



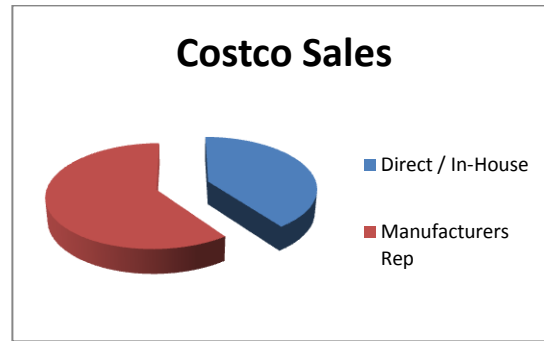
VENDORCO White Paper
Thinking Outside of the Box
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Costco Wholesale has been labeled as many things. The short list includes being klan-ish, having a unique buying process, and from a revenue stand point some have said, “Once you drink their [Costco] Kool-Aid; you’ll never want to stop.” No matter your opinion, the fact remains that Costco has been a stable and viable company for over 25 years, and is currently the 3rd largest retailer in the nation with over 585 locations in 9 countries. There is no denying Costco’s label as great company to work for and manufacture for. Manufacturers and distributors who are or want to become a Costco Vendor all too often use an in-house sales staff or have their executives handle Costco. With Costco being such a conglomerate, purchases for their locations take place each and every day. You have to ask yourself: can a semi-experienced employee or executive honestly navigate and negotiate well within the Costco waters?

The first problem VENDORCO has found when organizations sell direct to Costco is overconfidence in their abilities to serve this account properly. Short sighted executives often underestimate the knowledge required to navigate this retail giant, which is one of the most prevalent mistakes in working with Costco. If an in-house sales representative has been a party to a product that has sold to Costco Wholesale in the past, this does not qualify them as expert. This is comparable to a novice biker competing in the Tour de France and expecting to win. Without the proper expertise, companies often make detrimental errors to their programs true potential; often forfeiting margin.

It is reported that nearly 60% of Costco sales are achieved through manufacturer representatives.



With the Costco’s simple yet complex nature and its unique buying processes, categories and sub categories within the national, international, and e-commerce sectors, only an expert knows how and where to find all the pockets of revenue available to an organization.

The second problem VENDORCO has found when organizations sell direct to Costco, is compromising business integrity, privacy, margin, or revenue growth. All too often the organization or the in-house sales representative will rely on the buyer for “help.” This is comparable to your supplier calling to ask you how select a product, price it, package it, and ship it. This conversation would expose a lot of details about their company and give you the upper hand knowing their weaknesses. Truly understanding your chosen retailer is essential to your success. Understanding comes with time and experience. Being an expert takes many years of repetitive work with a specific niche. Does your organization have a Costco expert? Is your organization sharing unnecessary information with the retail buyer? It is very likely your organization is. Often details are revealed to the buyers without an organization realizing what has occurred. When this occurs organizations begin to lose integrity, margin, and revenue growth; until the unit growth and retail expansion over time

overcome the efficiencies required to stay solvent.

It is with expert advice that you make expert choices. Your organization highest success requires an expert for each retailer in order to achieve long term fruitful growth without compromising your organizations details, margin and overall revenue growth through complete sales tactics.

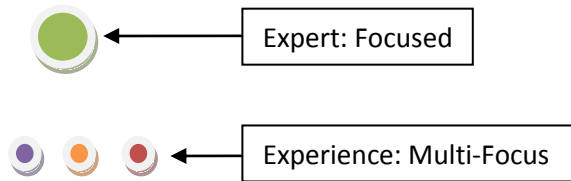
The third problem VENDORCO has found when OEM manufacturers sell direct to Costco with the false belief that their company offers a brand. Few OEM manufacturers are recognized as offering valued brands. Some OEM manufacturers want to create OEM for Costco as a Kirkland Signatures item or one of their newer trademarks. A brand by definition is the essence or promise that a product or service will deliver through consumer experience. Examples of well established brands are Nike, McDonald's, Temperpedic, Cannon, Callaway Golf, Coke, Disney and the list goes on. OEM manufacturers who pitch to brand focused retailers with their equal or better quality products may affect their current relationship with brands and with the retailer itself. This tactic can backfire and is not suggested. High end retailers value a well established brand name, logo, and slogan that can be recognized by the target demographic. Brands are established and trusted through millions of dollars of electronic and print marketing. OEM manufacturers should consider the repercussions of entering into discussions with an existing retailer whom they produce a brand for. Costco, for instance, is brand focused. OEM manufacturing for Costco's private labels or trademarks comes with a long process filled with stipulations and hurdles. The process can be as long as twenty

four months and requires audits and many specifics to be met prior and during the considered process.

The sweetest, long term growth can be captured when an organization utilizes manufacturer representation. Ultimately, manufacturer representatives work for the manufacturing organization while working within the known restraints and gaps of the retailer. Buyers generally embrace representatives because it ultimately makes their jobs easier; removing the hassle of in-depth comparisons, proper offer format, protocol, detailed follow through (otherwise known as babysitting), as well as customer service training and internal issue solutions.

Focused manufacturer representatives, are often referred to as brokers, product placement companies or independent representatives. Their job is to solve the most typical problems, unique complications and stir up new opportunities. Experience is defined as practical knowledge, skills, or practice derived from direct observation of or participation in events or activities. Experts are defined as having, involving, or displaying special skills or knowledge derived from experience. The saying, "Jack of all trades; master of none" describes two groups; a manufacturer representative without a retailer of focus and a manufacturer who self represents to multiple retailers. A manufacturer's representative who provides assistance to 2, 3, or more retailers does not have expert focus; they offer experience. Large corporations like Del Monte, Smith Field Foods, Igloo, and OxiClean largely built their success through focused and expert representation which has allowed them to continue to do what they do best,

manufacture. Expert focused representatives can overcome 99% of problems associated with their retailer while providing services the retail buyer expects. Bottom line an expert manufacturer representative expects the expected and watches for the unexpected. They save time which equates to revenue through sales and expanded sales.



If your organization would like to create a new or better relationship specifically with Costco Wholesale, consider a focused product placement company. Work outside your organizations in-house sales capabilities; find a reputable, focused expert. Be cautious, because not all companies are what they appear to be. We call these companies fast food. They operate only within the limited guidelines so they can cherry pick the best. These companies work on quantity not quality and often over look the smaller or less desirable yet viable companies. VENDORCO is not your typical manufacturer representative company. With over 20 years of Costco specific experience you can rely on experts to guide you through the process, remove inefficiencies involved in the buying process, assist with customer service set up, customer service facilitation, as well as help problem solve internal issues and more.