



A DIFFERENT KIND OF COSTCO

MORE BUSINESS PRODUCTS | GREAT COSTCO PRICES

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Costco Business Centers are membership-only warehouses serving primarily businesses with products and services not available at traditional Costco warehouses. A Business Center provides members with two ways to shop: walk-in or delivery.

Why Business Centers?

A traditional Costco carries a number of high volume products packaged in convenient sizes for business members. However, the traditional 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 traditional Costco, such as apparel, jewelry, toys, sporting goods, housewares, books and CD's, etc.

Furthermore, because small businesses need more convenient hours that fit their business schedule, the Business Center **opens at 7:00 AM and closes at 6:00 PM** vs. a traditional Costco that opens at 10:00 AM and closes at 8:30 PM. A Business Center allows businesses to avoid the consumer traffic in the warehouse, at the checkout, and in the parking lot of a traditional 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 a Business Center is about 80% walk-in sales and 20% delivery sales.

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.

Where are Costco Business Centers currently operating?

- Lynnwood (N. Seattle), WA
- Fife (Tacoma), WA
- Hayward (Bay Area), CA
- Hawthorne (Los Angeles), CA
- Commerce (Los Angeles), CA
- Westminster (Orange County), CA
- Orlando, FL
- San Diego, CA
- Las Vegas, NV
- Phoenix, AZ
- Morrow (Atlanta), GA
- Bedford Park (Chicago), IL
- Hackensack, NJ
- Denver, CO
- Burbank, CA

- South San Francisco, CA

How is a Business Center Different from a Traditional Costco? (see also table below)

Size: A prototype Business Center is 125,000 sf- 150,000 sf (traditional Costco is 148,000 sf), and requires fewer parking stalls. A typical Business Center site is about 8-12 acres vs. 15-20 acres for a traditional 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. A Business Center has no pharmacy, optical department, bakery or tire shop.

Business Center Users: Costco Business Members account for more than 80% of the sales volume at a Business Center, and about 20% of the total sales volume is done by delivery.

Business Center Traffic: Because about 20% of a Business Center's volume is by delivery and the average sale is about \$450 (vs. \$130 at a traditional Costco), the traffic at a Business Center is considerably **less than** the traffic at a traditional Costco. Consequently, a Business Center needs significantly fewer parking spaces than a traditional Costco.

Operating Hours: A Business Center is open during normal business hours 7:00 AM – 6:00 PM on weekdays and 7:00 AM to 4:00 PM on Saturdays. A traditional Costco opens later (10:00 AM) and closes later (8:30 PM) on weekdays, and operates from 9:30 AM (10:00 AM on Sundays) – 6:00 PM on weekends. A Business Center is closed on Sundays.

Truck Traffic: Receiving Traffic is similar to/slightly lower than a traditional Costco generating the same sales volumes, with 30 inbound trucks during a 24-hour period, mostly during off hours. However, because about 20% of the Business Center volume is delivery, there are also approximately 30-60 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 are welcome to shop at the warehouse, Business Members account for over 80% of the sales volume. The following are just some of the businesses that use the Business Center, and the type of products that are purchased.

Professional Offices (Legal, Accounting, Engineering, Medical, etc.): Buy copy paper, office supplies, office furniture, coffee, soft drinks and snacks, cleaning supplies, etc.

Hotels and Motels: Buy cleaning supplies and toilet paper, office supplies.

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.

Convenience Store: Purchase broad range of items for resale, including candy, cigarettes, package food, snacks, soft drinks, etc.

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

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

COMPARISON TABLE

<u>Facility</u>	BUSINESS CENTER	COSTCO WHSE
Building Size:	125,000 + sq. ft.- 150,000 sq. ft.	148,000 sq. ft.
Property:	8-12 acres	15-20 acres
Parking Requirements:	350 spaces	750 spaces
Member Traffic:	1000-1500 members/day	6000-8000 members/day
Average Sale:	\$350-\$450	\$130-\$140
On-site Truck Parking:	30 stalls	None
Loading Docks:	4 Inbound 5 Outbound	5 Inbound 0 Outbound
Truck Traffic:	30 Inbound	30 Inbound
Hours:	M-F 7:00am–6:00pm Sat 7:00am-4:00pm Sun CLOSED	M-F 10:00am-8:30pm Sat 9:30am-6:00pm Sun 10:00am-6:00pm
Shopping Carts:	150 carts 100 flatbeds	700 carts 100 flatbeds

**Ancillary
Businesses**

Optical/Hearing Aids:	No	Yes
Pharmacy:	No	Yes
Food Court:	Some	Yes
Tire Sales/Shop:	No	Yes
Bakery:	No	Yes
Gas Station:	Some	Yes

	BUSINESS CENTER SKU's	COSTCO WHSE SKU's
<u>Merchandising</u>		
Foods:	2,700	1,420
Fresh Foods:	210	190
Non Foods - Hardlines:	430	990
Non Foods - Softlines:	280	930
OTC Pharmacy:	80	250
TOTAL	3,700	3,780

In Summary – 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