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## INSIDER FOCUS – Preferred Global Logistics

*Warehouse Club Focus (WCF)* has been reporting on BJ's, Costco, Cost-U-Less, PriceSmart and Sam's Club since 1997. In its 289 issues to date, we have written thousands of articles covering a wide variety of topics. The ultimate goal with each article and each issue is to provide information that can help club vendors better prepare and sell club buyers. In looking back over those issues, the one voice, we believe, that needs to and will be heard on a more consistent basis are industry insiders.

Potential industry insiders include but are not limited to club executives, club buyers, manufacturer representatives, packaging and design organizations, club vendors and supply chain related businesses. As it relates to this INSIDER FOCUS article series, *WCF* will make every effort to provide an ongoing variety of companies and topics. If you are interested in learning more about the INSIDER FOCUS series, please contact Michael Clayman at michael.clayman@hhcpublishing.com.

### Preferred Global Logistics

The first company to participate in *WCF*'s INSIDER FOCUS series is Poway, California-based Preferred Global Logistics (PGL, [www.preferredgloballogistics.com](http://www.preferredgloballogistics.com), 858-391-0268). PGL is a non-asset-based third party logistics company that offers all the transportation needs any club vendor requires. In addition, PGL created a merchandising division called Concept Connection which offers a wide variety of services to companies looking to sell their products to the warehouse club industry.

PGL's history and experience within the warehouse club industry is unique. Loren Paulsen, co-founder of PGL, also co-founded, with two partners, a wholesale book distribution business in 1982 called Advanced Marketing Services (AMS). From an investment of \$6,000 and a 5,000 square foot distribution center, AMS grew to \$1.4 billion in gross sales from a worldwide distribution network that supplied up to 90% of the books in the warehouse club channel.

In addition to speaking with Loren Paulsen, *WCF* also spoke with Greg Paulsen, co-founder of PGL, and Chip Crowl, director of marketing at PGL and head of Concept Connections. This article will cover the following topics: Concept Connections, warehouse club buying and logistics.

### **Concept Connections**

Concept Connections (CC) focuses on finding, developing and selling "treasure hunt" or in-and-out products to BJ's, Costco and Sam's Club. This merchandising division within PGL acts not only as a manufacturer representative for vendors looking to sell the clubs but also as a resource that brings together all aspects of product development.

CC uses its relationships with packaging companies and packaging designers knowledgeable in the warehouse club channel to develop the most effective package. Additionally, CC works with marketing designers who are familiar with the needs of club magazines, club web sites, in-store promotions and special offer brochures. Crowl said, "We seek out merchandise either already in-step with the club format or we create bundles and/or assortments for the channel. We have access to packagers, distributors, creative artists and other central functions that organize the item into a club ready SKU."

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**Proactive** – One of CC's core competencies is its proactive approach to working with club vendors and developing products. Loren Paulsen said, "We anticipate where the bumps are going to be and try to straighten those out before we hit them. We're a little better positioned for small treasure hunt suppliers that really don't have a good go-to-market strategy but they have a great widget. We know how the product needs to be packaged, we know how it needs to be palletized, we know how it needs to be delivered and we know how to deal with the financial part of the business."

**Treasure Hunt Items** – CC focuses on treasure hunt merchandise which is constantly changing and adapting to current trends and desires. This area provides a constant stream of opportunities. For example, Costco has approximately 800 treasure hunt slots in its assortment of 4,200 items. If you assume that each item lasts ten weeks, each treasure hunt slot will require approximately five SKUs during the year which means that Costco buyers need 4,000 treasure hunt items per year. CC is constantly searching to fill that treasure hunt need. Crowl said, "We attend every conceivable type of merchandising convention or trade show seeking out missed opportunities."

One of the key services AMS provided the club channel was the ability to "sift" through tens of thousands of book titles a year to find the top two hundred SKUs that make the most sense for the club buyers. Loren Paulsen said, "AMS would review over 50,000 new book titles each year to produce the best item selection each week. The clubs stocked 200 to 300 titles and the assortment would turn over around 20% each week. That meant AMS was constantly putting in 40 to 60 new titles each week."

CC's goal is to offer a similar service with treasure hunt items. Loren Paulsen said, "We can be a resource tool for them. We would love, at some point, to be able to have buyers come to us and ask us to find something in this genre. We would then find it, package it and bring it to them. If we can end up being that kind of a service on top of a vendor finding those specialty products, that would be a very powerful thing."



PGL—PowerSave 1200 (SPEC SHEET and VIDEO)

**Product Development** – The management team for PGL and CC are in the club locations a couple times a week looking at end caps and new items. CC's goal is to deliver items that not only meet club buyer requirements but also the needs of club members. Having been a member and worked in the channel for 28 years, Loren Paulsen said he has developed a "gut feeling" about whether a potential item will or will not work at BJ's, Costco or Sam's Club.

**Buyer Friendly Web Site** – PGL built its web site to be vendor and buyer friendly. Each item that CC is working on has its own web site page (see picture on the left of the PowerSave 1200 energy monitoring system). The page not only includes a product specification sheet (in PDF format) that includes all the necessary information a club buyer would require but product videos.

Loren Paulsen said, "Buyers today value the ability to learn more about and review a potential item at their leisure. We developed the product videos on our site for that specific reason. The web site video is part of our presentation to the club buyer. In some situations, we'll talk to a buyer and suggest they visit our site to learn a little about a potential item before we even meet. We'll even take the extra step and create a video for a product if one does not already exist."

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**Brokerage Service** – As part of its service offerings, CC represents vendors to club buyers. Crowl said, “After working with the vendor to create a presentation plan, we source the samples, initiate contact, meet with the buyer and follow up on those sales calls to seek an item’s placement into the buyer’s purchasing grid. Once an item is in place, we monitor its success, fill rate, fulfillment and re-planning.”

### Warehouse Club Buying

*WCF* asked Loren Paulsen and Crowl how BJ’s, Costco and Sam’s Club differ from each other in terms of their buying and go-to-market strategy.

**BJ’s** – Crowl said, “We’ve always identified them more as an urban club group. They focus less on larger packages and more on consumer-oriented sizes. Their packages are bigger than a non-club retailer but not as robust as typically found at Costco and Sam’s Club. When we think of a product for them, we focus more on everyday products and package sizes.”

**Sam’s Club** – Crowl said, “While they do focus more on the business member than BJ’s and Costco, over the past six years, Sam’s Club has been trying to better serve the consumer member or the family of its business members. We have even noticed that over the past 18 months, they are stocking items that initially appeared at Wal-Mart. When we are in buyer meetings at Sam’s, they are definitely more focused on consumer items but in the back of their mind, they are thinking how this item can be packaged or positioned for a business member. They would rather take a consumer item and change it for a business member than buy a wholesale item and try to modify it for a consumer.”

**Costco** – Paulsen said, “Costco is the industry leader. Costco merchandise is a little more upscale as their buyers focus on product quality. Recently, Costco’s focus on lower prices and offering a value has increased as the company deals with current economic conditions. With regards to merchandising and operations, Costco’s SKUs are visually very appealing and they forecast sales well.”

### Logistics

PGL’s logistics and distribution services are based on the experiences learned at AMS. AMS built a distribution network that enabled the company to service every club location on a weekly basis within a one hour delivery time window.

Greg Paulsen said, “Our approach with PGL is very similar to how we helped publishers get their product into the clubs. A supplier may not have the infrastructure to service the clubs the way they need to be serviced nor will they build that capability for an item that will only be stocked for a couple months. This is where our expertise comes into play. The differing types of solutions vary from deal to deal based on the club’s requirements, the vendor’s capabilities and the size and length of the project.”

PGL offers a number of different options for moving merchandise from the vendor to the club both nationally and internationally. PGL delivers value to its customers through competitive agreements with some of the country’s largest asset based freight carriers. PGL offers the following transportation services: ocean shipping, intermodal/ocean container dray, truckload, less-than-truckload (LTL), freight forwarding and customs brokerage.

To help manage its logistics business, PGL uses a web-based transportation management system (TMS) that provides access to a wide variety of transportation information to customers at any time. The TMS system communicates directly with each transportation provider used by PGL and offers constantly updated information. Among the features of the TMS system are: easy order and load entry, rate quotes and carrier selection, shipment tracking, complete history for accounting and data can be easily exported to Excel.

Greg Paulsen said, “The web-based TMS application offers authorized users the ability to enter orders and view or change orders in a dynamic environment. Both visibility and execution can be carried out with mobile devices keeping all supply chain partners updated with real-time information.”

### Spring and Summer Seasonal Merchandise

This article analyzes the spring and summer seasonal programs that are currently stocked at BJ’s, Costco and Sam’s Club. In July, 2009, *WCF* visited club locations in Massachusetts and Rhode Island to gather data for this article. The spring and summer programs comprise seven categories: outdoor products, camping and fishing (see picture on the top of the next page from BJ’s of a Pelican kayak and pallet display of Ready 2 Fish fishing poles), fans and air conditioners, gardening, grills and accessories, patio sets and umbrellas and beach and pool products.



BJ's—Canoe, Fishing Poles

For the purpose of this analysis, spring and summer products are defined as items that are stocked primarily from February/March to July or that generate a majority of its yearly sales during that time period. Sporting goods are not included in this analysis. WCF made every effort to ensure that all appropriate products were included in the 2009 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 made 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 or Sam's Club.

The ideas, tips and suggestions in this article can be used to develop or enhance non-seasonal club merchandise, as well as to illuminate trends and strategies that each club uses when purchasing spring and summer seasonal items.

The SKU charts below include historical category data from 2006, 2007 and 2008 as well as current data from 2009. The data includes the number of SKUs in each category, the average retail price within that category and whether the typical item in that category is merchandised on a full pallet or a half pallet.

### Seasonal Buying Strategies

Warehouse club seasonal programs are a significant and important part of their business. From a merchandising perspective, seasonal items help perpetuate the "treasure hunt" atmosphere in the club locations. The clubs want members to be surprised at the items that they stock.

The interesting, high-end and unique seasonal merchandise that rotates throughout the year creates a "buy it now" attitude among members as they recognize that these items will not be in stock for an extended period. To be able to successfully create and sell seasonal items to BJ's, Costco and Sam's Club, vendors need to understand the key seasonal strategies that club buyers follow.

**Present Early** – When planning to present seasonal merchandise, manufacturers should prepare their strategies one year before a season and buyer meetings should begin eight to 10 months prior to the beginning of a season.

**First In, First Out** - The clubs want

to be first in and first out of a season. The clubs usually have their seasonal merchandise stocked before other retailers so they can take advantage of early buy discounts. The clubs also want their seasonal merchandise to be seen by members first so that when members are ready to purchase the products they will think of the clubs. The clubs want to avoid markdowns, so they strive to sell through their seasonal inventory before the season is over. Another reason the clubs are first into a season or item is because many small businesses buy and resell seasonal club merchandise. Those business members need time to make decisions and get merchandise set up in their own store or business.

**Merchandise Guarantee** - Clubs are very conscious of moving in and out of seasons with as little inventory from a previous season as possible and negotiate to make sure a vendor will guarantee the sale of an item. This effort to be clean after a season is not just to reduce markdowns, but to create room for the next season's products. Manufacturers should be clear with their buyer on whether their merchandise is a guaranteed sale or not. If an item is guaranteed, the vendor is responsible for picking up any unsold merchandise. If an item is not guaranteed, the club is responsible for selling the entire inventory.

BJ's	SKU Count				Average Retail				Average Display			
	2006	2007	2008	2009	2006	2007	2008	2009	2006	2007	2008	2009
Outdoor Products	39	55	64	39	\$104	\$100	\$75	\$94	Half Pallet	Pallet	Half Pallet	Half Pallet
Camping, Fishing	18	18	16	12	\$59	\$65	\$37	\$40	Shelf	Half Pallet	Half Pallet	Half Pallet
Fans, Air Conditioners	13	19	18	18	\$165	\$181	\$193	\$156	Pallet	Half Pallet	Pallet	Pallet
Gardening	62	52	47	21	\$44	\$26	\$30	\$25	Half Pallet	Half Pallet	Half Pallet	Half Pallet
Grill, Accessories	23	22	26	20	\$107	\$90	\$38	\$40	Half Pallet	Half Pallet	Half Pallet	Shelf
Patio Sets, Umbrellas	37	31	19	13	\$207	\$177	\$389	\$445	Pallet	Pallet	Pallet	Pallet
Beach, Pool Products	61	67	93	65	\$74	\$58	\$81	\$58	Half Pallet	Half Pallet	Half Pallet	Half Pallet
<b>Totals</b>	<b>253</b>	<b>264</b>	<b>283</b>	<b>188</b>	<b>\$97</b>	<b>\$86</b>	<b>\$100</b>	<b>\$95</b>	<b>Half Pallet</b>	<b>Half Pallet</b>	<b>Half Pallet</b>	<b>Half Pallet</b>

WCF Research - 2006, 2007, 2008, 2009.

Costco	SKU Count				Average Retail				Average Display			
	2006	2007	2008	2009	2006	2007	2008	2009	2006	2007	2008	2009
Outdoor Products	20	25	22	16	\$165	\$369	\$118	\$119	Pallet	Pallet	Pallet	Pallet
Camping, Fishing	11	12	10	10	\$44	\$42	\$35	\$51	Half Pallet	Pallet	Pallet	Half Pallet
Fans, Air Conditioners	n/a	n/a	10	6	n/a	n/a	\$169	\$183	n/a	n/a	Pallet	Pallet
Gardening	38	29	30	14	\$78	\$26	\$43	\$27	Half Pallet	Pallet	Pallet	Pallet
Grill, Accessories	7	7	7	6	\$174	\$267	\$703	\$525	Pallet	Pallet	Pallet	Pallet
Patio Sets, Umbrellas	24	11	11	12	\$340	\$463	\$395	\$770	Pallet	Pallet	Pallet	Pallet
Beach, Pool Products	25	24	27	16	\$68	\$42	\$76	\$47	Half Pallet	Half Pallet	Pallet	Pallet
<b>Totals</b>	<b>125</b>	<b>108</b>	<b>117</b>	<b>80</b>	<b>\$143</b>	<b>\$180</b>	<b>\$165</b>	<b>\$213</b>	<b>Half Pallet</b>	<b>Pallet</b>	<b>Pallet</b>	<b>Pallet</b>

WCF Research - 2006, 2007, 2008, 2009.

Sam's	SKU Count				Average Retail				Average Display			
	2006	2007	2008	2009	2006	2007	2008	2009	2006	2007	2008	2009
Outdoor Products	12	21	30	37	\$358	\$190	\$206	\$127	Pallet	Pallet	Pallet	Pallet
Camping, Fishing	18	11	12	13	\$48	\$95	\$51	\$61	Pallet	Pallet	Pallet	Pallet
Fans, Air Conditioners	14	14	15	12	\$166	\$187	\$159	\$169	Half Pallet	Pallet	Pallet	Half Pallet
Gardening	35	27	30	18	\$49	\$31	\$27	\$31	Pallet	Pallet	Pallet	Pallet
Grill, Accessories	11	7	11	12	\$248	\$137	\$293	\$141	Pallet	Pallet	Pallet	Pallet
Patio Sets, Umbrellas	27	13	13	12	\$263	\$463	\$199	\$412	Pallet	Pallet	Pallet	Pallet
Beach, Pool Products	28	29	38	44	\$37	\$39	\$67	\$56	Pallet	Pallet	Half Pallet	Half Pallet
<b>Totals</b>	<b>145</b>	<b>122</b>	<b>149</b>	<b>148</b>	<b>\$138</b>	<b>\$136</b>	<b>\$136</b>	<b>\$116</b>	<b>Pallet</b>	<b>Pallet</b>	<b>Pallet</b>	<b>Pallet</b>

WCF Research - 2006, 2007, 2008, 2009.



Sam's fan assortment included a 42-inch drum fan from Lasko for \$221.72, a 30-inch industrial grade pedestal fan from Lasko for \$180.26 and a 20-inch high velocity fan from Lasko for \$44.53. Sam's eight SKU assortment of air conditioners was under the General Electric brand and included a 25,000 BTU unit for \$438.00, a 12,000 BTU unit for \$278.34 and a 8,000 BTU portable unit for \$298.41.



Costco—Gorilla Garden Cart

**Gardening** – The gardening assortment at BJ's, Costco and Sam's Club was dramatically reduced compared to each club's 2008 selection. BJ's reduced its assortment from 47 items to 21 SKUs, Costco reduced its selection from 30 products to 14 items and Sam's Club reduced its assortment from 30 products to 18 SKUs.

Costco's gardening assortment included a four-gallon capacity backpack sprayer from Solo for \$79.99 and a Gorilla garden cart for \$124.99 (see picture above). The garden cart had a maximum load of 1,200 pounds, it could be converted to a flat bed cart and came with a reusable poly liner.

Sam's assortment included a 120-foot commercial garden hose from Apex for \$24.84, a 4-foot by 225-foot package of Preen landscaping fabric for \$33.23, a 20-pound bag of Pennington grass seed formulated for northern lawns for \$25.82, a 30-pound bag of Perm-A-Mulch rubber mulch for \$8.54 and an upside down tomato planter from Ornamates for \$25.11 (see picture on the right).



Sam's—Upside Down Tomato Garden

**Camping and Fishing** – All three clubs stocks a similar number of camping and fishing items with Sam's Club at 13 products, BJ's at 12 items and Costco at 10 SKUs.

BJ's camping and fishing assortment included a number of Coleman products such as an 18-inch queen-sized airbed and pump for \$49.99, a 10-degree Fahrenheit 36-inch by 80-inch sleeping bag for \$34.99, a package of six 16.4-ounce bottles of propane for \$17.99, a 11-foot by 10-foot six person tent with a front porch and awnings for \$99.99 and a 9-foot by 7-foot four person dome tent for \$49.99.

**Patios and Umbrellas** – All three clubs offer a similar assortment of patio and umbrella SKUs with BJ's at 13 items and Costco and Sam's Club at 12 items each.



Sam's—Floating Island

**Beach and Pool Products** – BJ's and Costco dramatically reduced their assortment of beach and pool products compared to 2009. BJ's selection was reduced by 28 items to 65 SKUs and Costco's selection was reduced by 11 items to 16 SKUs.

Sam's beach and pool product assortment included a 52-can cooler from California Innovations for \$29.78, a floating island raft from Sofina for \$124.63 (see picture on the left) and a 16-foot Intex above ground metal frame pool for \$299.28.

BJ's beach and pool product assortment included a wide variety of sun block products including a package of two bottles of Neutrogena SPF 55 for \$14.99, a package of two bottles of Neutrogena SPF 45 spray mist for \$14.99, a package of two 3-ounce bottles of Neutrogena SPF 60 for children for \$15.99, a package of three 6-ounce bottles of Coppertone SPF 50 spray for \$15.99, a package of two 8-ounce bottles of Coppertone SPF 30 sport lotion for \$10.49 and a package of three 6-ounce bottles of Coppertone SPF 50 spray for \$15.99.

**Grills and Accessories** – BJ's stocks the most grill and grill accessory SKUs at 20 compared to Sam's Club with 12 products and Costco with 6 items.

BJ's grill accessory assortment (see picture above on the right) included a number of single-unit packages such as a Kingsford barbecue turner with a silicone handle for \$9.99, a Kingsford grill brush for \$9.99, a Kingsford digital thermometer fork for \$9.99, a Kingsford non-stick grill topper with handles for \$7.99 and a Living Home private label heavyweight grill cover for \$14.99.



BJ's—Grill Accessory Display

## BJ's Wholesale

### BJ's Reports June, 2009 Sales

Business Wire – July 9, 2009

BJ's reported that sales for the month of June, 2009 decreased 4.8% from \$1.05 billion last year to \$1.00 billion this year. Overall comparable sales decreased 7.5% including a 2.7% increase for food and non-food merchandise and a 7.5% decrease for BJ's gasoline business.

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Food comparable sales increased 6% and non-food comparable sales decreased 3%. Excluding gasoline sales, average member traffic increased 4% and the company's average transaction decreased 1%. The average price per gallon of gasoline was 36% lower than last year.

Regionally, stronger comparable sales (excluding gasoline) were reported in metropolitan New York and the Southeast regions. On a category basis, strong comparable sales were reported in breakfast foods, candy, computer equipment, condiments, dairy, deli, frozen, health and beauty aids, household chemicals, paper, pet food, prepared foods, produce, snacks, soda and televisions. Weaker comparable sales were reported

in air conditioners, apparel, electronics, jewelry, juices, lawn and garden, oils and shortening, pre-recorded video, sporting goods, summer seasonal, toys, tires and water. BJ's ended the month with 182 club locations.

## PriceSmart

### PriceSmart Reports Third Quarter Results

Company Press Release – July 10, 2009

PriceSmart reported that merchandise sales for its third quarter ending May 31, 2009 increased 7.8% from \$278.0 million last year to \$299.6 million this year. Membership revenue increased 10.3% to \$4.5 million and total revenues increased 8.1% to \$306.5 million. Merchandise gross margins decreased 48 basis points from 15.07% last year to 14.59% this year.

Operating income decreased 9.6% to \$13.2 million and net income decreased 18.1% to \$8.7 million. The decrease in operating and net income was primarily due to preopening expenses from PriceSmart's new location in Costa Rica and a \$2.0 million one-time benefit in the third quarter last year due to a "reduction in fair value of put rights associated with the previously disclosed PSC settlement."

Club		Month End Stock		WW Club Count		Comp Sales			Sales Growth		U.S.	WW
		Monthly	Year Ago	Monthly	Year Ago	YTD	Monthly	Year Ago	Monthly	Year Ago	Sales	Sales
Costco (COST)	Apr-09	47.92	71.25	554	536	-4.5%	-8.0%	8.0%	-6.5%	12.0%	\$4,092	\$5,431
	May-09	48.20	71.32	555	537	-5.0%	-7.0%	9.0%	-5.2%	12.0%	\$4,321	\$5,721
	Jun-09	45.78	70.14	556	537	-5.2%	-6.0%	9.0%	-3.8%	12.4%	\$5,435	\$7,131
Sam's Club (WMT)	Apr-09	50.84	57.98	727	716	-0.6%	-5.1%	9.5%	-4.3%	10.4%	\$3,462	\$4,368
	May-09	49.90	57.50	726	716	-1.5%	-4.9%	6.5%	-3.5%	7.3%	\$3,672	\$4,585
	Jun-09	48.44	56.20	729	717	-2.0%	-3.8%	8.3%	-2.4%	8.9%	\$4,694	\$5,614
BJ's (BJ)	Apr-09	32.77	38.12	180	177	-1.3%	-4.9%	17.8%	-3.2%	20.4%	\$719	n/a
	May-09	35.72	39.49	182	178	-2.4%	-6.8%	13.4%	-4.7%	15.9%	\$783	
	Jun-09	32.23	38.70	182	178	-3.5%	-7.5%	16.5%	-4.8%	18.8%	\$1,001	
PriceSmart (PSMT)	Apr-09	17.63	28.55	26	25	11.4%	6.9%	22.1%	8.8%	28.0%	n/a	\$97
	May-09	16.80	23.54	26	25	9.9%	3.9%	20.7%	7.5%	31.0%		\$102
	Jun-09	16.75	19.78	26	25	8.5%	1.4%	20.0%	4.0%	25.4%		\$96

WCF Estimates. Sales in millions.

Beginning June, 2009, Sam's Club began reporting overall and comparable sales on a quarterly basis only. WCF will now estimate monthly overall and comparable sales for Sam's Club. After Sam's reports its quarterly results, WCF will update its estimates to the actual quarterly results.

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## PriceSmart

### PriceSmart Announces June, 2009 Sales

*Company Press Release – July 7, 2009*

PriceSmart reported that sales for the month of June, 2009 increased 4.0% from \$92.0 million last year to \$95.7 million this year. Comparable sales increased 1.4%. PriceSmart ended the month with 26 locations in the Caribbean and Central America including five in Costa Rica, four in Panama, three each in Guatemala and Trinidad, two each in the Dominican Republic, El Salvador and Honduras and one each in Aruba, Barbados, Jamaica, Nicaragua and the U.S. Virgin Islands.

## Costco Wholesale

### Costco Reports June, 2009 Sales

*Company Press Release – July 9, 2009*

Costco reported that sales for the month of June, 2009 (excluding Mexican locations) decreased 3.8% from \$7.15 billion last year to \$6.88 billion this year. Including a monthly sales estimate for Costco's locations in Mexico, June, 2009 worldwide sales decreased 3.6% from \$7.40 billion last year to \$7.13 billion this year.

Overall comparable sales decreased 6% including United States locations which decreased 6% and international locations which decreased 3%. Excluding gasoline sales and foreign currency exchange rates, overall comparable sales would have increased 1% including United States locations which would have decreased 1% and international locations which would have increased 8%.

Costco's average transaction decreased 9.5% while average member traffic increased 4.5%. Categories that produce the strongest sales included deli, candy, frozen, sundries and fresh food. Geographically, strong comparable sales were reported in the Northeast, Midwest and Texas and on a local currency basis, Taiwan, Korea and Japan. Costco ended the month with 556 worldwide location including 401 in the United States, 77 in Canada, 21 in a joint venture in Mexico, 21 in the United Kingdom, nine in Japan, seven in Korea, six in Taiwan and four in Puerto Rico.

## 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.**

- According to a July 10, 2009 report from Arkansas' *Benton County Daily Record*, Sam's Club delayed its home office move to the Fall, 2009. In September, 2008, Wal-Mart purchased a four story, 400,000 square foot building in Bentonville, Arkansas for Sam's new headquarters. Since the purchase, the building, the largest in Northwest Arkansas, has been reconfigured and now includes a test kitchen, an auditorium and an additional parking lot. Sam's Club, which will use three of the four floors, will now have the opportunity to house all its support functions under one roof.

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