



Who's Minding The Warehouse ?

NMA Summer Meeting

Bellevue WA

August 6, 2010



Costco Today

- **3rd Largest retailer in U.S.**
Stores Magazine, July '09
- **8th Largest retailer in the world**
Stores Magazine, January '10
- **24th Largest in Fortune 500**
Fortune Magazine, May '09
- **\$25+ Billion market cap**



Costco Today

(January 2010)

- **Sales of \$72.1B (LTM)**
- **566 warehouses - 40 states & PR**
- 9 countries
- **\$131M average sales / whse. – FY'09**
- **75.8M Sq. Ft. (142K / whse.)**
- **147,000 employees worldwide**
- **>1.4M transactions / day**



Costco Today

(January 2010)

566 Warehouses Worldwide

413 – U.S.

77 – CN

21 – UK

32 – Mexico

7 – Korea

6 – Taiwan

9 – Japan

1 – Australia



Costco Today

(January 2010)

- **Members**
 - **31.1M households**
 - **59.2M total cardholders**
 - **87% renewal rate**
 - **\$1.7B in cash fees LTM**



FY'09 Highlights

- **Sales of \$69.9 billion**
- **40 locations with sales >\$200M**
 - **1 location with sales >\$300M**
 - **Costco.com sales >\$1.8B**
- **Shrinkage results – historic low**
- **16 warehouse openings**
- **87% membership renewal rates**



Costco's Quality Assurance & Product Safety Mission Statement

“Promote continuous improvement in product quality, and product safety systems, for the benefit of our members and vendors”

“Prevention is much easier than any of the alternatives”



Product Safety & Quality at Costco

- **Food Safety**
- **Consumer Product Safety**
- **Quality Assurance**
 - **Corporate Quality Assurance**
 - **Non-Foods Quality Assurance**





Costco Auditing Programs

- ▶ **Code of Conduct/Social Accountability (domestic and foreign).**
- ▶ **Factory Evaluations—Best Practices (domestic and foreign).**
- ▶ **Food Safety (domestic and foreign).**
- ▶ **Food Security / Bio-Security (domestic and foreign).**
- ▶ **Animal Welfare (domestic and foreign).**





Food Safety Audits

- **FS Audit Expectations Manual (found on iCiX)**
- **HACCP--every facility (Costco Requirement)**
- **Vendor Ingredient Program (PCA)**
- **Traceback**
- **Improve the “Standard of Care”---**
 - **Test & hold**
 - **X-ray, microbial methods, testing improvements**



The Costco FS Addendum

A Requirement



Costco Approved Auditing Companies for Food Safety Audits



Validus





Certifications

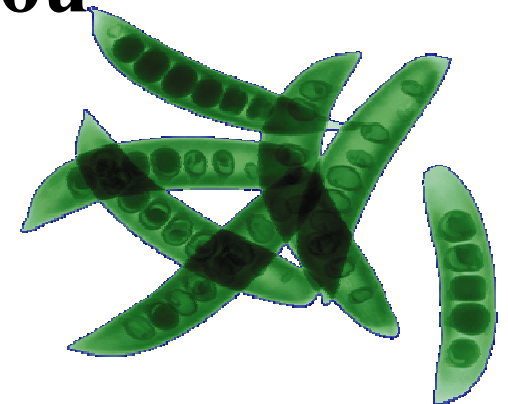
- **Costco may accept:**
 - **SQF Level 2000 with 85% and above.**
 - **BRC Certification with Grade B and above.**
- **All certifications will be reviewed to determine acceptance.**





Quality Assurance at Costco

- **Specifications----What are they?**
- **Item Consistency**
- **Inspect What You Expect**
- **Testing--Check--&--Check Again**
- **We Share the Information With You**
- **Improved Standard of Care**
 - **Metal detection vs. x-ray**





Non-Foods Quality Assurance Testing Partners and Criteria

- 3rd party independent testing –worldwide locations.
- Item specific protocols.
- Collaboration of country regulations, industry standards, lab recommendations and Costco buyer recommendation.

The SGS logo, consisting of the letters "SGS" in a bold, black, sans-serif font.



The Intertek logo, which is a dark blue rounded rectangle with the word "Intertek" in white, sans-serif font.



The BAE SYSTEMS logo, which is a red rectangle with the words "BAE SYSTEMS" in white, bold, sans-serif font.



The NSF logo, which is a dark blue circle with the letters "NSF" in white, bold, sans-serif font.



Why do we test?

- Help ensure that processes are validated and assure a safe, high quality items for our members
- Document due diligence
- Limit liability for Costco & Vendor
- Minimizes product recalls
- Verify buyer expectations

se member satisfaction






Recalls at Costco

Recalls at Costco

Recalls
Every recall is a unique situation. They must be conducted as quickly and calmly as possible. Knee-jerk reactions are not allowed. We are the front line of protection for our members and our company. Please feel free to contact me with your recall procedure questions or issues.

Best Regards,

Craig Wilson
AVP/GMM Food Safety and Quality Assurance

Information, Forms & Procedures

- [Facts and Information about recalls](#)
- [Recall Forms](#)
- [Buying Office Procedures](#)
- [Warehouse Procedures](#)
- [Recall Archive](#)

Recalls Alerts	
Recent Food Recalls or Alerts	Recent Non-Food Recalls or Alerts
<ul style="list-style-type: none">• 09-08-09 Eggo Recall Memo COSTCO IS NOT INVOLVED	<ul style="list-style-type: none">• 08-31-09 – Daewoo Mini Fridge Warranty Information Update Daewoo Letter THIS IS NOT A RECALL
<ul style="list-style-type: none">• 09-08-09 Molasses Cookie Recall Memo COSTCO IS NOT INVOLVED	<ul style="list-style-type: none">• 07-30-09 – Whey Protein Isolate Recall #312770 Recall Notice
<ul style="list-style-type: none">• 08-06-09 – Beef Packers Inc. Beef Recall	<ul style="list-style-type: none">• 06-18-09 Sun Protection Zone Children's 1-piece swimsuit



- Every recall is a unique situation

- No knee-jerk reactions

Costco Vendor Recall Expectations

- Tell us early

- Keep us informed along the way

- Costco may require vendor to cover costs of letters and/or phone calls to members if necessary.



Document Management

- **iCiX= Documentation retention and electronic storage service.**
- **All vendors supplying food to Costco must be registered with iCiX all audits will be posted to your iCiX site by Auditing Company*.**
- **Costco CPSIA GCC host provider**
Vendor sign up in progress. Projected Non Foods QA platform launch early 2010.

***Produce companies must have audits posted to Primus**





What Costco Expects from Vendors

- **Understand your obligations with the FDA, USDA, EPA, CPSC, CPSIA, and COOL. Know the rules.**
- **Meet all specifications. Buyer & Regulatory**
- **Traceback – One step forward, one step back.**
- **Know who your suppliers are.**
- **Keep open communications with us, we can help.**



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