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Digital Business – Reinventing Warehouse Club, Vendor and Member Future

By Glenn Llopis, Chief Strategist, Digital Brand Group, Inc., www.digitalbrandgroup.com

The digital age has redefined the traditional ways of communicating with business and consumer customers (www.masternewmedia.org/news/2006/02/02/digital_communities_and_the_power.htm). Leading universities have created educational platforms to help companies better understand the implications of what a “digital business” will represent for their products and brands. Two examples are MIT's Center for Digital Business (<http://ebusiness.mit.edu>) and *The Financial Times* (www.ft.com), which has dedicated bi-monthly editorials that specifically address the importance and role of digital business and its influence on today's global business climate.

Digital Brand Group defines digital business as an online platform that automates organizational, manufacturing, supply chain, customer service, sales and marketing and financial processes through solution-based software applications. A digital business represents the integration of business intelligence and technology to form a singular business model that offers a cutting edge competitive advantage.

The adoption of a digital business must start with an understanding of the power and subsequent competitive advantage that technology can play as a primary solution for business development and go-to-market needs (www.kpmg.ca/en/industries/ice/digitization.html). Therefore, before companies can embrace this digital business movement, it must re-evaluate its positioning and relevance in the marketplace because the requirements to grow and compete in the digital age are rapidly evolving.

Digital Business and its Relevance to the Warehouse Club Industry

Digital business adoption by existing and new warehouse club vendors will allow them to reinvent their go-to-market strategies that will lead to a more aligned relationship with club buyers and a more interactive relationship with club members. As Costco, Sam's Club and BJ's jockey for position to perform optimally in the minds of Wall Street analysts, it is becoming clear that the need for greater operational efficiencies and innovation with its vendors is in order.

The treasure hunt concept, which entails merchandising unique or “rich in value” products to captivate members and stimulate high volume sales, is no longer enough. Club vendors must find new ways to deliver technology-driven solutions that can add greater value and confidence with buyers and members. The warehouse club industry has evolved rapidly. It's no longer about selling unique products at a value. It's about delivering a competitive advantage that combines supply chain solutions with product innovation to create the ultimate member experience for a product or service, both on and offline.

Today, several fundamental “communication flaws” continue to disrupt operational execution, which translates into millions of dollars in margin loss for club vendors and Costco, Sam's Club and BJ's. When buyers were anonymously interviewed, they mentioned four primary areas of communication flaws that would immediately benefit from a digital business. These include (but are not limited to) the following:

1. **Supply Chain and Logistics** – Vendors continue to struggle to comply with 100% on-time service levels. With the increase in international vendors and just in time inventory management requirements, there is the demand for a more interactive supply chain management system to optimize “real-time” communication.
2. **Packaging** – A break-down in communication between the vendor and packaging engineers continues to exist. Structural integrity problems translate to shipping and merchandising problems which can lead to loss in sales. This is especially important when attempting to execute seasonal items that require flawless execution.

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3. **New Product Development** – Product innovation is a core component involved in the “treasure hunt” success of the warehouse clubs. When vendors (especially new suppliers) present new product ideas, it is imperative that the actual finished product represents the original concept (from product quality, labeling, packaging, appearance, taste, functionality, etc.). Unfortunately, problems continue to exist and club buyers have rejected many new items upon delivery to warehouse locations.
4. **Warehouse Club Brokers** – As the intermediary, club brokers play a critical communication role between the club buyer and vendor. In many cases, new vendors depend solely on their broker to educate and provide guidance through the product offering and sales process. Unfortunately, when prospective new vendors do not communicate directly with club buyers, the required execution details sometimes get lost in translation. Subsequently, time is lost during the vendor development stage, as the initial promised deliverables typically lead to poor follow-up, flawed execution and lost credibility. In many cases, these new vendors will not be given an immediate second chance.

Buyers need to seek new communication solutions and vendor management accountability systems. The time they spend in these four primary areas could be used to purchase more effectively, build new international relationships, seek new ways to enhance existing vendor relationships and optimize other operational performance areas. It is also important to note that these four areas represent the success factors that drive ultimate membership satisfaction and member renewals (the most critical revenue streams for the warehouse club industry).

Digital Business Solutions in the Warehouse Club Industry

So how can a warehouse club vendor begin to adopt a digital business platform? The integration of a digital business involves digital competency across three core areas:

1. **Organization and Supply Chain Optimization** – Vendors should offer an interactive online experience for club buyers allowing them to view supply chain activities on a real time basis. Additionally, this interactive tool will allow vendors to share special “spot-buy” opportunities based on market conditions.
2. **Digital Integration with Costco, Sam’s Club and BJ’s** – Product development cycles must be reduced through the utilization of interactive online modules that will allow for increased speed in new product evaluations. From initial concept presentation to finished goods, an interactive online tool would allow vendors and club buyers to collaboratively design new products through specific inputs that define the desired specifications. This tool can then be used by the vendor to communicate with a community of selected ingredient, packaging and manufacturing partners to evaluate product concept viability, costs and pricing.



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3. **Revitalize Brand Relevancy and Club Member Confidence** – The member experience should extend beyond the purchase to password protected social networking portals that are specifically designed for club members. This online experience will allow members to fully optimize their purchase and help them better understand the functionality and use for the product or service they bought. Additionally, by offering this type of online service, it allows vendors to connect with a new generation of club members. This digital savvy member not only influences the purchases of other generations, but is increasingly controlling a greater amount of the disposal income in the marketplace. These digital members want that “intimate” relationship with the brand and vendors need to recognize that the opportunity to build their brand is through the use of technology and these digital business models.

Digital Business Adoption Tips

To proactively embrace the “digital business movement,” companies must dedicate the time, resources and investment to start empowering and positioning themselves to meet the requirements for competing in the digital age. The following are a few immediate adoption tips:

1. **Digital Business Lifecycle** – Vendors need a deep understanding of how their company can benefit from a digital business and identify their current state of adoption and preparedness. To get started, Digital Brand Group has designated a special username and password for all *Warehouse Club Focus* readers. This will grant access to the Digital Business Life Cycle questionnaire (DBLC). Go to Digital Brand Group's web site (www.digitalbrandgroup.com) and within the client login area, type “wcfocus” as the username and “digitalclubs” as the password. The DBLC represents seven distinct digital development stages across four life cycle phases and measures a company's digital business mastery and competency. Digital Brand Group will provide a complementary digital business evaluation upon receipt of your completed DBLC. This evaluation will provide you with a benchmark rating of your digital business preparedness relative to the communication issues mentioned previously. It is important that departmental heads from sales, marketing, operations, manufacturing, finance and logistics independently submit their results to obtain a cross section of your company's digital business profile.
2. **Information Technology Integration** – Suppliers should involve the information technology (IT) department in your warehouse club team meetings. Acquaint and educate the IT people about the required warehouse club success factors and the existing operational “burning issues.” The IT department should play a strategic role in the integration of emerging communication technologies. The IT department must have a deeper understanding of your warehouse club business and the three primary digital business competency areas.
3. **Brand Awareness** – Challenge the marketing and/or consumer intelligence department to look beyond the traditional methods of creating product and brand awareness. Seek to identify new ways to create a more dynamic experience for your club products that can be carried through to your traditional (offline) and online advertising and promotion strategies. Reach out to club members and understand why they purchase and how they use your product or service. You may want to conduct an online club member contest to determine your next generation club product or packaging.

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If you are interested in speaking with this person, please contact michael.clayman@hhcpublishing.com, reference code 20070330. Responses will be forwarded to the person immediately and contact will be initiated within one week.

4. **Senior Management** – The digital age is too powerful to be ignored and proactive digital business preparedness starts at the top. Your CEO and CTO (Chief Technology Officer) must become acquainted with and buy into the new ground rules of the digital age and the competitive advantages and benefits of adopting a digital business. A digital business must be fully integrated throughout the company's mission statement, business plan, supply chain, products and services, brand portfolio, consumer strategies, etc.

Digital business will reinvent the future of the warehouse clubs, its vendors and members. The adoption of a digital business model is the next significant paradigm shift that combines the benefits of TQM (total quality management), ABC (activity-based costing) and process reengineering. At a time where product and business life cycles are shorter than ever and the required speed to market continues to increase, the role of technology will continue to gain greater importance and increased relevance. A digital business model is the solution to solidify long term sustainability in a dynamic, changing market like the warehouse club channel.

CLUB NEWS

Sam's Club

Wal-Mart and Sam's Packaging Scorecard Results

PR Newswire – March 12, 2007

Wal-Mart and Sam's Club released initial results from its packaging scorecard. Introduced in September, 2006, the packaging scorecard evaluates suppliers on the sustainability of their product packaging. Scorecard criteria includes: greenhouse gas emissions from packaging production, material value, product to packaging ratio, cube utilization, recycled content usage, innovation, raw material recovery value and transportation emissions. The site offers vendors access to 130 packaging suppliers that were chosen based on their sustainability efforts. In the first full month of operation, 2,268 vendors logged onto the system and 117 products were entered.

Matt Kistler, senior vice president of marketing, research and insights for Sam's Club and captain of Wal-Mart's packaging sustainability network, said, "Wal-Mart has made a commitment to reducing waste in packaging in order to sustain our resources and environment and to reduce total system costs. We are in a unique position to drive positive change in the area of sustainability by working with our suppliers. The packaging scorecard helps everyone make better decisions that are good for business, our customers and the environment."

John Hannay, business development manager for Ruiz Food Products, said, "We have already used the scorecard to evaluate two types of packaging. The scorecard was easy to use and gave us a single number that translates into how we're doing and how we can do better. Our company is looking forward to reducing waste while saving money."

Beginning in 2008, buyers will begin to use the information to help evaluate suppliers and their products. Kistler said, "It's important to us that our vendors and suppliers integrate sustainable practices into their business plans and products. It's important to show that being an efficient and profitable business goes hand-in-hand with being a good steward of the environment."

Sam's 2007 Spring Catalog Packages

PR Newswire – March 23, 2007

Sam's announced three unique products for its 2007 spring catalog. The products include a \$495,000 Windsor Craft ® yacht, a \$89,000 behind the scenes tour and tickets for the 2007 Kentucky Derby and a \$54,000 trip to the Bertolli ® Villa in Italy.

Gregg Spragg, executive vice president of merchandising at Sam's Club, said, "This spring's Once-in-a-Lifetime packages represent an exciting collection of merchandise, memorable experiences and great values that are only available at Sam's Club. Past purchasers have shared with us that the packages have been a great way for them to celebrate moments in time with their families as well as to reward themselves for meeting a business goal or milestone. We are pleased we can be part of that special experience, just as much as we enjoy helping our Members with their everyday needs for business and home."

The Kentucky Derby package includes jet air travel, limousine service and hotel. The eight-person Italian trip includes airfare, four separate apartments and an exclusive tour of Michelangelo's home and museum.

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WCF Visits BJ's, Costco and Sam's Club in North Carolina and Florida

WCF visits warehouse clubs around the country to search for 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 at the warehouse club level. Our observations also provide vendors with ideas and strategies that they can use to improve their business with warehouse clubs regionally, nationally and internationally.

In March, 2007, WCF visited BJ's in Fort Myers, Florida (opened December, 2006) and Raleigh, North Carolina (opened October, 2006), Costco in Naples, Florida (opened December, 1999) and Raleigh, North Carolina (opened October, 2006) and Sam's Club in Naples, Florida (opened May, 1992) and Rocky Mount, North Carolina (opened January, 2007).

Sam's Club, Rocky Mount – This is one of Sam's newest locations. The location features Sam's new logo and a traditional club layout. Along the right side of the building are most of the general merchandise categories with the televisions at the front near the entrance. The center section has seasonal in the back, apparel in the middle and office in the front. The left side of the building begins with pharmacy and health and beauty aids near the registers, the dry grocery categories are next, the cooler and freezer boxes are towards the back and juice and soda are stocked in the last two aisles.



Sam's Club—Scale

The interesting aspect of this club was the location of the foodservice supplies. In the past, this category was normally situated in the general merchandise section near sundries or kitchen supplies. In the Rocky Mount club, the foodservice category was located in the back behind the cooler and freezer boxes. Sam's recent announcement that it is going to try and better meet the needs of the consumer member may have influenced the location of this department. Although Sam's will continue to differentiate itself by stocking a larger assortment of foodservice products for caterers, restaurants, vending trucks and hotels/motels (see picture on the left of an 11-pound Taylor commercial stainless steel kitchen scale for \$24.83), it will locate these items in a lower traffic area and allow more consumer items to be stocked in higher traffic locations within the club.

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BJ's—Fort Myers Fresh Foods

BJ's, Fort Myers – BJ's new location in Fort Myers, Florida is the company's third research and development club. The other two are also in Florida in Cape Coral and Kissimmee. The layout of the Fort Myers location is similar to the Cape Coral location. The Fort Myers location includes four main sections.

The left section of the building, which includes the entrance, contains the fresh food departments (see picture on the left). The first department is produce, which includes a walk-in cooler. The remaining fresh food departments, from the front to the back, are bakery, deli, rotisserie chicken, seafood and fresh meat.

The center two sections include seasonal and apparel merchandise, which are located towards the front near the registers. The dry grocery department is in the middle of the two center sections and the freezer and cooler boxes and coffin cases are located in the back. The fourth section, on the right, begins with health and beauty aid products in the front and is followed by greeting cards, general merchandise and sundries.



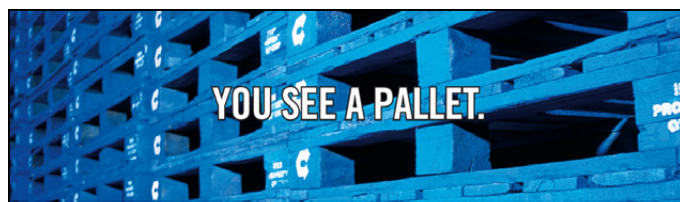
Sam's Club—Healthy Choice Meat

Cooler and Deli – WCF observed a number of new and interesting items in the cooler and deli departments at each club. The following items are stocked at Sam's Club: a 30-ounce tub of Healthy Choice sandwich meat (turkey, ham and chicken breast) for \$8.63 (see picture on the left), a 34-ounce meatloaf with glaze for \$5.87, a



Sam's Club—Country Crock Potatoes

46-ounce package of Country Crock macaroni and cheese for \$6.42, a 46-ounce package of Country Crock mashed potatoes for \$6.42 (see picture on the right) and a 56-ounce Italian style party tray (ham, salami, pepperoni and provolone cheese) from Scholtzsky's Deli for \$14.81.



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BJ's stocked the following items: a 40-ounce tub of Blount clam chowder for \$8.99, a 40-ounce tub of Blount lobster bisque for \$8.99 and a 40-ounce tub of Blount shrimp and corn chowder for \$8.99, a gallon of fruit drink for \$1.35, a gallon of ice tea for \$1.69 and a 36-ounce white meat chicken pot pie from Mrs. Budd's for \$4.99.

In the deli, Costco stocked a 40-piece, 50-ounce sushi party boat from Fujisan for \$12.99 and a 16-piece, 20-ounce brown rice California roll from Fujisan for \$6.19.

Private Label – BJ's stocked a new private label line called Earth's Pride. The items within the Earth's Pride brand are organic and include a five-pound bag of broccoli for \$5.99, a five-pound bag of green beans for \$5.99 and a two-pound package of butter for \$7.99. Other new private label items at BJ's include the following: in the hard goods category, BJ's stocked a Berkley & Jensen multi-duster with four handles, a pole extender and 20 cloths for \$6.99 and in the sundries category, BJ's stocked a 65-count bag of 10.25-inch plastic compartment plates for \$8.99.

The plastic compartment plates (as seen in the picture on the right) is co-branded with Solo. One of the more important strategies for the clubs in developing a strong private label program is member acceptance of the product. One way that



BJ's—Berkley & Jensen/Solo Plate

BJ's (as well as Costco and Sam's) achieves this is to co-brand its Berkley & Jensen label with existing brand-name products. By associating the Berkley & Jensen name with an existing well-known consumer brand, members who purchase the products associate the quality of the branded company to Berkley & Jensen. This can only help to increase members' positive perception of new and existing Berkley & Jensen products.

In the seasonal category, Costco stocked two Kirkland Signature products including a Jacquard 100% Egyptian cotton beach towel for \$11.39 and a oversized 100% Egyptian cotton beach blanket for \$16.69.

Sam's Club stocked a number of new private label products. In the fresh chicken category, Sam's stocked a package of Member's Mark boneless skinless chicken tenders for \$1.98 per pound and a package of Member's Mark boneless skinless chicken breast for \$1.98 per pound. In the sundries category, Sam's stocked a 15-count package of Sam's Club full size steam table pans for \$11.04 and a 30-count package of Sam's Club half size steam table pans for \$7.88. In the hard goods category, Sam's stocked a Member's Mark 22-inch expandable carry-on case with wheels for \$59.74. In the pet food category, Sam's stocked a five pound bag of Sam's Club natural dog biscuits for \$5.88 and in the dry grocery category, Sam's stocked a 50-pound bag of Bakers & Chefs high gluten flour for \$12.99.

Hardware – In the hardware category, Costco stocked a number of interesting items. Costco stocked two polycarbonate



Costco—Ceiling Fan

storm shutters from Clear. A 15-inch wide by 60-inch long storm shutter retailed for \$26.99 and a 15-inch wide by 96-inch long storm shutter retailed for \$43.99. The other hardware items included the following: a 3500 watt generator from Alton for \$249.99, a 5500 watt generator from Coleman for \$549.99, a 15000 watt portable generator from Centurion for \$1,979.99, a 42-inch lady bug fan with light kit and remote from Avion for \$64.99 (see picture on the left), a hand crank weather alert radio from Stormtracker for \$79.99, a 10-piece carpenter tool belt set from Tough Built for \$84.99, a cold heat 4.8-volt cordless glue gun with two rechargeable batteries from



Costco—Glue Gun

Freestyle for \$26.99 (see picture on the right) and a high performance pair of protective gloves and goggles from DeWalt for \$18.99.

Bathroom – In the bathroom fixture category, Costco and Sam's stocked some interesting items. Sam's stocked a brushed nickel bathroom accessory kit from Corrego for \$42.14. The accessory kit included a towel bar, paper holder, towel ring and robe hook. Sam's also stocked a Corrego brushed nickel four-inch two handle faucet for \$19.84. Costco stocked a porcelain toilet with all the necessary components from Waterridge for \$83.99 and a Polder stainless steel duo shower rod for \$23.99.

Organic – A number of new organic items were observed at BJ's and Costco. In the freezer, BJ's stocked a package of four 4-ounce organic Piedmontese beef patties from Blackwing for \$8.99. In the baby category, BJ's stocked a 30.8-ounce can of organic infant formula from Similac for \$28.99.

In the produce category, Costco stocked a three-pound container of organic blueberries from Pacific Meadows for \$11.69, in the deli category, Costco stocked a package of two 16-ounce containers of Hannah organic hummus for \$6.99, in the dry grocery category, Costco stocked a ten-pound bag of Deer organic brown basmati rice for \$8.79 and a 33-ounce bottle of organic strawberry fruit spread from Sunspire for \$4.69, in the HBA category, Costco stocked Symtec organic throat drops for \$7.49 and in the cooler, Costco stocked a two-pound package of organic salted butter from High Meadow for \$6.89 (a lower per-pound price in comparison to BJ's private label Earth's Pride organic butter).

Shelf Hangars – BJ's stocked a number of small package shelf hangar items. These included a Stanley minitripod flashlight with batteries for \$3.99 (see picture on the right), a seven function Swiss Army knife (the retail price was not listed), a package of two Fiskars scissors for \$7.99, a Garrity LED flashlight for \$4.99 and a Garrity aluminum LED flashlight for \$6.99.



Costco—Toshiba LCD TV and DVD

Electronics – Costco and Sam's Club stocked a number of interesting electronics and electronics related items. The following items are stocked at Costco: a \$50 iTunes gift card for \$44.99 (a savings of 10%), a 63-inch plasma high definition television for \$3,699.99 and a 32-inch LCD television with built in DVD player from Toshiba for \$1,099.99 (see picture on the left).

Sam's Club stocked the following items: a Nintendo Wii bundle package that includes a console, remote, nunchuk, cables and games for \$249.83, a package of two BOSE companion three computer speakers for \$199.74 and a package of two BOSE indoor and outdoor environmental speakers for \$164.72. Sam's also stocked an assortment of security cameras including: a Nortech wireless color security camera and monitor for \$149.27, a four piece Homeland Security color security camera for \$249.67 and a Nortech 2.4 gigahertz wireless camera and receiver for \$129.64.



BJ's—Tripod Light

Institutional Food Items – The following wholesale food items were observed at Sam's Club: a case of three 32-ounce jars of Texas Pete hot sauce for \$5.58, a one gallon bottle of Duke mayonnaise for \$5.73, a 25-pound bag of Trinidad Benham black beans for \$13.53, a 20-pound bag of White Wings flour tortilla mix for \$8.76, a one gallon bottle of French's honey mustard for \$10.28, a 50-pound bag of Diamond pinto beans for \$24.99, a fundraiser assortment of Hershey's candy for \$19.87 (see picture on the right) and a 52-piece ready-to-dispatch candy counter unit from Mars for \$19.87.



Sam's Club—Fundraiser Kit

Additionally, the foodservice size package of Ragu old world spaghetti sauce change. Previously, Sam's stocked a #10 can. Sam's now stocks an 8.65-pound plastic bottle of the spaghetti sauce for \$5.28.

Juice – While in North Carolina, WCF analyzed the juice category at each club. Please note that the Sam's Club in Rocky Mount is one hour away from Raleigh, where BJ's and Costco are located. In terms of overall assortment, Costco and Sam's Club stocked 25 SKUs and BJ's stocked 46 SKUs. The following are observations regarding the assortment at each club:

Apple & Eve - BJ's stocked six Apple & Even products compared to Costco with two SKUs and Sam's with two SKUs. All three clubs stocked a package of thirty-six 6.75-ounce containers of 100% juice (BJ's is at \$7.49, Costco is at \$7.49 and Sam's is at \$7.87). Costco's second item is a package of twenty-seven 6.75-ounce containers of 100% organic juice for \$8.99 and Sam's second item is a package of two 64-ounce bottles of organic mango strawberry juice for \$5.88. BJ's assortment includes a package of two 64-ounce bottles of organic peach mango juice for \$5.99.

Private Label – BJ's stocked three Berkley & Jensen private label juices, Costco stocked four Kirkland Signature private label juices and Sam's stocked one Member's Mark private label juice.

Motts – Both BJ's and Sam's stocked large bottles of Motts apple juice. However, BJ's stocked a package of two 128-ounce bottles for \$5.99 or 2.33 cents per ounce and Sam's stocked a package of two 86-ounce bottles for \$3.88 or 2.26 cents per ounce.

Pomegranate Juice – Costco and Sam's each stocked a pomegranate juice SKU. Costco stocked a 64-ounce bottle from Langer's for \$6.49 and Sam's stocked a package of two 96-ounce bottles from Northland Cranberry for \$7.88.

Ocean Spray – BJ's stocked six Ocean Spray item while Sam's stocked two and Costco stocked one. All three clubs stocked cranberry juice cocktail. Costco stocked a package of two 96-ounce bottles for \$6.39 or 3.32 cents per ounce, Sam's stocked a 128-ounce bottle for \$3.86 or 3.01 cents per ounce and BJ's stocked a package of two 96-ounce bottles for \$5.99 or 3.11 cents per ounce.

Campbell's V8 Juice – Sam's Club and BJ's stocked four V8 items while Costco stocked two items. The only item stocked by all three clubs is the package of twenty-four 11.5-ounce cans. Costco sells it for \$11.45, BJ's is \$11.99 and Sam's is \$12.48.

Freezer – Costco and Sam's Club stocked interesting items in the freezer department. Sam's stocked a package of four 14-ounce Bird's Eye crusted tilapia meals for \$17.88, a 56-ounce box of Farm Rich stuffed pepperoni pizza slices for \$9.88 (see picture on the right), a package of six Savory Bay breaded soft crabs for \$14.67 and a package of two Wolfgang Puck four cheese and tomato pizzas for \$7.87.



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Costco—Mini Meatball Hoagies

Costco stocked a box of 12 chipotle steak kabobs and 12 chili lime chicken kabobs from Black Tie for \$18.99, a box of twenty 1.2-ounce mini meatball hoagies from Huxtables Kitchen for \$9.89 (see picture on the left) and a 32-ounce box of World Catch tequila lime mahi mahi for \$11.99.

BJ's General Merchandise SKUs – The following are interesting non-food items observed at BJ's: in the luggage category, BJ's stocked a three piece expandable luggage set from Liz Clairborne for \$109.90. The luggage set packaging stated the item had a suggested retail price of \$940. In the health and beauty aid category, BJ's stocked a package of four 18-ounce bottles of Suave men's body wash for \$9.99 (notice the carry handle packaging on the left), a package of twenty 4.5-ounce gold or white bars of Dial soap for \$6.99 (the packaging says that each bar is coded for resale) and a package of two 4.5-ounce bars of Dove pro age soap for \$2.49 (notice the small package size and low price point).



BJ's—Suave Body Wash

In the lighting category, BJ's stocked a package of three Sylvania self-adhesive LED lights for \$19.99 and a package of two Westinghouse self-adhesive stick up light bulbs for \$17.99. Both bulb items require no wiring. In the cleaning category, BJ's stocks a line of Casabella products including a vent brush for \$7.99, an ergonomically designed broom for \$14.99, a dust pan set with mini dust pan for \$9.99, a magnet mop for \$19.99 and a mini microfiber duster for \$5.99.

Sam's Club General Merchandise SKUs – The following are interesting non-food items observed at Sam's Club: in the appliance category, Sam's stocked a 5.8 cubic foot keg cooler with an LED

temperature display for \$499.78. In the automotive category, Sam's stocked a four piece ratchet tie down set from Good Year for \$19.88, a 30-pound container of r-134a refrigerant from Technical Chemical for \$65.88 and a case of twelve 12-ounce bottles of r-134a refrigerant from Technical Chemical for \$36.34. In the bathroom category, Sam's stocked an Airwick automatic scented spray unit with three refills for \$14.88. The spray unit can be used at home or at a business and each refill holds 2,400 sprays.



Sam's Club—Mail, Label Machine

In the office supply category, Sam's stocked a postal scale and label printer from Dymo for \$215.14 (see picture above). The package includes 800 address labels, 300 shipping labels and 200 stamp labels. In the kitchen category, Sam's stocked a Kamenstein stainless steel covered bread box for \$23.72 and a four-quart hex shaped chafing dish from Dewan and Sons for \$99.77. In the hardware category, Sam's stocked a tankless water heater from Premier for \$576.24. In the sundries category, Sam's stocked a package of four 16-inch plastic catering trays with lids from Hefty for \$8.14 and a package of four 10-pound plastic party bowls with covers from Hefty for \$9.74.



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non-food items observed at Costco: in the appliance category, Costco stocked a Jack Lalanne power juicer for \$87.99 and a 52-bottle stainless steel wine cellar from Vinotemp for \$579.99. In the sundries category, Costco stocked a 210-ounce, 105-load bottle of Ecos natural liquid laundry detergent for \$12.99 (see picture on the right). In the seasonal category, Costco stocked a 12-foot cedar gazebo for \$1,649.99. The gazebo is handcrafted by the Amish, it is pre-cut and pre-drilled and it comes in eight boxes.

Costco General Merchandise SKUs – The following are interesting

WCF's business is the warehouse club industry. To that end, WCF is constantly accumulating information about the industry via phone conversations, warehouse visits, industry publications and manufacturer meetings. This section is WCF's attempt to disseminate that information to the club industry in an ethical and protective manner.

- * According to a March 9, 2007 press release, for the second year, Mick Fleetwood will tour Costco locations in northern California and northwest Nevada to promote his line of fine wine. Fleetwood will be visiting a total of 29 locations from March to July, 2007.
- * According to a February 26, 2007 report from *oregonlive.com*, Costco will not be opening its third Costco Home furniture location in Portland, Oregon. A Costco spokesperson, said, "We are continuing to fine tune our Costco Home operation and therefore do not want to go forward with the third unit."
- * According to a March 1, 2007 report from Oregon's *Daily Astorian*, Costco plans to relocate its Warrenton, Oregon location within the same town. The existing location is approximately 75,000 square feet and the new location would be 150,000 square feet. Costco, the only club operator in Oregon, has 12 locations in the state.
- * According to a March 26, 2007 press release, Costco.com will begin stocking GojiSplash, a juice concentrate produced from antioxidant rich goji berries, which are found in the Himalayas. The president of Club Store Marketing, said, "We are very excited to work with Costco.com, the leading club store in the world and who are renowned for their adherence to quality. Their choice affirms our belief that GojiSplash is the highest quality goji liquid supplement in the world."
- * Mario Pillozzi, president and chief operating officer of Wal-Mart's Canadian division, commented on Sam's business in Canada at Wal-Mart's analyst and investor conference held in Mississauga, Ontario on March 20, 2007. In addition to not opening any new Sam's Club locations in the company's 2007 fiscal year, Pillozzi said, "The Sam's business is not what we would like it to be."
- * According to a March 27, 2007 report from San Jose, California's *Mercury News*, Costco is planning to build a 147,000 square foot location in San Jose. Costco currently operates 108 locations in California of which six are in the San Jose market. Sam's Club operates 38 locations in California but does not have any in San Jose.
- * According to an SEC filing and an *Associated Press* report on March 28, 2007, in October, 2006, Jim Sinegal, Costco's president and chief executive officer, received a stock grant. The accounting measurement date was changed on that grant and that adjustment may have resulted in Sinegal receiving an extra \$200,000. To rectify the situation, Sinegal exercised the disputed option on March 23, 2007 and voluntarily paid Costco \$200,000 on March 26, 2007.

Warehouse Club Focus (ISSN: 1533-6816) is published twice a month by HHC Publishing, Inc. The annual subscription rate for twenty-four issues is \$479 (payable in U.S. currency) and delivery can be by mail or email.

HHC Publishing, Inc. accepts Visa, MasterCard and American Express credit card payments. Subscription requests should be sent to HHC Publishing, PO Box 9138, Foxboro, MA, 02035-9138. You may also email (info@hhcpublishing.com), call (978-567-9067) or fax (617-479-4961) your subscription request.

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