

TABLE OF CONTENTS

	Page
1 INTRODUCTION	1
Directional Change	2
Does Food Still Differentiate?	4
2 CONSUMER DEMOGRAPHICS	6
GENERAL POPULATION TRENDS	7
HOUSEHOLD DEMOGRAPHICS	9
BABY BOOMER INFLUENCE	10
Marketing Influence of Baby Boomers	13
INCOME AND FOOD CONSUMPTION	14
Affluent Households	16
2008-2009 Affluent Consumer Reality Check	18
Food Stamps...A Membership Club Opportunity	18
DEMAND FOR QUALITY	19
SEARCH FOR VALUE	23
THE VALUE OF TIME	25
ECHO BOOMERS/GENERATION Y	27
GENERATION X	30
Male Shoppers Gain In Importance	32
GEOGRAPHIC SHIFTS	33
Urban Markets	34
SUPERMERCHANT SHOPPER DEMOGRAPHICS	36
Grocery Shopper Behavior Segmentation	37
Wal-Mart Shopper Demographics	38
3 CLUB INDUSTRY	41
MEMBERS	42
STRATEGIC OVERVIEW	43
MARKETING AND MERCHANDISING	45
COMPETITIVE EVOLUTION	47
4 MEMBERSHIP	49
Shifting Membership Structure	52
GROUP/INDIVIDUAL MEMBERS	54
WHOLESALE/BUSINESS MEMBERS	58
Foodservice Business Customers	60
Resale Business Customers	62
Service Business Customers	62
5 MARKET SIZE	63
INDUSTRY SIZE	64
Domestic Industry Size	65

	Page
SALES RATIOS	65
SKU RATIOS	68
6 MARKET GROWTH	70
SALES HISTORY	71
COMPARABLE STORE SALES	72
UNIT EXPANSION	74
REGIONAL EVALUATION	76
INTERNATIONAL	79
Expanded Mexico Competition—City Club	81
MEMBERSHIP CLUB CONCEPT GROWTH	82
Costco Wholesale	82
Sam's Club	85
BJ's Wholesale	88
7 CASH & CARRY RETAILERS	90
CONCEPT CHARACTERISTICS	91
SALES	92
Sales History	93
MERCHANDISING	95
CONCEPT EVALUATION	96
Cost-U-Less	96
GFS Marketplace	97
Jetro/Restaurant Depot	99
PriceSmart	101
Smart & Final	102
8 PHYSICAL CHARACTERISTICS	103
The Role of The Shopping Cart	104
At The Checkout	104
Direct Marketing	107
What Lies Ahead?	107
9 OPERATIONS PRACTICES	109
BUYING PRACTICES	113
Vendor "Go To Market" Strategies	115
10 FOOD & SUNDRIES MERCHANDISE	116
BRANDS	117
PACKAGING	119
STOCKING-UP	119
MERCHANDISING AND PROMOTION	121
FOOD STAMPS	122
2009 ESTIMATED DEPARTMENT/SECTION SALES	123
PERISHABLES	125

	Page
SUNDRIES	128
FOOD & SUNDRIES MERCHANDISE SELECTION	129
11 NON-FOOD/GENERAL MERCHANDISE	136
AUTOMOTIVE	137
APPLIANCES/ELECTRONICS	137
CLOTHING/LINENS	138
HOUSEWARE/GIFTWARE	138
OFFICE SUPPLIES/EQUIPMENT	139
HARDWARE	139
SPORTING GOODS	140
SEASONAL	140
BRANDS	141
PACKAGING	142
MERCHANDISING AND PROMOTION	142
2008 ESTIMATED DEPARTMENT/SECTION SALES	143
12 SERVICES	144
Costco Business Centers	147
Sam's Testing On-Line Small Business Loan Program	149
13 COMPETITIVE RESPONSE	150
REGIONAL PENETRATION	156
SUPERMARKET INDUSTRY CONSOLIDATION	158
RESPONSE ALTERNATIVES	160
Price Strategy	160
Going Upscale	161
Packaging	161
Frequent shopper Programs	162
Service/Services	163
Convenience	163
Smaller Formats	164
Neighborhood Market Concept	166
Wal-Mart Marketside Stores	166
Tesco Impact	166
FOODSERVICE CHANNEL	167
TRADITIONAL DISCOUNT STORES	170
CATEGORY KILLERS	170
14 OUTLOOK--2014	171
FORECAST	173
Unit Growth	173
Average Sales Per Unit	174
Product Mix	177

	Page
Food & Sundries Opportunities	177
FORECAST 2009-2014	179
15 STRATEGIC CONSIDERATIONS	181
REGIONAL PENETRATION	183
FOOD MERCHANDISING	185
PRIVATE LABEL	188
PERFORMANCE	190
MEMBERSHIP CLUB INDUSTRY OVERALL STRATEGIES	193
SHARE OF CUSTOMER	194
ON-LINE SHOPPING	194
CONCLUSION	196
APPENDIX	197

EXHIBITS

	Page
Membership Club Industry Private Label Share 2009	3
Costco Major Category Sales Fiscal 2004-2009	4
U. S. Population 1990-2008	7
Legal Immigrants As A Percent Of Total Changes In U. S. Population 2002-2008	7
Characteristics Of The U. S. Population By Race 2005	8
Resident Population By Race 2003-2015	8
Race/Ethnicity of American Children Under Age 18 2000 Versus 2008	8
Households 1980-2008	9
Single-Parent Families With Children	10
Marital Status of U. S. Adults	10
Number of Working Women	11
Dual Career Families With Children Under Age 18	11
Median Net Worth By Age and Gender of Head of Household 1998-2007	13
Average Annual Expenditures of All Consumer Households 2007	14
Average Annual Expenditures of All Consumer Households by Region/Family Size 2007	15
How Affluent Households Allocate Their Annual Discretionary Spending 2009	16
Goods Affluent Households Purchase 2008	16
Distribution of Dollar Sales At Various Outlets By Household Income 2003	17
Average Spending On A Shopping Trip By Format 2007	17
How Affluent Americans Define Luxury Goods And Services 2009	19
Online Retail Spending 2008 (P)	20
How Online Men And Women Most Commonly Use The Internet 2005	22
Type Of Retailer Where Home Shoppers Find Bargains	23
Shoppers Future Lifestyle Changes Plans	24
Aspects Of The Shopping Experience That Are Most Important To Grocery Shoppers	26
Impact Of Rising Gas Prices On Consumer Spending And Driving	26
Parental Activities Echo Boomers Vs Baby Boomers 2006	27
Channel Share of Total Consumer Packaged Goods Spending By Echo Boomers 2004	28
Average Number of Shopping Trips Per Month By Echo Boomers 2004	28
Factors That Are Important To Shoppers Switching Brands	29
Percent Of Generation X And Baby Boomer Men Who Buy Luxury Items 2006	30
Product Characteristics That Most Influence Luxury Purchases Generation X Vs Baby Boomers 2006	31
Generational Differences Impact Food Purchases	31
Resident Population By Region 2007	33
Incorporated Places 2008	33
Population Per Square Mile Leading States 2008	35
Primary Supermarket, Supercenter And Warehouse Club Shoppers	36
Number of Trips Made Annually to Alternative Channels 2002	37
Share Of Spending By Shopping Channel 2006	37
Factors Influencing Grocery Shoppers Food Purchases 2009	38
Chains Shopped By U. S. Consumers In The Past Three Months 2005	39

	Page
Selected Other Retailers Shopped By Wal-Mart And Target Customers	40
Relationship Between Membership Club Operating Income and Fee Income	44
Membership Club Industry Market Share 2009	47
Estimated Domestic Membership Club Members 2009	50
Estimated Club Industry Total Membership 2009	50
Estimated Overall Club Industry Membership and Sales By Segment 2009	51
Costco Membership 2005-2009	52
BJ's Wholesale Membership 2005-2009	52
Costco Membership Structure 2009	53
Consumers Who Rate Club Merchandise Better In Comparison To Other Formats	53
Household Penetration of Alternative Channels 2002-2009	54
Outlets Shopped In The Past Three Months 1998-2002	54
Household Trips Per Year 2002-2009	55
Expenditures Per Shopping Trip 2002-2009	55
Who Shops Where	57
Establishments With Payroll 1980-2006	58
Relative Importance of U. S. Businesses With Under 20 Employees 2006	58
Sam's Club Selected Business Member Profile	59
Retail Establishments 2002	59
Foodservice Industry 2008	60
Membership Club Selected Business Member Segments	61
Membership Club Industry Estimated Worldwide Sales/Market Share 2008	64
Membership Club Industry Estimated Worldwide Sales/Market Share 2009	64
Membership Club Industry Estimated Domestic Sales/Market Share 2009	65
Costco Approximate Percent of Sales By Major Category 2006-2009	66
Sam's Club Approximate Percent of Sales By Major Category 2007-2010	66
Volume Breakdown Between Food/Non-Food/Services 2005-2009	67
Membership Club Industry Sales By Major Merchandise Segment 2009	67
Membership Club Industry Food/Non-Food/Services Chart 2005-2009	68
Membership Club Industry SKU Trends 2005-2009	69
Membership Club Industry SKU's By Club Operator 2009	69
Membership Club Industry Sales History 1999-2009	71
Membership Club Industry Sales Growth 2005-2009	72
Membership Club Industry Comparable Store Sales 2005-2009	72
Membership Club Industry Monthly Comparable Store Sales 2009	73
Membership Club Industry Unit Growth 1999-2009	76
Breakdown of Membership Club Locations By Region 2005-2009	76
Membership Club Unit Locations By Region 2009	77
Breakdown of Membership Club Estimated Sales By Region 2005-2009	78
Membership Club Industry International Sales 2009	79
Membership Club Industry Domestic/International History 2005-2009	80
Cash & Carry Retailers Concept Characteristics	91
Cash & Carry Retailers Estimated Sales 2008	92
Cash & Carry Retailers Estimated Sales 2009	92

	Page
Cash & Carry Retailers Sales History 2005-2009	93
Cash & Carry Retailers Unit History 2005-2009	93
Cash & Carry Retailers Average Sales Per Square Foot 2009	94
Cash & Carry Retailers Average Sales Per SKU 2009	94
Cost-U-Less Percent Sales By Major Category 2003-2006	95
PriceSmart Percent Sales By Major Category 2006-2009	95
Smart & Final Percent Sales By Major Category 2003-2006	95
Average Building Size	104
Average Checkout Time Per Store Type	105
Frequency At Which Club Members Say They Always Shop Club Categories	108
Buying Offices/Distribution Centers	114
Kirkland Signature Private Label Goals	118
U. S. Private Label Shares (4/18/10)	118
Consumer Package Goods Trip Mission As A Percent of Total Trips 2008	120
Consumer Package Goods Trip Mission As A Percent Of Channel Dollar Sales 2008	120
Percent Of Category Sales On Pantry Stock-Up Trips 2008	120
Top Club Channel Pantry Stock-Up Categories 2008	121
Membership Club Industry Food & Sundries Sales Estimates 2009	123
Importance Of Features When Selecting The Primary Store 2007	124
Ready-To-Eat Takeout Solutions Popular Among Shoppers	125
Membership Club Industry Perishable Food Category Sales 2009	127
Membership Club Industry Sundries Department Sales 2009	128
Membership Club Industry Non-Food/General Merchandise Sales Estimates 2009	143
Membership Club Industry Services Sales 2005-2009	145
Membership Club Industry Services Sales 2005-2009 Graph	145
Frequency At Which Club Members Say They Always Visit Selected Ancillary Services	146
Costco Ancillary Businesses 2005-2009	147
Consumer Expenditures For Food and Non-Alcoholic Beverages 1985-2008	151
Sales of Food At Home By Type of Outlet 1990-2008	151
Retail Food Stores Number of Outlets 1990-2004	152
How Often Shoppers Use Alternative Sources For Groceries 1991-2009	152
Consumer Package Good Trip Mission By Channel 2008	153
Consumer Package Good Trip Mission As A Percent of Channel Dollar Sales 2008	153
Where Shoppers Generally Purchase Selected Grocery Items 2007	153
Primary Food Store Channels 2005-2009	154
Where Consumers Shop And Why 2003	155
Importance of Supermarket Features 1995-2009	156
Membership Club Estimated Retail Food Store Penetration By Region 2009-2008	157
Top Ten U. S. Grocery Retailers 2009	158
American Consumer Satisfaction Index 2000-2009	159
Is Shopping Fun 2001-2002	159
Alternative Format Economics	160
How Often Shoppers use Supermarket Related Promotions 1996-2009	162
Lines And Services Offered By Primary Supermarket 2005-2009	162

	Page
Number of Individual Items Purchased By U.S. Consumers To Achieve 80% Household Penetration 2006	164
Neighborhood Market Concept Summary	165
Reasons Why Foodservice Operators Shop Clubs and Cash & Carry Outlets	168
Most Directly Competitive Club or Cash & Carry Outlet	168
U. S. Membership Clubs Estimated Sales To Foodservice Operators 2009	169
Membership Club Industry Unit Forecast 2009-2014	173
Membership Club Industry Domestic/International Units 2009-2014	174
Costco Average Sales Per Warehouse History	175
BJ's Wholesale Average Sales Per Warehouse History	175
Membership Club Industry Average Sales Per Unit 2009-2014	176
Comparable Analysis of Food & Sundries in Membership Clubs and Food Stores 2009	178
Membership Club Industry Forecast 2009-2014	179
Membership Club Industry Forecast 2010	180
Membership Club Industry Sales Forecast 2009-2014 Chart	180
U. S. Retail Industry Channel Share 2004-2008	182
Food-Liquor Store/Membership Club/Supercenter Sales Growth 2000-2009	183
Membership Club Industry Domestic Population Per Unit 2009	184
Leading States Membership Club Locations And Sales 2009	184
Share of Income Spend On Food 1990-2009	185
Distribution Of U. S. Food And Beverage Sales By Retail Channel 1994-2009	186
Expected Compound Annual Sales Growth Rate Vs. Inflation 2009-2014	187
Market Share For Grocery and Consumables By format 2009-2014	188
Top 10 Private Label Retailers/Wholesalers Selling Food	188
Private Label Share Of Consumer Packaged Goods Spending In All Outlets	189
Private Label Share Of Consumer Packaged Goods Spending By Channel 2009	189
Household Penetration By Alternative Formats 2002-2009	190
Household Trips Per Year 2002-2009	190
Expenditures Per Shopping Trip 2002-2009	190
Primary Food Store Channels 2005-2009	191
Percent Of Households Buying By Channel 2009 Vs 2008	191
Consumer Package Goods Share By Channel 12/27/09	191
Shopper Based Retail Segmentation	192
Consumer Food Shopping Behavior	192
Estimated U. S. Online Retail Spending 2000-2006 (P)	195