$2,293	62	\$39	-3%
The Warehouse Club	\$225	10	\$23	n/a
Cost-U-Less	\$117	8	\$17	3%
Wholesale Depot	\$90	9	\$10	n/a
PriceSmart	\$53	0	n/a	n/a
Source Club	\$37	3	\$12	n/a
Max Club	\$18	4	\$6	n/a
Fiscal year data.				

1997	Revenues	Clubs	Per Club	Comps
Costco Company	\$21,874	274	\$83	9%
Sam's Club	\$20,290	475	\$46	3%
BJ's Wholesale	\$3,227	84	\$38	3%
Cost-U-Less	\$125	8	\$14	-2%
PriceSmart	\$62	3	\$39	n/a
Fiscal year data.				

2000	Revenues	Clubs	Per Club	Comps
Costco Wholesale	\$32,164	331	\$101	11%
Sam's Club	\$25,558	508	\$54	7%
BJ's Wholesale	\$4,932	118	\$43	5%
PriceSmart	\$300	19	\$23	n/a
Cost-U-Less	\$186	12	\$15	-2%
Fiscal year data.				

2003	Revenues	Clubs	Per Club	Comps
Costco Wholesale	\$44,990	430	\$107	9%
Sam's Club	\$39,079	613	\$65	5%
BJ's Wholesale	\$6,525	150	\$45	8%
PriceSmart	\$627	23	\$29	-6%
Cost-U-Less	\$177	11	\$17	8%
Calendar year data.				

2006	Revenues	Clubs	Per Club	Comps
Costco Wholesale	\$61,664	504	\$126	7%
Sam's Club	\$49,768	692	\$74	3%
BJ's Wholesale	\$8,149	171	\$49	1%
PriceSmart	\$768	23	\$33	16%
Cost-U-Less	\$230	11	\$21	4%
Calendar year data.				

2009	Revenues	Clubs	Per Club	Comps
Costco Wholesale	\$73,823	566	\$132	-1%
Sam's Club	\$58,080	737	\$79	-1%
BJ's Wholesale	\$9,869	186	\$54	-6%
PriceSmart	\$1,246	26	\$49	5%
Cost-U-Less	\$269	12	\$22	-1%
Calendar year data.				

2012	Revenues	Clubs	Per Club	Comps
Costco Wholesale	\$98,260	622	\$161	6%
Sam's Club	\$72,995	786	\$94	4%
BJ's Wholesale	\$12,420	198	\$64	5%
PriceSmart	\$2,082	30	\$71	12%
Cost-U-Less	\$268	12	\$22	2%
Calendar year data.				

1992	Revenues	Clubs	Per Club	Comps
Sam's Club	\$9,805	210	\$53	12%
Price Club	\$7,512	82	\$98	3%
Costco Wholesale	\$6,621	90	\$83	11%
PACE Membership	\$3,646	87	\$45	n/a
BJ's Wholesale	\$1,787	39	\$51	4%
The Warehouse Club	\$241	10	\$24	n/a
Wholesale Depot	\$65	7	\$12	n/a
Fiscal year data.				

1995	Revenues	Clubs	Per Club	Comps
Sam's Club	\$19,363	450	\$45	1%
PriceCostco	\$18,247	253	\$75	2%
BJ's Wholesale	\$2,531	71	\$37	0%
Cost-U-Less	\$140	11	\$15	-3%
PriceSmart	\$67	0	n/a	n/a
Max Club	\$12	4	\$3	n/a
Fiscal year data.				

1998	Revenues	Clubs	Per Club	Comps
Costco Wholesale	\$24,270	292	\$87	8%
Sam's Club	\$21,248	483	\$47	4%
BJ's Wholesale	\$3,551	96	\$39	5%
Cost-U-Less	\$134	10	\$15	10%
PriceSmart	\$84	3	\$41	n/a
Fiscal year data.				

2001	Revenues	Clubs	Per Club	Comps
Costco Wholesale	\$36,520	385	\$102	5%
Sam's Club	\$32,643	554	\$61	6%
BJ's Wholesale	\$5,131	130	\$41	4%
PriceSmart	\$475	21	\$24	-6%
Cost-U-Less	\$178	11	\$15	-5%
Calendar year data.				

2004	Revenues	Clubs	Per Club	Comps
Costco Wholesale	\$50,244	449	\$114	9%
Sam's Club	\$42,952	641	\$69	7%
BJ's Wholesale	\$7,201	156	\$47	7%
PriceSmart	\$610	22	\$27	3%
Cost-U-Less	\$209	11	\$19	14%
Calendar year data.				

2007	Revenues	Clubs	Per Club	Comps
Costco Wholesale	\$68,858	529	\$133	6%
Sam's Club	\$54,519	709	\$78	5%
BJ's Wholesale	\$8,883	177	\$51	4%
PriceSmart	\$941	25	\$39	21%
Cost-U-Less	\$261	11	\$24	8%
Calendar year data.				

2010	Revenues	Clubs	Per Club	Comps
Costco Wholesale	\$80,611	582	\$140	7%
Sam's Club	\$61,683	747	\$83	4%
BJ's Wholesale	\$10,730	194	\$56	5%
PriceSmart	\$1,468	28	\$54	14%
Cost-U-Less	\$261	12	\$22	-3%
Calendar year data.				

2013	Revenues	Clubs	Per Club	Comps
Costco Wholesale	\$106,770	648	\$168	4%
Sam's Club	\$75,514	817	\$94	1%
BJ's Wholesale	\$13,428	201	\$67	4%
PriceSmart	\$2,333	32	\$75	8%
Cost-U-Less	\$291	13	\$23	3%
Calendar year data.				

Club Industry Future

This chapter provides worldwide warehouse club expansion and merchandise sales projections for the next five calendar years from 2015 through 2019. The sales and location projections are based on announced expansion plans, industry research, past sales performance, average sales per existing and new location and projected comparable sales.

BJ's

Since it went private in September, 2011, BJ's has not provided detailed comments on its expansion plans. In the three full calendar years since it went private, BJ's has opened a total of 15 locations (six clubs in 2012, three clubs in 2013 and six clubs in 2014). BJ's is projected to open an average of between five and six locations annually from 2015 through 2019.

BJ's could increase its annual expansion plans if its 85,000 square foot mini locations continue to be successful. Of the company's 207 clubs, 28 are mini locations of which seven are its 85,000 square foot format/layout. By 2019, BJ's will operate 235 clubs in the United States with annual sales of \$16.74 billion.

Calendar	BJ's Wholesale		
	United States		
	Sales	Clubs	Comps
2010	\$10,730	194	5.0%
2011	\$11,749	192	7.6%
2012	\$12,707	198	5.2%
2013	\$13,428	201	3.5%
2014	\$13,801	207	1.1%
2015	\$14,320	212	2.7%
2016	\$14,910	217	3.1%
2017	\$15,624	223	3.5%
2018	\$16,111	228	2.1%
2019	\$16,738	235	2.5%
10-14 CAGR	6.5%	1.6%	n/a
15-19 CAGR	4.0%	2.6%	

Sales figures are in millions.

Costco

Over the past few years, Costco has stated a goal of operating 1,000 worldwide locations by approximately 2023 (2011 annual report). Costco ended the 2014 calendar year with 671 worldwide locations and to achieve that goal by the end of 2023, the company would need to open an average of 36 or 37 locations annually.

Since 1996, Costco has opened 30 or more clubs in a year just three times: 30 in 2000, 36 in 2001 and 33 in 2006. While Costco is planning to open 31 locations in its 2015 fiscal year (this does not include four relocated clubs), estimates for the 2015 calendar year will be slightly more conservative at a total of 28 locations (17 nationally and 11 internationally). In the succeeding four calendar years, Costco will open an average of 29 clubs annually (15 nationally and 14 internationally).

By the end of 2019, Costco will operate 550 locations in the United States with annual sales of \$111.03 billion, 265 locations internationally with annual sales of \$47.61 billion and 815 locations worldwide with annual sales of \$158.63 billion.

Calendar	Costco Wholesale						
	United States		International		Worldwide		Comps
	Sales	Clubs	Sales	Clubs	Sales	Clubs	
2010	\$61,571	421	\$19,040	161	\$80,611	582	7.4%
2011	\$67,044	429	\$23,416	169	\$90,460	598	10.6%
2012	\$71,633	444	\$26,627	178	\$98,260	622	6.0%
2013	\$77,084	457	\$29,686	191	\$106,770	648	4.0%
2014	\$80,905	474	\$31,845	197	\$112,750	671	4.7%
2015	\$86,534	491	\$34,479	208	\$121,013	699	5.1%
2016	\$91,840	506	\$37,167	220	\$129,007	726	4.6%
2017	\$97,942	521	\$40,385	234	\$138,327	755	5.2%
2018	\$104,743	537	\$43,983	249	\$148,726	786	5.5%
2019	\$111,025	550	\$47,607	265	\$158,632	815	4.9%
10-14 CAGR	7.1%	3.0%	13.7%	5.2%	8.8%	3.6%	n/a
15-19 CAGR	6.4%	2.9%	8.4%	6.2%	7.0%	3.9%	

Sales figures are in millions.

Calendar	Sam's Club						Comps
	United States		International		Worldwide		
	Sales	Clubs	Sales	Clubs	Sales	Clubs	
2010	\$49,081	598	\$12,602	149	\$61,683	747	3.7%
2011	\$53,552	600	\$14,729	165	\$68,281	765	8.3%
2012	\$56,300	609	\$16,413	177	\$72,713	786	4.3%
2013	\$57,105	619	\$18,409	198	\$75,514	817	0.6%
2014	\$57,953	634	\$20,064	205	\$78,017	839	-0.1%
2015	\$59,369	644	\$21,019	215	\$80,388	859	1.8%
2016	\$61,263	655	\$22,020	223	\$83,283	878	2.5%
2017	\$63,609	667	\$23,237	232	\$86,846	899	3.1%
2018	\$65,429	680	\$24,438	244	\$89,867	924	2.1%
2019	\$67,737	691	\$25,919	257	\$93,655	948	2.9%
10-14 CAGR	4.2%	1.5%	12.3%	8.3%	6.0%	2.9%	n/a
15-19 CAGR	3.4%	1.8%	5.4%	4.6%	3.9%	2.5%	

Sales figures are in millions.

Sam's Club

The company opened 15 club locations in the United States in 2014. Since 1996, Sam's has opened more than 15 locations nationally in one year just four additional times (23 clubs in 2001, 27 clubs in 2002, 17 clubs in 2004 and 20 clubs in 2006).

At its annual analyst meeting in October, 2014, Sam's Club announced its fiscal 2016 (ending January, 2016) expansion plans for the United States and Puerto Rico. The company will open between nine and 12 locations.

At that analyst meeting, Rosalind Brewer, president and chief executive officer of Sam's Club, said, "Our new clubs continue to perform well. Starting in the third quarter of this year, our new clubs incorporate several layout improvements, including an expanded fresh area and a combined health and wellness solutions center ... We are reducing the number of new club openings for next year and accelerating technology initiatives that integrate our physical locations with our digital capabilities."

Over the next five calendar years, it is projected that Sam's will open an average of 22 clubs annually including 11 nationally and 11 internationally. By the end of 2019, Sam's will operate 691 locations in the U.S. with annual sales of \$67.85 billion, 257 locations internationally with annual sales of \$25.92 billion and 948 clubs worldwide with annual sales of \$93.77 billion.

PriceSmart

Calendar	PriceSmart		
	International		
	Sales	Clubs	Comps
2010	\$1,468	28	13.6%
2011	\$1,808	29	19.0%
2012	\$2,082	30	11.5%
2013	\$2,333	32	8.1%
2014	\$2,518	36	2.7%
2015	\$2,688	38	3.9%
2016	\$2,972	41	6.5%
2017	\$3,276	45	5.1%
2018	\$3,551	48	4.8%
2019	\$3,787	50	4.4%
10-14 CAGR	14.4%	6.5%	n/a
15-19 CAGR	8.9%	7.1%	

Sales figures are in millions.

Since 2005, PriceSmart has never opened more than two locations in a calendar year. In 2014, PriceSmart opened four locations (three in Colombia and one in Honduras). The company will open at least one new location in 2015 in Panama.

PriceSmart's largest opportunity to expand continues to be in Colombia where it currently operates six clubs. The total market population in Colombia, which is in South America, is approximately 48.3 million. PriceSmart's Latin American operation also provides the company with strong opportunities to grow: Costa Rica (4.8 million people approximately and six PriceSmart locations), Honduras (8.1 million people approximately and three PriceSmart locations), El Salvador (6.3 million people and two PriceSmart locations), Nicaragua (6.1 million people and one PriceSmart location), Guatemala (15.5 million people and three PriceSmart locations) and Panama (3.9 million people and four PriceSmart locations).

From 2015 through 2019, PriceSmart is projected to open a total of 14 locations. By the end of 2019, PriceSmart will operate 50 clubs in the Caribbean and Latin America with annual sales of \$3.79 billion.

Club Industry

The club industry sales data includes national and international sales for BJ's, Costco, PriceSmart and Sam's Club. Sales for Cost-U-Less are not included.

From 2015 through 2019, national sales will increase 5.1% annually to \$195.61 billion with 1,476 warehouse clubs, international sales will increase 7.4% annually to \$77.31 billion with 572 club locations and worldwide sales will increase 5.7% annually to \$272.93 billion with 2,048 buildings.

Calendar	Club Industry						Comps
	United States		International		Worldwide		
	Sales	Clubs	Sales	Clubs	Sales	Clubs	
2010	\$121,382	1,213	\$33,110	338	\$154,492	1,551	6.0%
2011	\$132,345	1,221	\$39,953	363	\$172,298	1,584	9.7%
2012	\$140,640	1,251	\$45,121	385	\$185,761	1,636	5.5%
2013	\$147,617	1,277	\$50,427	421	\$198,045	1,698	2.9%
2014	\$152,659	1,315	\$54,427	438	\$207,086	1,753	2.9%
2015	\$160,222	1,347	\$58,186	461	\$218,408	1,808	3.7%
2016	\$168,013	1,378	\$62,159	484	\$230,172	1,862	3.8%
2017	\$177,175	1,411	\$66,897	511	\$244,072	1,922	4.3%
2018	\$186,284	1,445	\$71,972	541	\$258,256	1,986	4.1%
2019	\$195,499	1,476	\$77,312	572	\$272,811	2,048	4.1%
10-14 CAGR	5.9%	2.0%	13.2%	6.7%	7.6%	3.1%	n/a
15-19 CAGR	5.1%	2.3%	7.4%	5.5%	5.7%	3.2%	

Sales figures are in millions.

Calendar	Cost-U-Less		
	Worldwide		Comps
	Sales	Clubs	
2010	\$261	12	-2.8%
2011	\$262	12	0.5%
2012	\$268	12	2.1%
2013	\$291	13	2.5%
2014	\$297	13	2.2%
2015	\$309	14	1.9%
2016	\$315	14	1.7%
2017	\$329	15	2.2%
2018	\$343	16	2.4%
2019	\$353	16	2.8%
10-14 CAGR	3.3%	2.0%	n/a
15-19 CAGR	3.3%	3.4%	

US Dollars. WCF Projections. Sales in millions.

Cost-U-Less

From 2010 through 2014, Cost-U-Less opened one location. Over the next five calendar years, Cost-U-Less is projected to open a total of two locations. By the end of 2019, Cost-U-Less will operate 16 locations and generate annual sales of \$353 million.

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