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Costco Business Centers – Facts & Figures

Costco Business Centers are membership-only wholesale distribution centers that combine cash-and-carry *and* product delivery for small business supplies, equipment, and merchandise for resale.

Why Business Centers?

A regular Costco carries a number of high volume products packaged in convenient sizes for business members. However, the regular Costco does not carry the selection of business merchandise that most businesses require. The Business Center carries a much **broader selection of business only items**, and does not contain any of the purely consumer categories found in a regular Costco, such as apparel, jewelry, toys, sporting goods, housewares, books & CD's, etc.

Furthermore, because small businesses need more convenient hours that fit their business schedule, the Business Center **opens at 8:00 AM and closes at 6:00 PM** vs. a regular Costco that opens at 10:00 AM and closes at 8:30 PM. and don't want to contend with the consumer traffic in the warehouse, at the checkout, and in the parking lot of a regular Costco.

Business Centers are located near the business communities they intend to serve, and **offer the option of order-picking and delivery**. The average volume in the Business Center is divided evenly between product delivery and on-site order-picking.

Most importantly, Business Centers offer small businesses the benefit of **the same low Costco prices** on a wider range of products they need to successfully run their business.

How is a Business Center different from a regular Costco? (See also the comparison table below)

Size: A Business Center building is about 2/3 the size of a regular Costco, and requires less than parking. As a result, a typical Business Center site measures only 10-12 acres, vs. 14-16 acres for a regular Costco.

Merchandise: A Business Center carries only business-oriented merchandise and services. There is no apparel, jewelry, sporting goods, books, CD's, toys, or seasonal merchandise, and no pharmacy, optical department, bakery, tire shop, or food court.

Business Center Users: Costco Business Members account for 90% of the sales volume at the Business Center, and half of the total sales volume is done by delivery.

Business Center Traffic: Because 50% of Business Center volume is by delivery and the average sale per member is nearly \$300 (vs. \$100 at a regular Costco), the traffic at a Business Center is typically **less than** the traffic at a regular Costco. Consequently, a Business Center needs significantly fewer parking spaces than a regular Costco which needs 750 or more.

Operating Hours: A Business Center is open during normal business hours: 8:00 AM-6:00 PM on weekdays and 9:30 AM-6:00 PM on Saturdays. A regular Costco opens later (10:00 AM) and closes later (8:30 PM). Business Centers are closed on Sundays.

Truck Traffic: Receiving traffic is similar to slightly lower than a regular Costco doing similar volumes, with 20-25 inbound trucks during a 24-hour period, mostly during off hours. However, because 50% of the Business Center volume is delivery, there are also approximately 30 outbound delivery trips per day.

Who shops at a Business Center and what do they buy?

Business Centers are designed and merchandised to serve small businesses. In fact, while Costco's Goldstar Members (regular) are not excluded, Business Members account for over 90% of the volume done by the Business Centers. The following are just some of the businesses that use the Business Center, and the type of products that are purchased.

Restaurants and Catering Businesses: Buy not only staples and dry goods in large package sizes, like flour, sugar, coffee, butter, etc., but also fresh and frozen meats, produce, and other food products. They also purchase cooking utensils, serving items, and cleaning supplies.

Vending Machine Operators: Purchase candy, gum, cigarettes, soft drinks and snacks for stocking vending machines.

Professional Offices (Legal, Accounting, Engineering, Medical, etc.): Buy copy paper, office supplies, office furniture, coffee, soft drinks and snacks, cleaning supplies, etc. They also use the Business Center Print Shop services for business cards, letterheads, and business forms.

Hotels and Motels: Buy Cleaning supplies & toilet paper, office supplies, TV's and clock radios, printing services, etc.

Convenience Stores: Purchase broad range of items for resale, including candy, cigarettes, package food, snacks, frozen foods, beer & wine, soft drinks, etc.

Service Stations: Buy Office supplies, cleaning supplies, vending machine items, motor oil, tools, etc.

Isn't this just a ploy to get a Costco into an area that would otherwise not allow it?

No. A regular Costco, by the very nature of its business, requires at least 700 parking spaces to adequately support the business. By limiting the parking and the size of the building and site, the Business Center traffic and volume are limited. The only way to expand the Business Center volume beyond the constraints of the site would be to deliver more product, which would be more, rather than less, industrial in character.

COMPARISON TABLE

Facility:

	Business Center	Costco
Building size:	115,000 sq. ft.	150,000 sq. ft
Property:	10-12 acres	14 acres
Parking requirements:	300-350 spaces	750 spaces
Customer traffic:	1000 customers/day	6000-8000 customers/day
Zoning:	Whse/Light Industry	Retail
Average sale:	\$250-350	\$100
On-site truck parking:	30 stalls	None
Loading docks:	4 Inbound 5 Outbound	5 Inbound 0 Outbound
Truck traffic	20 Inbound	25 Inbound
(24 hours)	30 Outbound	0 Outbound
Hours:	M-F 8:00 am - 6:00 pm Sat 9:30am – 6:00 pm Sun Closed	M-F 10:00 am - 8:30 pm Sat 9:30am – 6:00 pm Sun 9:30am – 6:00 pm
Shopping carts:	200 carts 50 flatbeds	700 Carts 100 Flatbeds

Ancillary Businesses:

	Business Center	Costco
Optical/Hearing aids	No	Yes
Pharmacy	No	Yes
Food Court	No	Yes
Tire Sales/Shop	No	Yes
Print Shop	Yes	Yes

Membership:

	Business Center	Costco
Business Member:	49%	22%

Merchandising:

	Business Center	Costco
Foods		
D11 Tobacco	441	279
D12 Candy	569	217
D13 Dry Grocery	663	421
D14 Sundries	433	246
D16 liquor	19	203
D17 Cooler	144	81
D18 Frozen	151	132
D19 Prepared Foods	45	135
Totals	2465	1714
Fresh Foods		
D61 Meat	30	173

D62 Bakery	1	89
D63 Service Items	6	112
D65 Produce	64	122
Totals	101	496
Hardlines		
D20 HABA	138	148
D21 Office	759	144
D22 Auto	32	153
D23 Hardware	101	144
D24 Electronics	193	167
D26 Sports	2	68
D27 Garden	28	73
D28 Toys/Seasonal	0	97
Totals	1253	994
Softlines		
D31 Women's Apparel	0	86
D32 Housewares	4	87
D33 Sm Appliances	9	52
D34 Domestic	0	67
D35 Jewelry	0	312
D36 Media	11	521
D37 Photo	10	88
D38 Furniture	64	67
D39 Men's Apparel	0	94
Totals	98	1374
Total SKU's	3917	4578

Why a Business Center?

The Costco Business Center fills a void for the Business member who needs:

- More convenient business hours
- A broader selection of business merchandise
- Less consumer traffic to contend with
- Delivery to their business
- Convenient, easily accessible location
- Costco pricing