

# SCM as a Market Differentiator

*eyefortransport*

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PriceSmart



# Who is PriceSmart?



- PriceSmart operates under a warehouse-club philosophy originally created by Sol Price and that today represents an industry generating over \$140B in annual sales
- PriceSmart currently operates 28 clubs in 11 countries throughout Central America and the Caribbean
- PriceSmart currently holds 700,000 active membership accounts and 1.3 million members

PriceSmart is regularly compared to its peers but more often with Costco; the similarities are evident and rooted at the origins of both companies...

# Industry Publications

## The Name Says It All With PriceSmart

Jan. 13 2011 - 4:29 pm | 1,267 views | 0 recommendations | 1 comment

**PriceSmart (PSMT - Snapshot Report)** just hit a new all-time high at \$39.93 after reporting strong third quarter results in early January that included a 14% earnings surprise.



With an average earnings surprise of 11.5% over the last 12 quarters and bullish growth projections, the stock offers a big box of momentum.

PriceSmart owns and operates warehouse clubs primarily in Latin America and the Caribbean. It was founded in 1994 and has a market cap of \$1.2 billion.

With consumers still searching for value, PriceSmart has been well positioned to capitalize. That dynamic was on display with strong third

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## The Price Is Right For Costco's Latin Cousin

May. 20 2011 - 12:49 pm | 446 views | 0 recommendations | 0 comments



PriceSmart reported same-store sales up 21.5% in the month of April after posting its fifth consecutive positive earnings surprise a month earlier.

PriceSmart has also been returning value to shareholders through dividends while it simultaneously expands its retail footprint. It currently yields 1.3%.

### April Sales

PriceSmart recently reported that for the month of April, net sales rose 37.0% year-over-year, while same-store sales jumped a whopping 21.5%.

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# Our Roots



- ◆ **1954** Sol Price created the concept of discount shopping by launching FedMart in San Diego, CA
- ◆ **1976** Sol and his son Robert developed the concept of membership shopping and launched their second business called PriceClub
- ◆ **1993** The Price Co. and Costco Wholesale Clubs merged as PriceCostco
- ◆ **1994** Robert Price obtains the rights to operate membership warehouse clubs in certain international markets
- ◆ **1996** The Price family launches PriceSmart with the opening of their first club in Panama
- ◆ **1997** PriceSmart presents its first IPO to the capital markets



Headquartered in San Diego, PriceSmart operates 28 warehouse clubs in 11 countries and 1 US territory across Central America and the Caribbean...

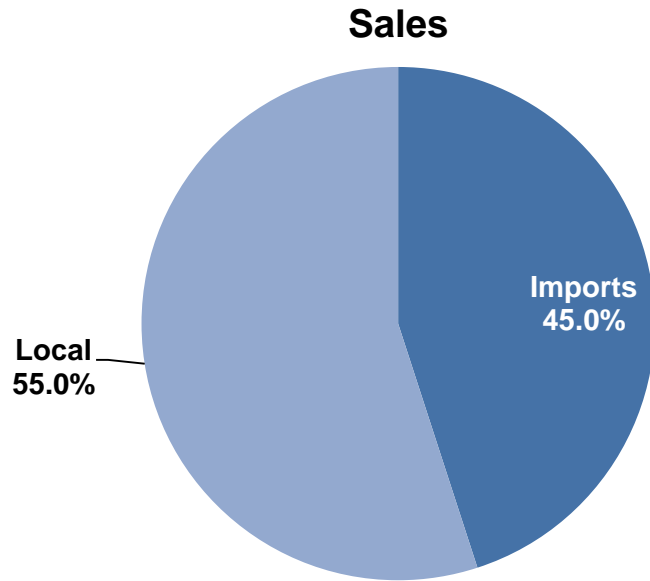
## Retail Markets Served



Approximately 45% of overall PSMT club sales are derived from merchandise handled through its distribution centers and imported to the markets...

## Retail Market Differentiation

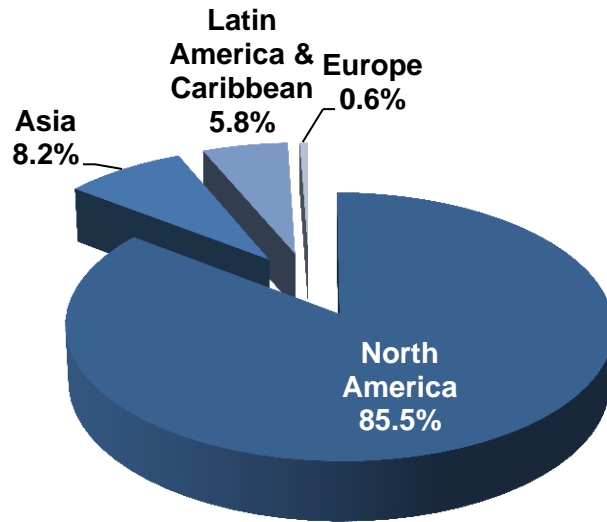
PriceSmart offers *market differentiation* by presenting an assortment of high-quality imported and local merchandise at the lowest possible prices...



Import merchandise is primarily processed through cross-dock DC's to consolidate and complete final assembly for warehouse-club delivery.

## Market Import Logistics

Predominance of merchandise to the markets from No. America...

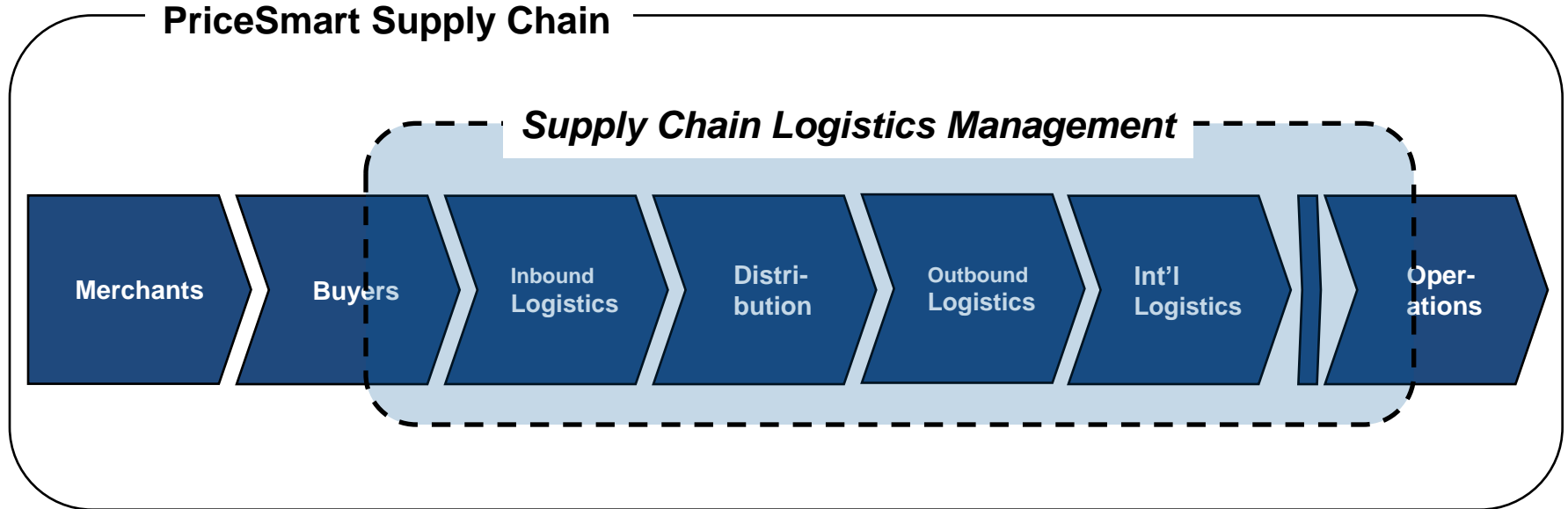


...supported by a network of cross-dock facilities.



Although 'Merchandising' is our core business, supply chain logistics management has developed into a core competency and *key differentiator*...

## Supply Chain Enablement...



# Supply Chain for Innovation and Profit

- Carrier Relationship Management – *Road to Value*
  - *Improved service and reduced costs*
- Distribution Network Rationalizations
  - *Improved transit times and performance reliability*
- Vendor Direct Shipments
  - *Reduced handling costs*

**Lower Prices**  
**Greater In-stocks**  
**Greater Variety**  
**Timely Availability**



# Business Alignment

Achieving *alignment* to overall corporate goals and objectives through the linking of business drivers and supply chain logistics performance to help yield superior results and a competitive advantage in the marketplace ...

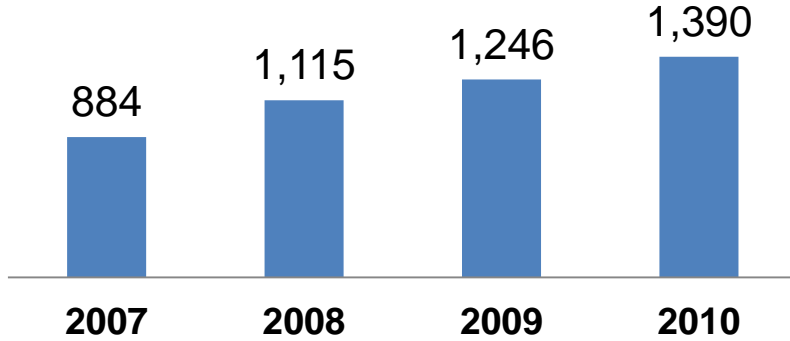
Institutionalized within Logistics through functional mapping and key performance indicators

Business Drivers	Logistics Business Drivers
Sales, Ops Margin and Net Profits	Total Logistics Costs as % of Sales
US Inventory Investment, Turns and In-Stocks	Transit Performance as % of Plan

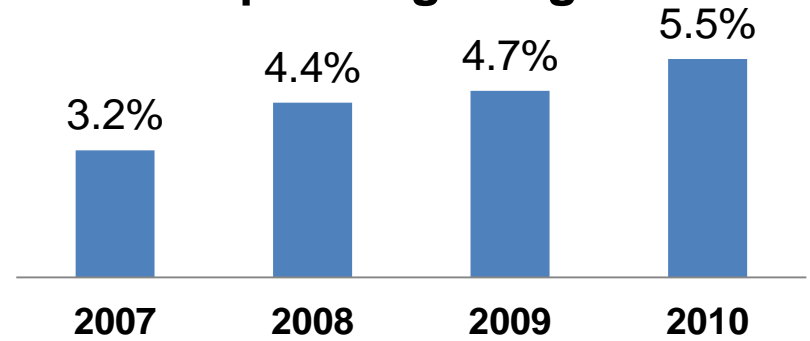


Key operating statistics and performance indicators demonstrating favorable trends and results...

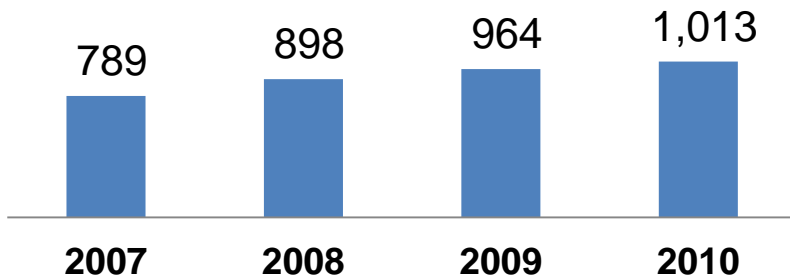
### Sales



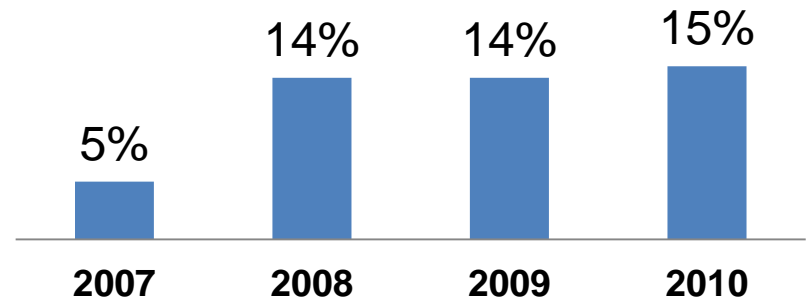
### Operating Margin



### Sales per SF



### Return on Equity



# Strategic Agenda

- Inbound logistics management ~ DC's
- Supplier integration and performance management
- Agility and responsiveness in the supply chain
- Technology-based sustained supply chain execution
- Operational Excellence
  - Member Focused, Process Oriented, Metric Driven



# Thank You!

