



launchpad 

SUCCESSING AT COSTCO

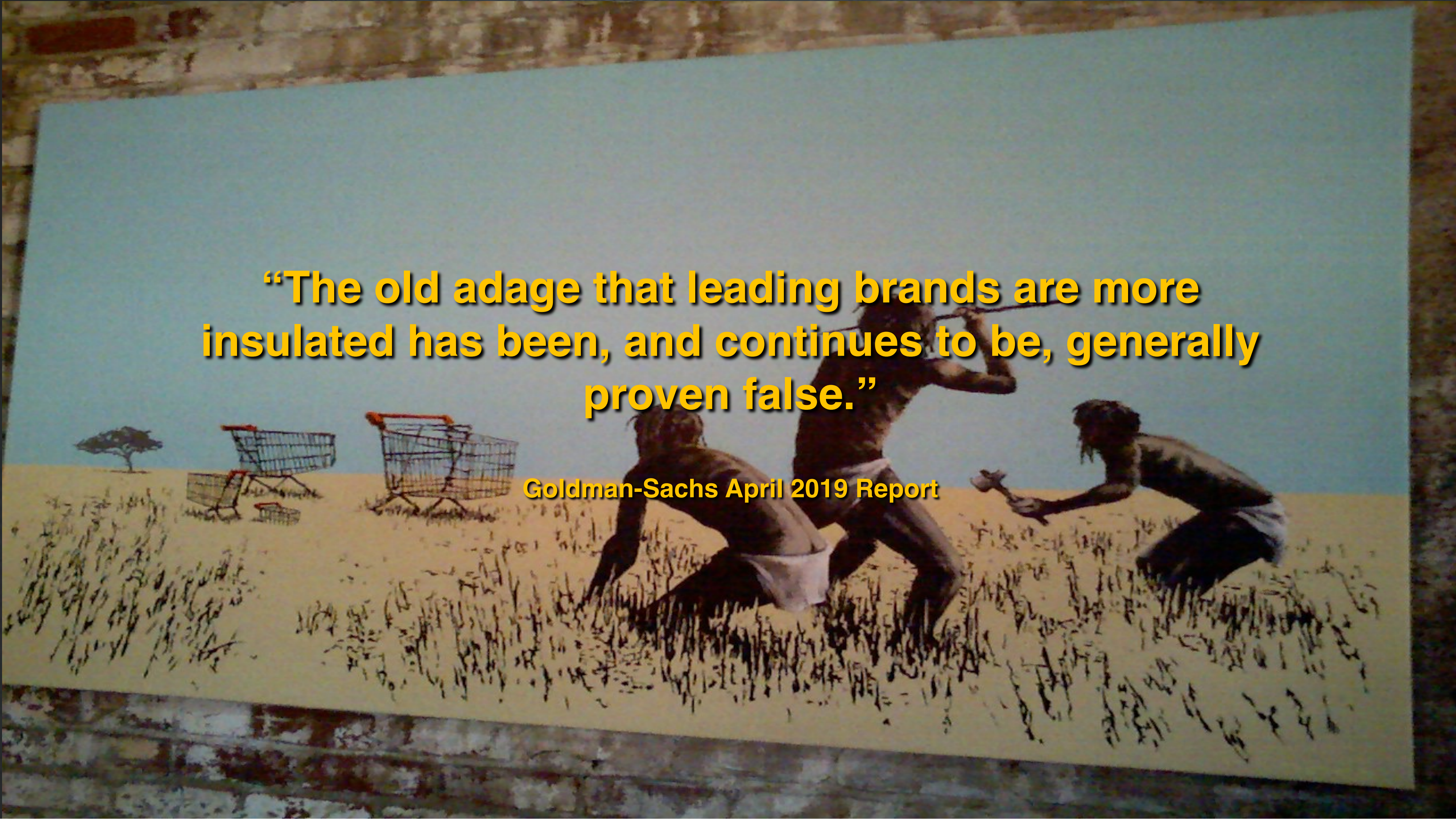


“We are experiencing the biggest generational transition in food brand preferences in our lifetime.”

John Haugen Founder and Managing Director of 301 INC
Goldman-Sachs April 2019 Report

“The old adage that leading brands are more insulated has been, and continues to be, generally proven false.”

Goldman-Sachs April 2019 Report





Costco: Overview

- \$166 Billion in Annual Sales
- 558 US Warehouses
- 803 Warehouses Worldwide
- Just 3700 Sku's VS 50K in Grocery
- Average Mark up 11% on an item 14% Max.
- Kirkland Signature Makes up 25% of items today.



The Power of Costco:

- The one retailer that can fundamentally impact the course of your brand is **COSTCO**.
- Without the proper planning and the right strategy, you have less than a 1% chance of success.
- 98% of all items that go into Costco fail at gaining everyday placement.



The Power of Costco:

- Retail at DWR \$5,190.00
- Retail at Costco \$3,899.99
- Costco sold out in less than 2 hours.
- “Herman Miller has determined that Costco obtained the Eames Lounge Chairs and Ottomans in question through a company who misrepresented the intended use of the product. Although these particular chairs are Herman Miller goods produced at our Michigan manufacturing facilities, Costco is not an authorized Herman Miller retailer.”

This is what hitting it out of the park looks like:

One **COSTCO SKU**

\$3K to \$6K per warehouse.

\$2M Dollars Per Week | \$100M + Annual Sales



**Creating Success At Costco Is Not Easy: Having The
Right Strategy, The Infrastructure In Place, And
Moving At The Speed Of Costco.**

Costco: An Operationally-Driven Model

- When an item is brought in for a category, another item goes out of the building.
- Buyers have little influence on where the item is placed within the building.
- Building Managers are important, have clout. Get to know them.
- Buyers are rotated in and out of categories.
- The buyer is not your friend. Brokers and Brands struggle with this.



Operationally-Driven Model – Cont.

- **COSTCO** is loyal to the Member, not brands.
- Being in **COSTCO** provides a sales halo effect at other retailers.
- You do **NOT** have to go into **ALL** of **COSTCO's** Buildings.



Things to Consider

- To become a regular item, you must sell at least \$1,500 a week/per warehouse in most categories. **This varies by category.** (*yogurt*)
- Is Your Brand a Channel Protector?
- Some items/categories, when sold in a club pack, struggle to move. If the consumer won't consume your product in large quantities, do not sell it **COSTCO.**
- Regional distribution is light.
- Wrong flavor or not enough value.
- Brands not capable of moving at the speed of **COSTCO.**

Buyers Are NOT Always Right.

**“COSTCO members will never purchase
Chobani Greek Yogurt with fruit”**

“COSTCO will never be a destination for Organic Food”

”You will never see Krave Jerky at COSTCO”

“Stacy’s Pita Chips are not a COSTCO Item”

Considerations

- Value-at-Cost: the **COSTCO** value-at-cost must represent at least a 20% better value than the lowest FOB price for your distributor or retailer, whomever is receiving the lowest price.
- **COSTCO** value versus existing competing category items.
- Percentage of Business – **COSTCO** does not want to represent more than 20% to 25% of your business.
- **COSTCO** has independent plant audits you must pass before an item can be ordered. If your plant is outside the USA, you may also need to pass a social plant audit.

Supply Chain, Sustainability and Minority Owned Brands

- **COSTCO** is becoming more focused on a brands supply chain.
- Buyers want brands to focus on reinventing their supply chains and having all parts of the process, including ingredient sourcing, to be closer to where the product is manufactured in order to reduce the carbon footprint.
- Costco would like to see brands move to compostable packaging when possible.
- Costco is putting a greater focus on woman and minority owned brands.



Houston We Have A Sales Problem

- Buyers know in the first two weeks of sales if they have a winner.
- If your dollar sales come back at \$400 a week per warehouse you are done.
- You cannot demo or discount your way to a successful item at **COSTCO.**



Life Isn't Fair

Neither is COSTCO



Evaluating Selling To Costco

Make It or Break it Strategy

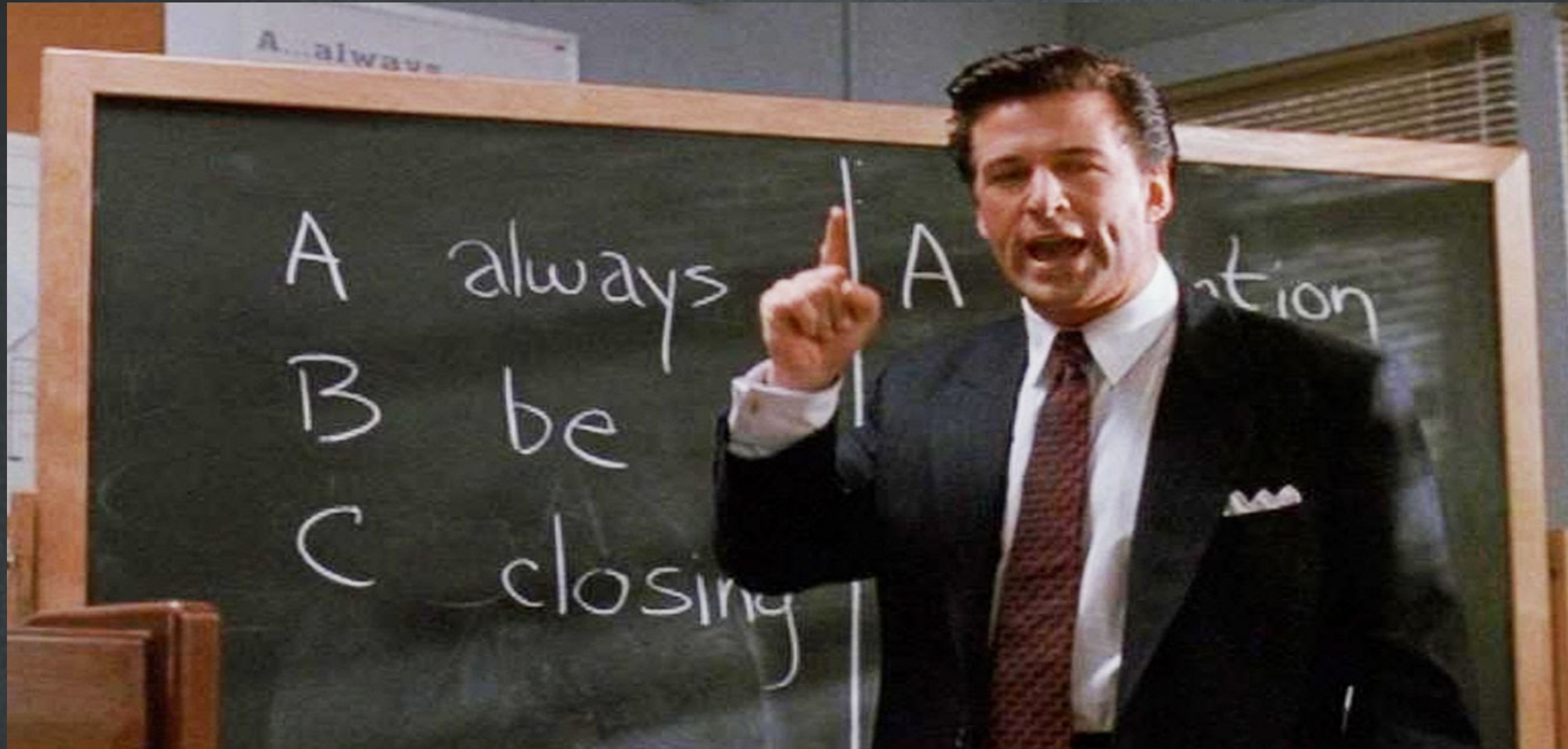
Brand Selling versus Item Selling – Which is Best?

Brokers Often Support
Item Selling

Buyers Support
Item Selling

Many Brokers are PowerPoint pushers

Nothing Kills a **COSTCO** Buyer Meeting Faster than High Pressure Salespeople



Leave Them, and their Ego, in the Trunk of your Vehicle!

Buyer Meetings: Prepare! Prepare! Prepare!

- Rehearse with your broker and team before going to the meeting.
- Meetings should be conversational; not a 30-page PowerPoint reading.
- **COSTCO** Meeting Rooms are designed to be small, try to limit meetings to no more than 3 people in attendance including your broker.
- Buyer Meetings are scheduled for Tuesday through Friday and are allotted a one-hour time limit.
- Buyers often arrive 15 minutes late (it's designed to throw you off). If you are prepared, it won't throw you off.
- You have 14 days max to respond to questions from the meeting. Responses that take longer reduce your opportunity by 50%.

Prepare! Prepare! Prepare Some More!

- Know your specs. Don't be surprised if the buyer asks you where your ingredients come from. Know your stuff backwards and forwards.
- Provide Buyer with the Best Value; **Do Not Negotiate**
- Every **COSTCO** region has a different vibe.
- The LA Region doesn't care how much distribution you have in the Northeast Region.
- How is your product different than competition? Stick to the facts.
- Discuss product features and benefits.

Club Store Sales Depend on Great Packaging Design

- Strong color blocking/visually arresting pattern stands out on shelf.
- Lighting shifts must be taken into account for packaging design.
- Take advantage of the master carton; it's your friend.
- Communicate quantity/pack size clearly.
- Do not move the USDA Organic logo to the back of your packaging.
- The Verified GMO-Free logo has value.
- Maintain premium messaging.
- If your product is made in the USA, make sure members know it.

Members can shop on
all Four Sides





Impact of the Pandemic

- Product demos and road shows are gone; replaced by talking demos
- Members are list shopping
- Less **COSTCO** Members in the Warehouses
- Sales can be more challenging for emerging food brands
- Without the old demo program, more challenging for emerging food brands.
- Increase in TPD Couponing
- End Caps
- Explosive growth on Instacart and **Costco.com**

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To the **DOERS**,
troublemakers, **disruptors**
and **mavericks** who spend **every** day
BREAKING THE RULES,
we can't wait to meet you.

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