

members could add up to eight business associates for \$35 each and could purchase memberships for employees at \$30 per membership for 50 to 999 employees and \$25 for 1,000 or more employees. The annual membership fee for an Advantage (individual) member was \$40, which included a spouse card. A Sam's Club Plus premium membership cost \$100 and included an assortment of additional benefits and services, including health insurance; merchant credit card processing; website operation; personal and financial services; and an auto, boat, and recreational vehicle insurance program.

Operating hours for Sam's Clubs were Monday through Friday, 10:00 A.M. to 8:30 P.M.; Saturday, 9:00 A.M. to 8:30 P.M.; and Sunday, 10:00 A.M. to 6:00 P.M. All club locations offered a Gold Key program that permitted business members to shop before the regular operating hours Monday through Saturday, starting at 7:00 A.M. Members could use a variety of payment methods, including debit cards, certain types of credit cards, and a private-label co-branded Discover credit card issued by a third-party provider. The pharmacy and optical departments accepted payments for products and services through members' health insurance plans.

Distribution

Approximately 63 percent of the nonfuel merchandise at Sam's Club was shipped from the division's own distribution facilities and, in the case of perishable items, from some of Walmart's grocery distribution centers; the balance was shipped by suppliers direct to Sam's Club locations. Like Costco, Sam's Club distribution centers employed cross-docking techniques whereby incoming shipments were transferred immediately to outgoing trailers destined for Sam's Club locations; shipments typically spent less than 24 hours at a cross-docking facility and, in some instances less than an hour. The Sam's Club distribution center network consisted of 8 company-owned and operated distribution facilities and 18 third-party-owned and operated facilities. A combination of company-owned trucks and independent trucking companies were used to transport nonperishable merchandise from distribution centers to club locations; Sam's used

independent trucking companies to transport perishable grocery items to distribution centers to its warehouses.

BJ'S WHOLESALE

Since the beginning of 2004, BJ's Wholesale had expanded from 150 warehouse club locations to 187 warehouse clubs; its operations were exclusively in the eastern United States, from Maine to Florida. BJ's planned to open seven to nine new warehouses in 2010 (including one relocation), all in existing geographic markets. BJ's had 167 "full-sized" warehouses, averaging 113,000 square feet, and 20 smaller format warehouses, averaging 72,000 square feet and located in markets too small to support a full-sized warehouse. Approximately 85 percent of BJ's full-sized warehouse clubs had at least one Costco or Sam's Club warehouse operating in their trading areas (within 10 miles). Only one of the smaller BJ's clubs faced competition from a Costco or Sam's Club located within 10 miles. In early 2010, BJ's had approximately 23,500 full- and part-time employees; none of BJ's employees were represented by a union.

Exhibit 7 presents financial and operating data for BJ's Wholesale for 2006–2010.

BJ's Strategy

Like Costco and Sam's, BJ's Wholesale sold high-quality brand-name merchandise at prices that were significantly lower than those at supermarkets, discount retail chains, department stores, drugstores, and specialty retail stores like Best Buy. But BJ's had developed a strategy and operating model that management believed differentiated the company from its two primary competitors:

- It focused on its Inner Circle (individual) members through merchandising strategies that emphasized a customer-friendly shopping experience in several respects:
 - BJ's stocked a broader product assortment than Sam's Club and Costco, approximately 7,000 items.
 - To make shopping easier and more efficient for members, BJ's had aisle markers, express checkout lanes, self-checkout lanes, and low-cost video-based sales aids.