



The North West Company does not report detailed sales results for Cost-U-Less. According to *WCF* estimates and data recently discovered on [www.northwest.ca](http://www.northwest.ca), Cost-U-Less generated annual sales of \$258 million in 2009 which equates to approximately: \$21 million per club per year, \$671 in sales per square foot and \$129 in sales per item per location per week. For a comparison, see the fiscal year results for BJ's, Costco, PriceSmart and Sam's Club in the chart on the right.

Fiscal Year Data	Revenues (million)	Average Club		Sales/ Square Foot	Weekly Sales/ SKU/Club
		Annual Sales (million)	Size		
Costco	\$71,422	\$131	143,000	\$927	\$546
Sam's Club	\$47,898	\$79	132,000	\$589	\$249
BJ's	\$10,027	\$55	109,000	\$502	\$138
PriceSmart	\$1,246	\$50	52,000	\$964	\$442

Annual reports and WCF research.

**Wilhelm Interview and Buying and Operating Strategy**

After Cost-U-Less was purchased by The North West Company in 2007, Wilhelm was named president. In addition, Wilhelm is president of Alaska Commercial Company, another division of The North West Company. Wilhelm joined Alaska Commercial Company in 1984. The following are assorted facts regarding the buying and operating strategy of Cost-U-Less:



Cost-U-Less—J&J Baby Powder

**Overall Strategy** – In a general sense, Cost-U-Less buyers want to make sure the product they are purchasing is a value and is of high quality. On the food side, presenting a national or recognizable brand (see picture on the left of hand cut cases of Johnson & Johnson baby powder) is important. Cost-U-Less is very confident that any product that comes from the United States has the potential to do well in its locations.

Wilhelm 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."

**Penetration** – According to the company's web site, perishable foods account for approximately 25% of sales, dry grocery, candy and liquor account for approximately 40% of sales and non-food products account for approximately 35% of sales.

**Private Label** – Unlike BJ's, Costco, PriceSmart and Sam's Club, 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 70% to 75% 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."

**Ancillary Businesses and Member Services** – Currently, Cost-U-Less does not operate in-club ancillary businesses like a food court, pharmacy or one-hour photo center. Wilhelm said, "We are evaluating a financial services program that could find its way into stores by the first quarter of fiscal 2011."

**Product Demonstrations** – Cost-U-Less offers an in-house product demonstration program. Vendors just need to provide product samples.

**Business Members** – Wilhelm said, "We have a dedicated person on staff at each store to address business members' needs. We will also be introducing in the second quarter of fiscal 2010 an enhancement to our website that will make it easier for businesses to shop with us on line."

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**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 by the corporate buying staff.

**Market Access** – The markets in which Cost-U-Less operates are small with 40,000 to 50,000 people per location. One of the great 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.

**California** – The company’s only mainland location is in Sonoma, 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.

**Expansion** – Wilhelm said, “We are looking to expand into like markets in both the Caribbean and South Pacific. Between now and 2014 we hope to open a minimum of three Cost-U-Less stores.”

**Product Registration and Customs** – 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 Central 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** – 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.”

**St. Thomas Observations**

The following are observations from Cost-U-Less in St. Thomas:

**Overall Assortment** – Per square foot, Cost-U-Less stocks a wider variety of merchandise than any other club operator. An average Cost-U-Less location is approximately 32,000 square



feet compared to an average PriceSmart at 52,000 square feet and an average Costco at 143,000 square feet. The chart above provides the item count, gathered by WCF, in St. Thomas as well as baseline SKU counts for Costco and PriceSmart.

As can be seen, despite operating smaller locations compared to PriceSmart and Costco, Cost-U-Less stocks more items than a baseline PriceSmart and just 626 fewer items than a baseline Costco. That larger assortment is focused on food products (see picture on the left of a pallet of San Francisco Bay organic coffee beans).

For example, in the alcohol category, Cost-U-Less stocks more than four times PriceSmart’s assortment and approximately 2.5 times Costco’s assortment. In the dry grocery category, Cost-U-Less stocks nearly two times the assortment found at both PriceSmart and Costco and its frozen assortment is nearly four times as large as

PriceSmart and more than two times as large as Costco.

On the non-food side, product selection for the following categories is smaller in comparison to both PriceSmart and Costco: apparel, appliances, automotive, bed and bath, books and movies, computers, electronics and plastic products, trash bags and tin foil.

Category SKU Data	Cost-U-Less St. Thomas, USVI (January, 2010)	PriceSmart Baseline (January, 2010)	Costco Baseline (December, 2009)
Bread, Bakery	32	35	65
Beer, Wine, Liquor	513	118	213
Candy	86	73	92
Deli, Sliced Meat, Prepared, Cheese	14	12	167
Dry Grocery	618	357	323
Frozen	230	59	104
Fresh Meat, Chicken, Seafood	47	100	57
Diet/Health Bars and Shakes	11	8	12
Produce	90	56	74
Refrigerated, Cooler	183	97	73
Snacks, Cookies	133	69	90
Soda, Water, Tea, Energy Drinks	59	23	39
<b>Total Food</b>	<b>2,016</b>	<b>1,007</b>	<b>1,309</b>
Apparel (tags only)	33	68	151
Appliances	44	55	51
Automotive, Tires, Batteries	44	116	114
Baby Food and Supplies	31	17	19
Bed and Bath	23	53	80
Books, CDs, Movies	12	18	432
Computers, Supplies, Software	19	78	73
Detergents, Cleaning Supplies	95	89	61
Electronics - TV, DVD, Stereo, Music	49	85	85
Film, Batteries, Cameras, Tapes	33	8	55
Furnishing, Lighting, Plants, Frames	27	15	51
Furniture	18	19	17
Hardware, Tools	61	65	45
Health and Beauty Aids	167	122	390
Housewares, Vacuums	114	18	32
Jewelry, Fragrances, Fine Glass	0	0	365
Kitchen Supplies	99	33	50
Office Equipment, Furniture, Phone	26	12	39
Office Supplies, School, Cartridges	158	85	82
Paper Products	19	11	38
Pet	48	10	26
Plastic Products, Trash Bags, Tin Foil	42	56	53
Seasonal	83	43	103
Sports, Camping, Luggage	82	45	29
Tobacco	25	23	105
Toys, Video Games	22	8	161
<b>Total Non-Food</b>	<b>1,374</b>	<b>1,152</b>	<b>2,707</b>
<b>Overall</b>	<b>3,390</b>	<b>2,159</b>	<b>4,016</b>

WCF Research and PSMT data.



Cost-U-Less—End Caps



Cost-U-Less—Dentyne

However, Cost-U-Less does offer a wider assortment, in comparison to PriceSmart and Costco, in the following non-food categories: baby, detergents and cleaning supplies, housewares, kitchen supplies, office supplies, pet supplies and sports and camping.



Cost-U-Less—Trash, Containers

**Merchandising** – Due to its larger selection, Cost-U-Less hand stacks a large amount of merchandise. For example, see picture above of waste baskets and storage bins. Additionally, Cost-U-Less does not always purchase traditional club packages and prefers to purchase smaller grocery sized packages. To display these items, Cost-U-Less will hand cut the cases (see picture above of Dentyne gum). However, Cost-U-Less does merchandise products in full pallet displays, especially when they are on end cap (see picture on the left of tennis balls and light bulbs).

## FINANCIAL

### Sam's Club

#### Sam's Club Reports National Fourth Quarter and Fiscal Year Results

*PR Newswire* – February 18, 2010

Sam's Club reported fourth quarter and fiscal year results, ending January 31, 2010, for United States locations, via a press release and pre-recorded conference call on February 18, 2010. The following is a summary of that information:

**Fourth Quarter Sales and Income** – Sam's Club reported that sales increased 3.8% from \$11.84 billion last year to \$12.29 billion this year. Merchandise gross margins decreased 23 basis points. Excluding gasoline sales, merchandise gross margins would have increased 19 basis points. Operating income decreased 30.4% from \$438 million last year to \$305 million this year. The large decrease was due to a \$174 million charge to restructure operations and close ten underperforming clubs.

Overall comparable sales increased 3.7%. Excluding gasoline sales, comparable sales would have increased 0.7%. Average member traffic increased 40 basis points and the company's average transaction increased 30 basis points. Advantage member traffic was positive while business member traffic declined slightly. Excluding gasoline sales, the average transaction for an advantage member was "flat" compared to last year while the average transaction for a business member increased slightly.

Categories that produced stronger sales included: meat, produce, consumables, baby, seasonal, tobacco, pharmacy and over-the-counter drugs. Additionally, Brian Cornell, president and chief executive officer of Sam's Club, highlighted improvement in the company's apparel business. However, weaker sales growth continues in electronics (due to deflation), furniture and jewelry.

**Fiscal Year Sales and Income** – Sam's Club reported that sales decreased 0.4% from \$46.90 billion last year to \$46.71 billion this year. Overall comparable sales decreased 0.8%. Excluding gasoline sales, comparable sales would have increased 1.4%. Operating income decreased 8.1% from \$1.65 billion last year to \$1.51 billion this year.

**eValues** – The company's eValues coupon program is helping to increase the number of upgrades to the company's premium Plus membership. The eValues coupon program is only available to Plus members.

**Inventory** – Sam's Club reduced overall inventory by 9.5% with some of that reduction due to deflation. The company did a good job managing its seasonal inventory and transitioning into its Spring and Summer program.

**Operations** – Cornell reported that sales per labor hour increased 4.1% and club wages were flat compared to last year. Sam's 5S operational acronym stands for: sort, straighten, sanitize, standardize and sustain. This philosophy, according to Cornell, is translating into "less waste, higher associated engagement and higher productivity."

**Membership** – Fiscal year membership income increased 2.1%. Membership renewal rates for all groups was "flat" compared to last year.

**Project Portfolio** – Cornell said, "We are pleased with the early performance of Project Portfolio and we will continue to monitor and evaluate it to ensure we are improving the member experience and driving returns."

### Sam's Club

#### Best Price Modern Wholesale

WCF Research – February, 2010 and Wal-Mart Fact Sheet – November, 2009

In May, 2009, in a joint venture with Indian retailer Bharti Enterprises, Wal-Mart opened its first, and currently only, wholesale cash and carry store in India called Best Price Modern Wholesale. The location is in Amritsar, India. After researching this venture, despite the name, WCF is going to include this operation as part of Sam's international business. The following is a brief profile of Best Price Modern Wholesale.

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 location stocks approximately 6,000 SKUs and is approximately 80,000 to 100,000 square feet. More than 90% of the location's merchandise and services is sourced locally.

The interior of the location offers a similar look to a traditional warehouse club with pallet and shelf merchandising. Each row features aisle signs. Above some of those aisle signs are large banners promoting different brands and products. The store features many products and services geared to business owners such as seminars on taxation and food safety. The country of India has approximately 12 million kirana stores. Inside Best Price Modern Wholesale is an actual kirana store that helps these customers to visualize processes and operations such as assortment planning, layout and fixtures and displays.

#### Wal-Mart and Sam's Sustainability Expo

GreenerPackage.com – January 18, 2010

Wal-Mart and Sam's Club are hosting their fifth annual sustainability exposition on April 6 and 7, 2010 in Bentonville, Arkansas. The event is primarily for Sam's Club buyers and suppliers and features approximately 150 to 175 sustainable packaging exhibitors. Those exhibitors must submit their materials for audit by a third party who confirms the claims made by that company. The two day event includes up to 15 presentations that discuss sustainable issues and concepts.

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## Private Label Analysis

Private label programs are a very important part of each club's merchandising strategy. Private label merchandise offers the clubs the ability to generate higher gross margins while still offering its members quality and value. Each major club has developed their own unique private label program.

Costco's private label program offers one brand, Kirkland Signature. BJ's private label program includes 12 brands with its primary line being Berkley & Jensen, a consumer label. Sam's private label program includes three brands: Member's Mark, a consumer label, Bakers & Chefs, a foodservice label, and ProForce, a commercial product line.

This article is divided into six sections: private label strategies, data overview, BJ's program, Costco's program, Sam's program and pricing analysis. The data in this article was gathered at BJ's, Costco and Sam's Club in January, 2010.

### Private Label Strategies

Warehouse clubs offer premium private label products that meet or exceed the quality standards of the competing national brand. Private label purchasing is done at the corporate level with buyers following nine strategies:

**Gross Margin** – Private label products should exceed traditional club gross margins of 8% to 12%.

**Savings** – Private label products should yield a 20% savings compared to the competing nationally brand.



Costco—Kirkland Signature Dutch Oven

**Quality** – Private label products should consistently exceed the standards of the competing national brand. In the October, 2009 issue of *The Costco Connection*, Dick DiCerchio, Costco's senior executive vice president, said, "The working rule followed by Costco buyers is that all Kirkland Signature products must be equal to or better than the national brands, and must offer a savings to our members."

**Lack of Competition** – Private label products are generally developed for a category that does not have a strong national brand since product introduction is easier (see picture on the left of Costco's Kirkland Signature Dutch oven).



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**Item not Category** – 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.

**One Supplier** – By selecting one manufacturer for a particular product, the clubs are able to negotiate the lowest possible cost by committing all their volume to that one manufacturer.

**Advertising and Marketing** – Advertising costs are kept to a minimum and items are promoted through product demonstrations, club magazines and overall private label brand acceptance.

**Merchandising** – Prime floor space is more common for private label items, increasing exposure.

**Negotiating Leverage** - Private label programs assist the clubs in negotiating the best possible price from competing branded manufacturers.

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**Data Overview**

The two charts in this section provide an overview of the private label programs at each club. The chart below shows private label SKU development over the past five calendar years. The

Private Label	Total SKUs	Private Label SKUs	Key Brands	Categories												
				Apparel	Alcohol	Auto	Candy, Snacks	Dry Grocery	Perishable	Seasonal	Bed, Bath	Hard Goods	HBA, Baby	Pet	Sundries	
<b>BJ's</b>																
2006	6,896	900	13%	13	45	0	7	42	106	220	44	24	131	144	20	117
2007	7,167	904	13%	19	58	0	7	42	122	286	44	28	89	128	20	80
2008	6,792	688	10%	14	38	0	5	31	69	213	64	18	74	89	19	68
2009	6,621	610	9%	12	29	0	6	26	63	195	59	30	47	85	12	58
2010	6,981	610	9%	12	24	0	5	26	65	193	51	40	38	97	11	60
<b>Costco</b>																
2006	4,108	411	10%	1	15	3	38	16	37	141	30	12	14	69	7	29
2007	4,479	474	11%	1	20	9	41	19	43	149	40	2	32	85	8	26
2008	4,420	527	12%	1	20	10	49	21	58	163	35	21	32	85	8	25
2009	4,091	502	12%	1	23	8	33	22	61	172	26	20	25	76	8	28
2010	4,016	514	13%	1	14	7	33	23	67	172	39	19	17	87	8	28
<b>Sam's Club</b>																
2006	4,960	445	9%	3	78	3	4	8	47	101	23	0	26	103	11	41
2007	5,157	376	7%	3	79	0	3	6	41	92	13	0	21	74	11	36
2008	5,379	377	7%	3	5	0	4	5	47	115	14	0	38	95	11	43
2009	4,980	423	8%	3	4	0	2	9	53	140	18	2	66	75	8	46
2010	5,266	524	10%	3	4	0	4	6	45	159	27	21	84	92	8	74

WCF Research 2006, 2007, 2008, 2009, 2010

The data is through January, 2010.

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 percent of private label items to overall SKUs. The column labeled key brands shows the number of key private label brands offered by each club.

Costco's percentage of private label merchandise at 13% is the highest among the three clubs with Sam's at 10% and BJ's at 9%. However, in terms of total number of private label SKUs, BJ's leads the industry with 610 items followed by Sam's Club with 524 SKUs and Costco with 514 products.

The chart on the right provides estimated sales for an average private label and branded SKU. The sales data is from calendar year 2009 and does not include ancillary businesses. A branded item at Costco generates \$515 weekly per club compared to a private label item which generates \$752 weekly per club. A branded item at BJ's generates \$135 weekly per club compared to a private label item which generates \$159 weekly per club and a branded item at Sam's generates \$251 weekly per club compared to a private label item which generates \$321 weekly per club.

2009 Calendar Year		BJ's	Costco	Sam's
<b>Total</b>	AVG SKU 2 Years	6,801	4,053	5,180
	AVG Location 2 Years	183	558	733
	Yearly Product Sales less Ancillary (million)	\$8,862	\$64,047	\$50,878
	Yearly Sales per SKU	\$1,303,044	\$15,802,369	\$9,822,008
<b>Branded</b>	Yearly Sales per SKU per Location	\$7,120	\$28,320	\$13,400
	<b>Weekly Sales per SKU per Location</b>	<b>\$137</b>	<b>\$545</b>	<b>\$258</b>
	SKU	6,191	3,539	4,656
	Percent of Sales	89.6%	82.5%	87.4%
<b>Private Label</b>	Yearly Sales (million)	\$7,940	\$52,839	\$44,467
	Yearly Sales per SKU	\$1,282,564	\$14,930,425	\$9,550,552
	Yearly Sales per SKU per Location	\$7,009	\$26,757	\$13,029
	<b>Weekly Sales per SKU per Location</b>	<b>\$135</b>	<b>\$515</b>	<b>\$251</b>
<b>Private Label</b>	SKU	610	514	524
	Percent of Sales	10.4%	19.5%	12.6%
	Yearly Sales (million)	\$922	\$11,208	\$6,411
	Yearly Sales per SKU	\$1,510,898	\$21,805,885	\$12,234,023
<b>Private Label</b>	Yearly Sales per SKU per Location	\$8,256	\$39,079	\$16,690
	<b>Weekly Sales per SKU per Location</b>	<b>\$159</b>	<b>\$752</b>	<b>\$321</b>

WCF Research, Estimates.

**BJ's Wholesale**



BJ's—Earth's Pride Organic Coffee

In 1999, BJ's introduced two private label brands. Berkley & Jensen products are geared to consumers and Executive Choice products are geared to business members. In addition to those two primary brands, BJ's currently stocks an additional ten private label lines (see picture on the left of Earth's Pride organic coffee). The chart on the next page provides a list of BJ's private label brands. BJ's private label sales penetration is approximately 10.4%.

## BJ's Private Label Brands

Berkley & Jensen	Cookware, Food, Hard Goods, HBA, Pet, Sundries
Earth's Pride	Organic Food
Executive Choice	Sundries, Hard Goods, Food
Generation Me	Children's Apparel
Lanesboro	Men's Apparel
Living Home	Seasonal, Bed & Bath, Cookware, Hard Goods
Lyndon Reede	Seasonal Candy
Peterson's	Shrimp, Seafood
Rozzano	Italian Food
Taylor Marcs	Women's Apparel
Trade Craft	Automotive, Hardware
Wellesley Farms	Perishable and Prepared Food
<b>Total</b>	

WCF Research - 2010

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. Going forward, BJ's private label program will concentrate on differentiating itself versus both warehouse club and supermarket or grocery store competitors. To compete against Costco and Sam's, BJ's will rely on high-end private label brands such as Wellesley Farms, Rozzano and Earth's Pride. To compete against supermarkets, BJ's will concentrate on its consumable brand, Berkley & Jensen.

## Costco Wholesale

In 1995, Costco introduced its Kirkland Signature private label brand. Today, Costco's private label merchandise represents approximately 19.5% of overall sales with food and sundry private label penetration approaching 23%. Currently, Costco stocks 514 private label items. In the October, 2009 issue of *The Costco Connection*, Jim Sinegal, Costco's 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."

In November, 2009, Costco held a financial analyst meeting in New York. The company said that over the next few years, it is going to aggressively expand its Kirkland Signature private label assortment. Overall, private label sales penetration could reach 27% in fiscal 2010 (ending August, 2010) and 37% in fiscal 2012 (ending August, 2012).

By category, food and sundries private label sales penetration could reach 30% in fiscal 2010 and 40% in fiscal 2012. General merchandise private label sales penetration could reach 10% in fiscal 2010 and 15% in fiscal 2012. Health and beauty aids private label sales penetration could reach 20% in fiscal 2010 and 30% in fiscal 2012. A clear focus of Costco's Kirkland Signature expansion plans is to convert all its fresh food products (meat, seafood, bakery and produce) to private label by fiscal 2012.

## Sam's Club

Sam's introduced its Member's Mark private label brand in 1998. To meet the needs of its business members, Sam's developed two additional private label brands: Bakers & Chefs for foodservice members and ProForce, a commercial product line. Sam's private label sales penetration is estimated at 12.6%.

In a presentation to financial analysts in October, 2009, Brian Cornell, president and chief executive officer of Sam's Club, outlined Sam's new buying and merchandising strategy. Part of that strategy is focused on growing Sam's private label program. In particular, Sam's sees a significant opportunity to aggressively grow its fresh food private label assortment.

## Pricing Analysis

This last section analyzes two private label retail pricing charts. The first chart compares club private label pricing to each item's competing national brand. The second chart compares the pricing of a private label item which all three clubs stock. The data for each chart was gathered in January, 2010.

Club	Product	National Brand				Private Label				Savings
		Brand	Pack	Retail	Per Unit	Brand	Pack	Retail	Per Unit	
Costco	AA Batteries	Duracell	36 ct	\$13.69	\$0.3803	Kirkland Signature	48 ct	\$10.99	\$0.2290	66%
	Adult Multivitamin	Centrum	365 ct	\$18.59	\$0.0509	Kirkland Signature	500 ct	\$14.99	\$0.0300	70%
	Cetirizine (Allergy Medicine)	Zyrtec	75 ct	\$32.99	\$0.4399	Kirkland Signature	365 ct	\$16.29	\$0.0446	886%
	Diet Green Tea	Lipton	28-16.9 oz	\$12.99	\$0.0275	Kirkland Signature	35-16.9 oz	\$10.89	\$0.0184	49%
	Fabric Softener	Downy	168 oz	\$12.49	\$0.0743	Kirkland Signature	150 oz	\$8.69	\$0.0579	28%
	Facial Tissue (Upright)	Kleenex	12-85 ct	\$15.49	\$0.0152	Kirkland Signature	12-100 ct	\$13.69	\$0.0114	33%
	Ibuprofen (Pain Reliever)	Advil	325 ct	\$15.29	\$0.0470	Kirkland Signature	2-500 ct	\$8.99	\$0.0090	423%
	Solid White Albacore Tuna	Bumble Bee	8-7 oz	\$12.79	\$0.2284	Kirkland Signature	8-7 oz	\$11.99	\$0.2141	7%
BJ's	Aluminum Foil	Reynolds	2-250 sq ft	\$14.99	\$0.0300	Berkley & Jensen	2-250 sq ft	\$11.99	\$0.0240	25%
	Canned Cat Food	Fancy Feast	36-3 oz	\$16.99	\$0.1573	Berkley & Jensen	36-3 oz	\$14.79	\$0.1369	15%
	Extra Heavy Mayonnaise	Hellman's	128 oz	\$9.99	\$0.0780	Executive Choice	128 oz	\$6.99	\$0.0546	43%
	Red Plastic Cup - 16 oz	Solo	136 ct	\$7.99	\$0.0588	Berkley & Jensen	180 ct	\$7.99	\$0.0444	32%
	Replacement Brushheads	Oral-B	6 ct	\$28.99	\$4.8317	Berkley & Jensen	6 ct	\$16.99	\$2.8317	71%
	Sandwich Bags	Glad	4-115 ct	\$6.99	\$0.0152	Berkley & Jensen	4-115 ct	\$5.99	\$0.0130	17%
	Scoopable Cat Litter	Scoop Away	40 lb	\$12.99	\$0.3248	Berkley & Jensen	40 lb	\$8.99	\$0.2248	44%
	Semi Sweet Morsels	Nestle	72 oz	\$8.99	\$0.1249	Berkley & Jensen	72 oz	\$7.99	\$0.1110	13%
Sam's Club	AA Batteries	Energizer Max	48 ct	\$17.98	\$0.3746	Member's Mark	48 ct	\$9.88	\$0.2058	82%
	Apple Juice	Mott's	2-86 oz	\$4.16	\$0.0242	Member's Mark	2-96 oz	\$3.98	\$0.0207	17%
	Bleach	Clorox	3-182 oz	\$8.12	\$0.0149	ProForce	4-128 oz	\$5.87	\$0.0115	30%
	Cat Food - Variety	Friskies	48-3 oz	\$17.88	\$0.3725	Member's Mark	48-3 oz	\$13.92	\$0.2900	28%
	Cooking Spray	Pam	2-8.5 oz	\$5.46	\$0.3212	Bakers & Chefs	2-16 oz	\$5.88	\$0.1838	75%
	Cranberry Juice Cocktail	Ocean Spray	128 oz	\$4.74	\$0.0370	Member's Mark	2-64 oz	\$4.68	\$0.0366	1%
	Fabric Softener	Downy	129 oz	\$9.96	\$0.0772	Member's Mark	168 oz	\$9.48	\$0.0564	37%
Mayonnaise	Ken's	128 oz	\$6.88	\$0.0538	Bakers & Chefs	128 oz	\$5.68	\$0.0444	21%	

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**National Brand Comparison** – Eight private label items along with the competing national brand were selected at each club (see chart above). The pricing for the private label and national brand products were compared. The unit retail price of each item was calculated and the savings determined. Private label savings range from 1% to 886%. For example, Costco stocks a case of thirty-five 16.9-ounce bottles of Kirkland Signature diet green tea for \$10.89 or 1.8-cents-per-ounce. The competing national brand is Lipton whose package includes twenty-eight 16.9-ounce bottles for \$12.99 or 2.8-cents-per-ounce. Costco's diet green tea offers a per-ounce savings of 49%.

**Club Private Label Pricing Comparison** – Ten private label items stocked by all 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.

Product	Sam's Club					Costco					BJ's Wholesale				
	Brand	Pack	Retail	Unit Retail	DIFF	Brand	Pack	Retail	Unit Retail	DIFF	Brand	Pack	Retail	Unit Retail	DIFF
AA Batteries	Member's Mark	1 48 ct	\$9.88	\$0.2058		Kirkland Signature	1 48 ct	\$10.99	\$0.2290	111	Berkley & Jensen	1 48 ct	\$9.99	\$0.2081	101
Almonds	Member's Mark	1 3 lb	\$9.28	\$3.0933		Kirkland Signature	1 3 lb	\$9.69	\$3.2300	104	Berkley & Jensen	1 3 lb	\$10.99	\$3.6633	118
Canned Chicken	Member's Mark	5 13 oz	\$9.98	\$0.1535		Kirkland Signature	6 12.5 oz	\$10.99	\$0.1465	95	Berkley & Jensen	4 12.5 oz	\$7.99	\$0.1598	104
Diapers - Size 3, 16 - 28 lb	Member's Mark	1 200 ct	\$32.32	\$0.1616		Kirkland Signature	1 208 ct	\$39.59	\$0.1903	118	Berkley & Jensen	1 174 ct	\$24.99	\$0.1436	89
Fabric Softener Sheets	Member's Mark	1 250 ct	\$5.48	\$0.0219		Kirkland Signature	2 246 ct	\$8.69	\$0.0177	81	Berkley & Jensen	2 160 ct	\$5.99	\$0.0187	85
Ibuprofen (Advil)	Member's Mark	2 500 ct	\$8.86	\$0.0089		Kirkland Signature	2 500 ct	\$8.99	\$0.0090	101	Berkley & Jensen	1 500 ct	\$6.99	\$0.0140	158
Plastic Wrap - 12" x 3,000'	Bakers & Chefs	1 1 ct	\$11.22	\$11.2200		KS/Stretch Tite	1 1 ct	\$11.99	\$11.9900	107	Executive Choice	1 1 ct	\$12.79	\$12.7900	114
Salted Butter Quarters	Member's Mark	4 1 lb	\$7.16	\$1.7900		Kirkland Signature	4 1 lb	\$6.59	\$1.6475	92	Wellesley Farms	4 1 lb	\$7.99	\$1.9975	112
Trash Bags - 33 gal - Drawstring	Member's Mark	1 90 ct	\$11.72	\$0.1302		Kirkland Signature	1 90 ct	\$12.99	\$0.1443	111	Berkley & Jensen	1 90 ct	\$12.99	\$0.1443	111
Tylenol PM	Member's Mark	2 150 ct	\$5.42	\$0.0181		Kirkland Signature	2 250 ct	\$8.99	\$0.0180	100	Berkley & Jensen	1 500 ct	\$7.99	\$0.0160	88

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For example, Sam's stocks a package of five 13-ounce cans of Member's Mark canned chicken for \$9.98 or 15.4-cents-per-ounce. Costco stocks a package of six 12.5-ounce cans of Kirkland Signature canned chicken for \$10.99 or 14.7-cents-per-ounce, a 5% savings compared to Sam's Club. BJ's stocks a package of four 12.5-ounce cans of Berkley & Jensen canned chicken for \$7.99 or 16.0-cents-per-ounce, 4% more compared to Sam's Club.

## OBSERVATIONS

**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.**

- Radio Shack manages Sam's in-store cellular phone kiosks. According to Radio Shack's fourth quarter conference call with financial analysts on February 22, 2010, Sam's in-store cellular phone kiosks generated double digit comparable sales increases for its fourth quarter ending December 31, 2009. Additionally, Radio Shack reported double digit comparable sales increases for its fiscal year ending December 31, 2009. Radio Shack's agreement with Sam's Club is good through June, 2011. Radio Shack offers phone service through Sprint, T-Mobile, Verizon and AT&T.
- According to a February 23, 2010 press release, AVT Incorporated announced it expanded its distribution of automated dispensing systems on Samsclub.com. The products include a snack and beverage machine, an 18-flavor coffee dispensing machine and a snack food machine that can also dispense t-shirts, ball caps and other unique items. The two snack machines can be managed by a PC. James Winsor, chief executive officer of AVT, said, "Sam's Club has a focus on small business owners/operators and our low price-high tech systems will literally open the doors for these business owners by allowing new and increased revenue through an automated, more efficient sales environment. Our new relationship with samsclub.com ... provides us a distinct competitive advantage over our competition."
- According to a February 21, 2010 report in the *Chicago Tribune*, Sears Holdings approached Wal-Mart and Costco about selling both retailers Craftsman branded products. In 2008, Sears separated its key brands into separate business units (Craftsman, DieHard, Lands End and Kenmore) with the intention of having those units sell merchandise to rival retail operators.

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