

- Industry Saturation – 6.
- Club Buying – 6.
- Analyst Ratings – 7, 8.

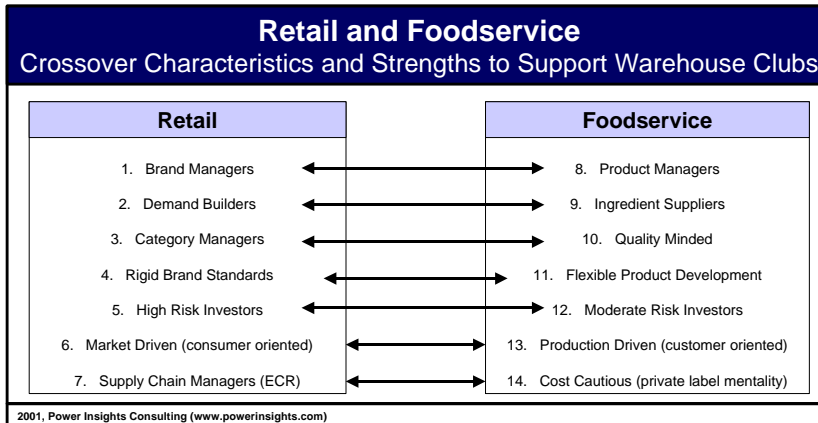
Who Should be Accountable for the Management of Warehouse Club Business?

By Power Insights Consulting @ www.powerinsights.com

Over the past five years, Power Insights Consulting has examined how large and small organizations designate management accountability for the warehouse club business. Our findings have been astonishing, as warehouse club management has ranged from one person to a fully designated club team or department. Most companies have allocated limited resources to support their warehouse club business as management views this channel as unstable, risky, and too costly. As one warehouse club executive said, "It is difficult to convince shareholders to invest in a business where you are in one day, out the next." While many in the warehouse club industry share these views, it is a general lack of understanding of how to succeed within the warehouse club channel that leads to these conclusions. As a result, companies fail to structurally design their organizations to successfully market to the warehouse clubs, ignoring both how and why the clubs should be given the proper time and attention.

The warehouse club business is too powerful to be ignored. Not only are the clubs (Costco Wholesale, SAM'S Club and BJ's Wholesale Club) estimated to generate \$97 billion in revenue by 2004, but they also offer an approach to buying and selling merchandise that allows the most organizationally prepared company to succeed profitably. In fact, the warehouse clubs challenge manufacturers to manage the entire spectrum of supply chain activities, including research and development, packaging, warehousing and logistics, sales, marketing and merchandising. This is a distinct difference from retail and foodservice channels that require heavy up-front dollars for an opportunity to sell products and build brands. As retail and foodservice channels demand more money and lower prices from vendors to stimulate financial performance, products and categories become commodities and consumers lose confidence in merchandise selection and choice. The warehouse clubs, on the other hand, have become a market-driven channel led by an inventory management strategy that controls cash with the objective to increase membership satisfaction. Their strategy is to optimize volume through high consumption products that offer consumers a compelling value.

While success with the warehouse clubs requires a go-to-market approach that is distinctly different than retail and foodservice channels, there exist crossover resources and capabilities that can benefit an organizations' overall warehouse club strategy (see the chart on the left). This article will address these points in an effort to help manufacturers create an efficient warehouse club management structure that increases



the opportunity for success.

General Overview: Club Management Accountability

Who should be accountable for the management of the warehouse club business? This question challenges most organizations during their annual planning process as resource requirements, personnel, production, research and development and product or brand management responsibilities always seem to be a constraint. Consequently, management designates warehouse club responsibilities as an extension of its existing retail or foodservice divisions. In many cases, warehouse club management is shared between these two divisions based on products, brands, office locations, national account and specialty market responsibilities. While sharing warehouse club responsibilities is one approach, it generally fragments decision making, makes it difficult to plan production, sales and marketing and complicates execution. The result is delays. The clubs require full management attention. To enjoy profitable success with the clubs, this channel cannot be remanded to a secondary position. Though referred to by many as an alternative channel, club success requires that companies maintain on-going knowledge of several activities that can include merchandising philosophies, club customer financial and investment activities, innovative product needs, packaging strategies and category buyer and management changes. Access to this knowledge can be difficult and accurate facts require constant due diligence and alliances with credible club industry resources. This on-going search for club intelligence is critical for channel strategy success as there does not exist an Food Marketing Institute (FMI) or National Restaurant Association (NRA) convention dedicated to the warehouse club industry. The clubs are a unique breed whose operating formula is constantly changing and whose secrets for success are kept quietly in the boardroom.

WCF 100% Clubs
100% Guaranteed

www.warehouseclubfocus.com

\$20 per issue / \$349 yearly (Payable in U.S. Currency)

The warehouse club business is constantly evolving. The speed of change is so fast that competitive pressures arise quickly and the risk of incumbent products or brands losing business always exists as the clubs constantly seek to improve their merchandise assortments in an effort to exceed membership satisfaction. This speed of change and desire by the clubs to continuously seek innovation and operational enhancements from their vendor partners requires that both existing and new club vendors consider the following three organizational strategies for stable and profitable warehouse club success. These include the warehouse club team, the warehouse club department and the warehouse club division.

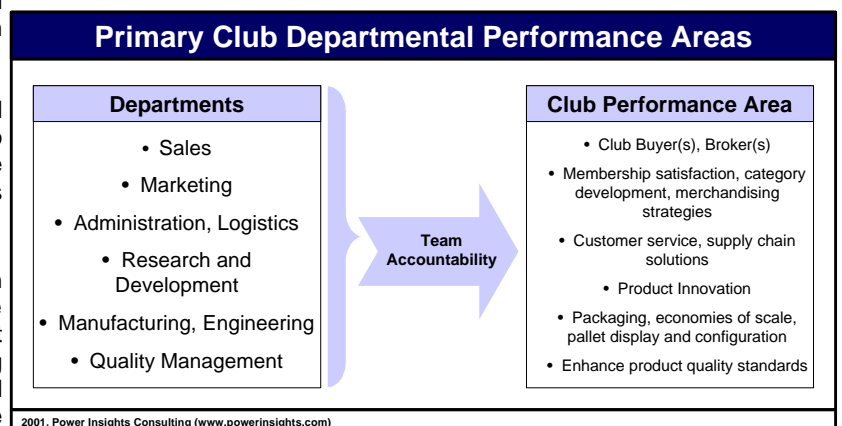
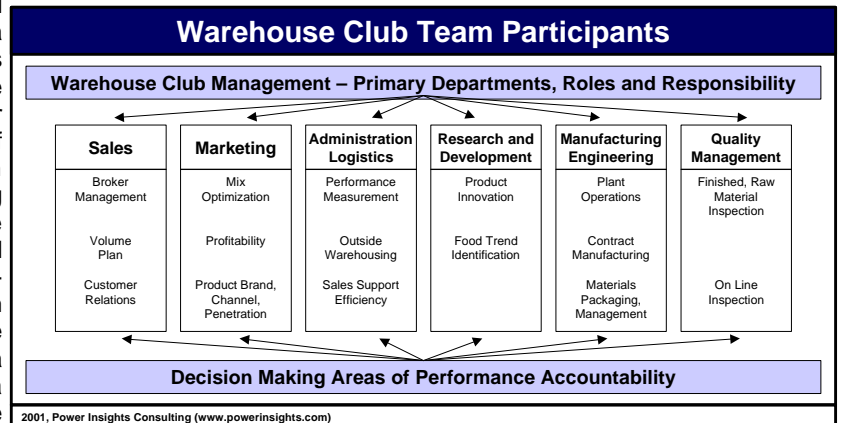
The Warehouse Club Team

The development of a warehouse club team is a good first step for those organizations that do not have a dedicated club department or currently view the clubs as an extension of their existing retail or foodservice channels. This team should be led by senior management and include personnel in the areas of sales, marketing, administration and logistics, research and development, manufacturing and engineering (packaging), and quality management (see chart on the right). Sales management should be designated through an experienced warehouse club broker or in-house sales manager. The participants of this team should be located in the same office and have the ability to conduct on site meetings at least twice a month. The team must work collaboratively to design a warehouse club strategy with a mutually exclusive operating budget with specific performance goals and objectives that are designated to each functional team participant.

In addition, each participant should be designated special projects and assignments that correspond to specific club management areas (see chart on the right). This forces the team to consider all strategies that support warehouse club growth initiatives.

The leader of this team, who must have experience in the warehouse club industry, will be responsible for the organization's profit and loss. The team leader must be able to integrate the warehouse club operating philosophy and the crossover characteristics and strengths of both retail and foodservice channels (see chart on page one). In addition, the team leader must stimulate immediate buy-in and understanding of the warehouse club business to assure timely and accurate performance in order to eliminate the occurrences of any politically driven motivations. The team should be given warehouse club training in an effort to start the warehouse club business development process at a level playing field of intelligence. Unfortunately, in every retail or foodservice company there are differing opinions about the warehouse club business. To eliminate conflict, it is best to assess warehouse club team knowledge prior to the club strategy design. In fact, it is recommended that an assessment of the warehouse club team candidates be conducted prior to the assembly of the team. Finally, the selected members of the warehouse club team should participate in a bonus compensated program that measures several categorical areas based on overall team performance and plan initiatives.

The warehouse club team approach offers a low risk and high reward operating platform for those companies that are evaluating the clubs as a viable departmental or division channel. The rewards include a focused warehouse club business plan and approach, a new avenue to promote management that offers cross-functional training due to the crossover characteristics and strengths that are required to be successful with the clubs.



Warehouse Club Focus (USPS 019-458) is published twice a month by HHC Publishing, Incorporated. The company's principal office is at 2 Tiffney Road, Foxborough, Massachusetts, 02035-2288. The annual subscription rate for twenty-four issues is \$349.00 (payable in U.S. currency) and delivery can be by mail or Email. Application to mail at periodical postage rate is at Foxborough, Massachusetts and at other locations. POSTMASTER: Send address changes to *Warehouse Club Focus*, PMB 264, 25 East Hoyle Street, Norwood, MA, 02062. Subscription requests should be sent to the Norwood address or you may call (617-770-0102), fax (617-479-4961) or Email (hhc@warehouseclubfocus.com) your subscription request. HHC Publishing, Incorporated accepts Visa, MasterCard and American Express credit card payments.

STYLE • SECURITY • VALUE • INNOVATION • VISIBILITY • QUALITY • ON-TIME

The Whole PACKAGE

We invented the pallet program... and we've got the whole process in-house



U.S. MERCHANTS



DIVERSIFIED
RE-PACKAGING

DISTRIBUTION • PALLET PROGRAMS • DISPLAYS

DESIGN • TOOLING • PRINTING • PACKAGING • DIECUTTING • CORRUGATED • THERMOFORMING

SEALING • PACKING • HOOKING • SKUING • TAGGING • WAREHOUSING • TRUCKING

CALL TODAY!

310-855-1946



National Sales and Marketing Manager

Small Food Importer

Small Food Importer looking for an experienced warehouse club marketing professional to manage national network of club brokers, with 50 to 60% travel. Living in Atlanta, Georgia is preferred but optional.

Must assist with product and packaging development plus all sales responsibilities. Will also cover super stores, drug chains and mass-merchandisers through broker network.

Our categories are frozen desserts, confections, cookies, snacks and bakery ingredients.

Contact the following person via Email at therron@mindspring.com and fax your resume to 770-475-2754. Responses are confidential.

Salary, bonus, insurance and more.

NEW – Began March 12, 2001 – NEW

Sales Analyst

Leading Global Consumer Health Organization

Leading global consumer healthcare organization seeks Sales Analyst reporting to Director of Sales – Specialty.

Individual will be responsible for leading analytical efforts to maximize revenue growth in the club channel. Primary focus placed on utilizing third party syndicated data (IRI and Nielsen) and proprietary information databases to uncover unique growth opportunities on leading brands.

Qualified candidates must have a BA/BS degree, with 2-3 years Sales and/or Marketing analysis experience. Candidate must demonstrate strong technical, project management, and organizational skills.

If interested, contact WCF at 617-770-0102 or at hhc@warehouseclubfocus.com. All inquiries are confidential and will be forwarded promptly by WCF. Mention code 0409-001.

NEW – Began April 9, 2001 – NEW

Wal-Mart
Kmart
Target

SuperCenter Focus

Fred Meyer
Meijer
Industry

Informative
Insightful
Relevant
Comprehensive

Get Four
Issues for
FREE.

The best source
for
Supercenter
information.

Go to www.supercenterfocus.com and sign up for the trial subscription. We will immediately mail out the two most recent issues of SCF and you will get the next two issues as well.

Don't Ignore this \$72 billion industry. Sign up TODAY.

www.supercenterfocus.com.



**Free Lance
Writer Needed**

Interested in
writing
about the
club or
supercenter
industry?

HHC Publishing
is looking
for
free lance
writers.

To learn more,
contact
Michael Clayman
at
617-770-0102.



POWER INSIGHTS
CONSULTING
A Division of Power Insights International, Inc.

Visit our website for
details
www.powerinsights.com

Proven product, brand and sales consultation for
the warehouse club industry.

Primary Services

- Seminars/Workshops
- On-Site Training Programs
- Client/Project Management

We successfully design go-to-market strategies for food, non-food & beverage companies (large and small).

OUR GOAL: To simplify the warehouse club management process for profitable customer relationships.

Contact Us: 714 • 256 • 9674

Email Us: solutions@powerinsights.com

Visit our website: www.powerinsights.com

"Power Insights has studied the effects of retail consolidation and offers creative solutions to grow and compete in the warehouse club industry."

- Russell L. Hanlin - President emeritus, Sunkist Growers

Because the right INSIGHTS give you the POWER to grow and compete.

Account Executive Seeks East Coast Club Sales Position

Account executive seeks national or regional sales manager position managing the club business on the East coast.

Experience with club business development and product distribution and logistics. Strong sales operations background and expertise in managing new product development / product launch from customer specifications through R&D, packaging, manufacturing and subsequent distribution sales and customer support.

If interested, contact *WCF* at 617-770-0102 or at hhc@warehouseclubfocus.com. All inquiries are confidential and will be forwarded promptly by *WCF*. Mention code 1211-001.

Began December 11, 2000

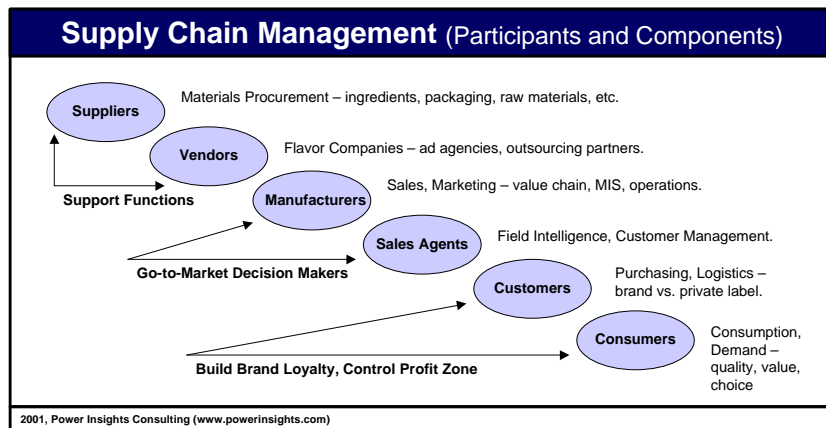
Interested in Advertising in *WCF*?
Call us at 617-770-0102 for more information.

The Warehouse Club Department

The warehouse club department is for the medium or large organization that has been successful with the team approach and has generated sufficient financial resources to be able to invest in a fully dedicated staff. Unlike the team strategy, a warehouse club department has a dedicated staff that is accountable in the lead functional areas of sales (on a direct basis), marketing and research and development. Though these areas are not shared with retail or foodservice channels, there should exist frequent communication with these channels to assure that the crossover characteristics and strengths are being leveraged to support the overall warehouse club plan.

This department now becomes its own mutually exclusive channel entity and should operate from the corporate office location. The leader of this channel should be a senior manager who has full profit and loss responsibility for all channel operations as the club business requires strong financial, supply chain management skill sets due to the constantly changing channel performance variables. While this department functions as a channel entity, all operational resources are still shared. These support functions include finance and administration, customer service, production and warehousing and logistics.

Like the team strategy, all warehouse club department staff members should participate in a bonus compensation program. However in addition to payout being generated on departmental or merchandise sales results, the staff will also be



measured on its ability to increase supply chain performance. As shown in the chart on the left, supply chain management is the development of strong collaborative relationships amongst suppliers, vendors, manufacturers, sales agencies, customers and consumers to create profitable business growth and cost efficiency gains through speed in decision making that is generated from the integration of common goals, vision and resource sharing initiatives. Because the warehouse club business offers tremendous volume growth potential, it allows organizations to increase operating efficiencies across the supply chain thus allowing all channels to benefit from the reduction of operating overhead.

The Warehouse Club Division

The warehouse club division is for the organization that understands the “success formula” to compete profitably with the clubs and is financially able to function autonomously. Unlike the department strategy, an exclusive division operates like a separate company that has mastered the crossover characteristics and strengths of its existing retail or foodservice channels. This newly formed club division should be located away from the corporate headquarters and should have little, if any, interaction with existing retail or foodservice channel divisions. This club division will staff personnel across the entire supply chain spectrum, will be responsible for all supply chain management responsibilities and will have the flexibility to make independent production, packaging, logistics and research and development decisions to support the sales and marketing needs of the club business.

This division should be led by its own president that can hand select personnel from either inside or outside of the organization. At this point the club business has matured and now operates using a success formula that compliments how Costco, SAM’S Club and BJ’s conduct business. Thus, recruitment is based on the functional skill sets that the formula requires.

This division can now begin to explore more advanced club strategies, including proprietary packaging, the most cost efficient manufacturing strategies, the development of brand extensions into new categories, “top-to-top” relationships to earn preferred vendor status, strategic alliances and licensing programs. Participants in this club division should have senior management level capabilities and experience and be highly compensated with a multi-tiered bonus compensation program.

In conclusion, warehouse club organizational preparedness requires a team, a department or an autonomous operating division led by senior management who effectively utilize the crossover characteristics and strengths of its existing retail or foodservice channels. Profitable warehouse club success will be attained through the support of an entrepreneurial spirit that supports performance measurement systems, flexibility, integration of resources, innovation and speed in supply chain management execution.

Do not ignore warehouse club organizational preparedness as the performance of your products or brands are only as good as the people, the teamwork and the intelligent minds that manage their success.

Power Insights Consulting can be contacted at 714-256-9674 or via their web site at www.powerinsights.com.

Club Industry

UBS Warburg Analysis of Club Industry Saturation

UBS Warburg – March 14, 2001

UBS Warburg issued a report on Costco that included an analysis of the expansion potential for the warehouse club industry. The report focused on United States Metropolitan Statistical Areas (MSAs) or “major statistical areas” as referred to by the Bureau of the Census. The MSAs are large areas of population normally centered around a major city. For instance, the top MSA is the Los Angeles-Long Beach, California area and the second largest MSA is New York, New York. The report analyzed the top fifty MSAs. UBS Warburg estimates that based on a market population of 200,000 people per club, North America could support approximately 1,100 clubs of which 970 would be in US MSAs, 75 locations would be in Canada and 60 locations would be in smaller markets outside the top 50 MSAs. At the end of the 2000 calendar year, there were 841 club locations in the United States and 59 locations in Canada where Costco is the sole operator. Of those 841 locations in the United States, 784 were in the top fifty MSAs, with the remaining 57 in smaller markets. The clubs have an estimated expansion schedule in North America of 57 new locations per year, which includes 25 for Costco, 20 for SAM'S and 12 for BJ's. Using that expansion schedule and assuming that 80 to 90% of those clubs will be in the top fifty MSAs, the clubs will saturate the United States in approximately four years.

Club Buying Philosophy – Selected Loss of Sales

2000 Warehouse Club Industry Guide

The main attraction of the clubs is their low prices. To this end, the clubs follow a strategy of an intelligent loss of sales. The clubs will only stock items that they can provide to their members with significant savings. If a manufacturer prices an item too high or requires that the item be sold at the manufacturer's suggested retail price, a club will not stock the item. The clubs believe that if they cannot show a value to their members on a product, then that particular item should not be purchased. Another way in which this loss of sales strategy is implemented can be understood through the following example. If a club increases its inventory on microwave ovens from two SKUs to four SKUs, it will not sell two times as many microwave ovens. It will just spread its sales across four items instead of two items. The average volume per microwave SKU will be less when four brands are stocked and this reduces the buyer's negotiating leverage and ability to purchase in volume. To avoid this, the club “intelligently” reduces the SKU count to two microwave ovens so that it maximizes its sales volume and is better able to leverage that volume to negotiate lower costs.

Club Buying Philosophy – Negotiating Lower Prices

2000 Warehouse Club Industry Guide

The clubs' gross margin on their products is generally from 8 to 12%, which is lower than discount stores or supermarkets which operate on gross margins of 20 to 30%. As the chart on the right depicts, lower prices create a downward spiral effect for the clubs. Club buyers negotiate lower costs due to the volume that the clubs generate. Buyers set retail prices using the gross margins of 8 to 12% and this is generally the lowest price that can be achieved on a particular product. The low prices increase sales, which increases inventory turnover and this enables the buyers to further negotiate lower costs and further reduce the retail prices for their members. Jim Sinegal, Costco's president and chief executive officer, in an article in *Fortune* on September 6, 1999, provides an example of the above philosophy. In discussing Costco's fresh salmon program, he said, “We took this product that we'd been selling for \$5.99 a pound and improved it – deboning it, trimming it. And every step along the way, as we picked up volume? We lowered the price.”



Costco Wholesale

Costco Uses Retalix Limited Software for Gasoline Stations

Business Wire – March 26, 2001

Retalix Limited, an Israel-based company, provides software for the worldwide retail food industry, including supermarkets, convenience stores and restaurants. The company offers software solutions that help to increase the efficiency of a retailer's operations. Costco and Retalix have reached an agreement under which Retalix will install its StoreLine Fuel software at all of Costco's 152 gasoline stations in the United States. Costco required a system that was capable of efficiently processing over 2,000 transactions per day, while offering “a high degree of integration and connectivity.”

Paul Latham, vice president of Costco's gasoline division, said, “Speed of throughput is paramount to our business. When looking for a solution, we examined everything available in the United States that was tried and true in a live, high volume environment. Nothing was available which could handle the volumes we have or supplied the connectivity we required. After visiting Tesco in the United Kingdom and validating the Retalix solution implemented there, Retalix very quickly became the leading candidate for three reasons: connectivity, speed and high throughput. The thing that impressed me the most about the Retalix group is that they met every deadline they set, every time.”

Costco Wholesale


AT&T Canada Offers Broadband Discounts to Costco American Express Cardholders

PR Newswire – March 26, 2001

AT&T Canada announced that it will provide discounts on local phone service, long distance phone service, calling cards and Internet service to American Express small business cardholders and American Express Costco business cardholders. A spokesperson for American Express said, "Telecommunications is increasingly important for small business and our Cardmembers have told us that they want savings in this area. Through this relationship, we're offering big business buying power and access to savings they usually can't get on their own."

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, reading numerous publications and manufacturer meetings. This section is WCF's attempt to disseminate that information to the club industry in an ethical and protective manner.

- On March 9, 2001, AG Edwards reiterated its ACCUMULATE, AGGRESSIVE rating on Costco's common stock, JP Morgan reiterated its MARKET PERFORM rating on Costco's common stock, Morgan Stanley reiterated its OUTPERFORM rating on Costco's common stock, UBS Warburg reiterated its HOLD rating on Costco's common stock and Deutsche Banc Alex Brown reiterated its BUY rating on Costco's common stock. On March 20, 2001, Salomon Smith Barney initiated coverage of Costco's common stock with a OUTPERFORM rating.
- On March 5, 2001, Legg Mason reiterated its STRONG BUY rating on BJ's common stock. On March 7, 2001, Bear Stearns reiterated its ATTRACTIVE rating on BJ's common stock and Robinson Humphrey reiterated its BUY rating on BJ's common stock with a target price of \$56 per share. On March 9, 2001, Morgan Stanley initiated an OUTPERFORM rating on BJ's common stock with a target price of \$56 per share and UBS Warburg reiterated its HOLD rating on BJ's common stock with a target price of \$36 per share.
- Costco has added a new feature onto its web site, www.costco.com. Business members who live in Seattle, Washington and Los Angeles and San Francisco, California can order merchandise from their local Costco Business Center and have the merchandise delivered by Costco to their place of business (see icon on the right). Costco's Business Centers operate in a similar fashion to the regular Costco locations, but they are designed, merchandised and stocked for the needs of business members. The Business Center is designed to compete with food service distributors. Unlike the typical Costco warehouse club, there are no "consumer" type items in the Business Center. An expanded product selection appears in four categories: food service, office products, restaurant equipment and convenience store items. Members who do not live near a Costco Business Center are able to order some business supplies and have them delivered by a third party carrier.
 
- SAM'S Club new jewelry program includes a protection plan. Members can purchase a two year coverage for jewelry merchandise that includes normal wear and tear, as well as accidental damage. For watch purchases, members can purchase a one year coverage that includes such problems as cracked crystal, damaged bands, damaged clasps and normal wear and tear.
- According to a March 19, 2001 press release from Monterey Pasta, Costco has recently authorized expanded distribution of Monterey Pasta's calzones and stuffed pizzas. Costco will now stock the items in five of its seven regions. SAM'S has recently introduced one of Monterey Pasta's calzones in 300 locations nationwide.
- According to a March 21, 2001 press release from Advanced Marketing Services (NYSE – MKT), the company announced the opening of two new distribution centers in Singapore and Toronto. With the addition of these two new facilities, Advanced Marketing has ten distribution centers worldwide. The company also announced the formation of a global distribution network that will allow small and medium sized publishers to sell their books worldwide. Advanced Marketing generates a large majority of its revenues from distributing books and related media to the warehouse club industry.
- SAM'S recently mailed its Spring, 2001 catalog to members. The sixty page catalog features outdoor furniture, a washing machine, stereo equipment, mattresses, videos, rental car coupons, hardware merchandise, computers, apparel and jewelry. The catalog also features product advertisements from Gillette, the Dish Network and 3M. The catalog lists prices on some items, contains references to SAM'S web site, www.samsclub.com, and offers a no payment, no interest plan for three months for purchases of \$250 or more using SAM'S Club personal credit program.

- According to the March 16, 2001 issue of *The New York Times*, sales at Costco's two locations in Japan are growing at an average rate of 20% per year. One of the issues that Costco will face long term in this country is the fact that since real estate is so expensive in Japan, consumers generally have smaller houses than those found in the United States. Japanese consumers will have to change their buying habits if they are going to shop consistently at Costco. One Japanese customer shopping at Costco for the first time said, "The prices are great, but we have a small house. What would we do with all of these huge containers? They're selling two kilograms of something when 200 grams would do." However, an issue that is in Costco's favor is the emerging willingness of Japanese consumers to search for lower prices. Richard Chavez, Costco's managing director of Asian operations, said, "The Japanese are becoming aware that they are paying way too much for their purchases, and we've just been fortunate to be setting up here at a time when this is happening."
- *The Fort Worth Star-Telegram* reported in its March 15, 2001 edition that SAM'S has abandoned plans to build a new club a few hundred yards away from a Costco location that is under construction. SAM'S abandoned its plans due to access and zoning challenges, as well as Costco's rapid progress on construction. Costco plans to open this location in late April, 2001, along with another location in Southlake, Texas. SAM'S currently operates 57 locations in Texas, with 15 locations in the Dallas-Fort Worth market, and Costco operates two locations in Texas, both of which are in the Dallas-Fort Worth market.
- According to the March 10, 2001 edition of the *Fort Worth Star-Telegram*, sales at Costco's two locations in Texas are exceeding plans by 40% to 50%.
- As reported in the February 20, 2001 edition of the *Los Angeles Daily News*, SAM'S is planning to build a 152,000 square foot location on the West side of Los Angeles, California. Construction is scheduled to start in Spring, 2002 and the club will open in 2003. Costco operates 89 locations in California, of which 23 are in the Los Angeles market. SAM'S operates 25 locations in California, of which 14 are in the Los Angeles market.
- According to the March 8, 2001 edition of the Memphis, Tennessee *Commercial Appeal*, independent gasoline retailers are supporting a bill before the Tennessee state government that would make it easier for them to sue retailers who sell gasoline below cost. The bill targets retailers such as Costco, SAM'S Club and Wal-Mart who are purported to be selling gasoline below cost to attract consumers to their stores. Although the bill has won approval from committees within the state House of Representatives and Senate, the bill is on hold until the state Attorney General can offer an opinion on its constitutionality. The bill would amend a loophole in the Tennessee Petroleum Trade Practices Act, enacted in 1988, that prohibited below cost pricing of retail gasoline, but was not stringent enough.
- On March 2, 2001, *The Denver Post* reported that SAM'S will be among the major retailers that open locations at the old Stapleton Airport in Denver, Colorado. SAM'S is expected to open the club next year, along with stores from Home Depot and Wal-Mart. SAM'S operates 12 locations in Colorado, of which six locations are in Denver, and Costco operates five locations in Colorado, of which all are in the Denver market.
- According to the March 14, 2001 edition of the Raleigh, North Carolina *News & Observer*, Wal-Mart is building a refrigerated distribution center in Henderson, North Carolina, which is 50 miles North of Raleigh. The facility will cost between \$20 and \$32 million and create up to 500 jobs. It will supply SAM'S Club and Wal-Mart supercenter locations.
- On March 7, 2001, Robertson Stephens reiterated its BUY rating on BJ's common stock with a target price of \$58 per share. In a report, analysts at Robertson Stephens said, "BJ shares are trading at \$46.69, which is 22.7x our \$2.06 estimate for FY2001 and 19.2x our \$2.43 estimate for FY2002. Applying a 24x multiple to the shares, which remains a 20% discount to Costco's historical multiple of 30x current years earnings, though a premium to BJ's historical multiple of 20x gives us our 12-month price target of \$58, which represents the potential for 24% appreciation from the current level of \$46.69. We continue to recommend purchase of BJ shares as an emerging leader in the discount store channel."
- SAM'S Club is offering members a no payment, no finance charge option for all sporting goods and lawn and garden purchases over \$250. The offer is good from March 1, 2001 to March 25, 2001.
- According to the Spring, 2001 issue of the *BJ's Journal*, BJ's has added a personal car page option to its Internet automobile program found at www.bjsauto.com. Members who sign up for this free personal web page will receive reminders for oil changes, tire rotations and factory maintenance due dates. Members will also receive coupons for service discounts and vehicle trade-in estimates.

Material contained in *Warehouse Club Focus* may not be reproduced in any form without the written permission of the copyright owner. The information in *Warehouse Club Focus* is based on sources believed to be reliable and, while extensive efforts are made to assure its accuracy, no guarantee can be made. The opinions expressed are merely the opinions of *Warehouse Club Focus* and those opinions do not necessarily reflect the opinions of the companies covered by the publication. *Warehouse Club Focus* is not endorsed or supported by the companies covered in the publication nor is any product endorsement implied. Copyright 1997, 1998, 1999, 2000, 2001, HHC Publishing, Incorporated.