

LENEXA MANUFACTURING COMPANY RESOURCE

HOW TO BECOME A FOOD SELLER AT COSTCO AS A MEDIUM SIZE BAKERY



TABLE OF CONTENTS

BACKGROUND 3

REQUIRED REGULATIONS FOR FOOD SELLER APPROVAL 5

COSTCO REQUIREMENTS FOR FOOD SELLER APPROVAL 13

PREPARING TO BECOME A COSTCO VENDOR 15

SUCCESSFUL ACTIONS TAKEN 19

ADVICE FROM BAKING EXPERTS 22

BACKGROUND

In an era dominated by online shopping and ecommerce, Costco has managed to maintain its status as one of the biggest brick-and-mortar wholesalers in the world.

Named the most [Resilient Retailer of the Year](#), Costco weathered the storm of COVID-19 and has come out the other side even bigger than before, thanks to its [loyal customer base of over 105.5 million paying members](#).

Hailed for offering high-quality products at below-market prices, getting your product on Costco's shelves can drive up your sales, increase brand awareness, and facilitate amazing growth opportunities for your business as a whole.

For Dave Nickila, founder of [Portland French Bakery](#), the proof of this really is in the pudding. After first approaching Costco 35 years ago, what was once a small bakery delivering two baguettes a day is now one of Costco's most valued food vendors, moving between 60 and 80 products per warehouse per day, and seeing annual sales north of \$1 million.

So, how can you make this happen for your own mid-size bakery?

Challenges of Becoming a Food Seller at Costco

The emphasis Costco places on quality and value means that prospective vendors have a lot to prove if they want their product to be given that coveted Costco shelf space, whether online or in one of their brick-and-mortar stores. As a food seller, the approval process is even more stringent due to the food safety regulations you're required to comply with.

Costco requires all of its food vendors to meet strict rules and regulations. Unfortunately, this has meant that many small, local bakeries have lost out because they've been unable to implement the required regulations for food seller approval fast enough.

Not being properly prepared to begin selling your products to Costco could lead to a loss of business growth opportunity with the world's second largest retailer. To become an approved food seller at Costco, you need to demonstrate impeccable food safety standards, have a unique product that drives demand, be able to keep up with Costco's fast-paced turnaround, and meet their distribution needs.



REQUIRED REGULATIONS FOR FOOD SELLER APPROVAL

When preparing to become a Costco food vendor, it's imperative to ensure that your bakery complies with the many regulatory requirements put in place for food sellers.

These regulations include compliance with the Food Safety Modernization Act (FSMA), implementing and maintaining an HACCP (Hazard Analysis and Critical Control Point) system, and undergoing regular third party audits.

Food Safety Modernization Act (FSMA)

Passed into law in 2011, the Food Safety Modernization Act (FSMA) has reformed the food safety system in the U.S. by imposing a preventative, rather than reactive, approach to foodborne diseases.

1 in 6 people in the U.S. fall ill every year due to foodborne diseases, a statistic that the FSMA helps to reduce.

Rather than waiting for something to go wrong before responding to it, the FSMA requires food manufacturing facilities registered with the FDA (Food & Drug Administration) to put measures in place that prevent foodborne illnesses before they become a public health concern.

7 Rules of FSMA

There are seven rules contained in the Act that food sellers must adhere to:

1. Preventive Controls for Human Food
2. Preventive Controls for Animal Food
3. Sanitary Transport of Human and Animal Food
4. Produce Safety
5. Foreign Supplier Verification Program (FSVP)
6. Accredited Third-Party Certification
7. Mitigation Strategies to Protect Food Against Intentional Adulteration

State and Federal Requirements

If your food products move across state lines or an ingredient used in your food products has been moved across state lines, your business is engaged in interstate commerce and must comply with federal food laws.

[Federal food safety guidelines](#) ensure that bakers take proactive measures in minimizing food safety risks associated with day-to-day operations. In addition to the FSMA, this includes complying with:

1. **Good Manufacturing Practices (GMP)**, ensuring food products are controlled according to stringent quality and hygiene standards
2. **HACCP**, a food safety management system that maintains food safety by focusing on hazard analysis and putting measures in place to address critical control points
3. **Kill Step Calculator**, used in the baking industry to validate kill steps, i.e. the point at which deadly pathogens, such as Salmonella, are eradicated from food
4. **Food Labeling**, displaying the correct nutritional information on food packaging, such as the mandatory declaration of vitamin D and potassium
5. **Food Defense**, employing a set of strategies that protect food from intentional contamination or adulteration

State regulations pertaining to food policy work with federal regulations to fill in the gaps between these overarching regulatory systems.

In addition to complying with federal regulations, your bakery must also demonstrate compliance with the food assessments, charters, and policies enforced by your specific state. These include things like:

1. **Getting a permit for your premises** from either the local zoning department, the department of agriculture, or the department of health
2. **Inspections of the food processing facility** to ensure that there are no adulterated or misbranded food products

HACCP (Hazard Analysis and Critical Control Point)

To be approved as a food seller, you must put in place a systematic approach to identify, analyze, and control food safety hazards, from the moment of harvest right through to consumption. You must show compliance with this goal by employing the principles of an [HACCP system](#):

1. Conduct a hazard analysis
2. Identify critical control points
3. Establish critical limits
4. Establish monitoring procedures
5. Outline corrective actions
6. Establish verification procedures
7. Establish record-keeping and documentation procedures

Food Traceability

Efficient [food tracking and traceability](#) is crucial in finding the source of a foodborne illness outbreak or contamination event. This is why it's essential for food manufacturers to use lot tracking systems that follow the movement of food products as they travel through the supply chain. Other [benefits of lot tracking in the food industry](#) include:

- The ability to quickly and effectively recall contaminated food products
- Improves quality and safety by making every step of the supply chain transparent
- Prevents spoilage and optimizes inventory usage by identifying older products
- Ability to track the quality of raw materials, improving visibility over suppliers
- Easier to check the authenticity and compliance of food products

Food Traceability (cont.)

Chain of Ingredient Producers and Handlers

Costco expects its food vendors to deliver on-time, in-full, and at the right price. So, in addition to implementing lot tracking systems, bakeries must also have a robust supply chain in place.

Your supply chain must work smoothly, and include suppliers of raw ingredients who provide quality, cost effectiveness, and on-time delivery. In the case that your bakery is unable to fulfil an order, you must also have a network of reliable distributors who can deliver the products without delay.

Third Party Audits

Costco has strict audit requirements in place for all its food vendors. These include annual food safety audits that are conducted by a third party, Costco-approved audit company.

If you're a new food vendor wishing to submit a previously-completed audit report, you can do so as long as it has been completed within the last 12 months. In this case, you must:

- **Submit the full report to Costco, including any corrective actions for deficiencies**
- **If accepted, arrange an anniversary audit to be conducted by a Costco-approved audit scheme and company**

Any facility or supplier involved in the growing, harvesting, processing, packing, storing or distribution of food products to Costco must adhere to these audit requirements. The types of audits Costco accepts are:

- **BRC**
- **FSSC 22000**
- **SQF**
- **GFSI Global Markets Program Assessment**
- **IFS**

Third Party Audits (cont.)

In order for your certification or recertification audit to be valid, it must have been completed within the past year. This means regular annual audits are necessary if you want to continue selling to Costco. Preliminary audit results must also be posted by the audit company in the appropriate Costco audit database within seven days of the audit taking place.

In the case of your certification failing, becoming suspended or getting cancelled, it's your duty as the supplier to inform Costco as soon as possible, either by email or phone.

To see Costco's full audit scoring requirements, you can refer to their document on [Food Safety Audit Expectations for Costco Suppliers](#).

Small Supplier Audits

Typically, Costco audits are unannounced and can happen at any time. However, if you're a small food vendor with less than 25 employees and haven't yet completed a third party food safety audit, you'll be eligible for a Costco Small Supplier Audit.

These are like a gentle introduction to Costco's Food Safety Program, and are always announced, giving you time to prepare. They're only performed once, after which time you'll be audited according to Costco's usual audit requirements.

Re-Audits

If your food manufacturing facility or processes do not meet the necessary scoring requirements, Costco will require a re-audit to take place. These are usually issued within three to six months after the initial audit. A number of circumstances can lead to this happening, including:

- Direct product contamination
- The presence of allergens without an allergen control program
- The absence of an SSOP (Standard Sanitation Operating Procedures) Program
- The absence of a food safety plan or HACCP system
- If an FDA warning letter has been issued to the facility
 - If water potability hasn't been tested by a certified laboratory, or:
 - If water potability records haven't been maintained
- If the facility's water doesn't come from a potable water source
- The handling of food products or packaging by employees with open sores, wounds, or infectious diseases
- Pests or evidence of pests in the food processing facility
- If food products haven't been coded properly for food traceability or lot tracking
- If no corrective actions have been taken following the reaching of critical limits

Additionally, if a serious incident takes place, such as a recall of a food product, an immediate Costco GMP audit will be initiated.

Third Party Audits (cont.)

Audit of Auditor by Costco Representatives

Costco conducts regular evaluations of auditors to ensure they're competent. Known as a Shadow Audit, this process involves a member of the Costco Food Safety staff joining the auditor as they audit a food vendor's facility. The Costco employee will:

- Inspect the entire interior and exterior of the facility
- Note any observations that the auditor has overlooked
- Complete an auditor evaluation that's then submitted to the audit company
- Discuss their observations with the auditor once the audit has finished

If the auditor has overlooked anything during the inspection, this won't affect your audit scoring. However, if any concerns have been addressed by the Costco employee during a Shadow Audit, your facility will be required to email Costco with a corrective action response for each area of concern. If you fail to do this, a re-audit will be issued.

Specific Building Requirements

To be accepted as a food seller at Costco, your facility must also adhere to the specific building requirements set out in the [Current Good Manufacturing Practices](#) that are regulated and enforced by the FDA.

According to these, your facility must:

- Protect against contamination using proper methods
- Be adequate in size and design, providing enough space for equipment and storage
- Facilitate precautionary measures to avoid food contamination. This includes the use of air flow systems, dust control systems, partitions, and so on
- Use bulk containers to protect food products that are stored outside
- Be constructed in a way that allows the walls, floors, and ceilings to be easily cleaned
- Have a sensible layout so that employees can work without contaminating food, packaging, storage or work areas
- Provide adequate lighting in all areas, and use shatter-proof glass for bulbs that hang over exposed food
- Have an effective ventilation system to reduce dust, steam, odors, and vapors
- Provide things like door sweeps or air curtains to prevent pests from entering
- Have a water supply that comes from a potable source, is at a suitable temperature and pressure, and is provided in all areas of the facility

Specific Building Requirements (cont.)

According to these, your facility must:

- Use a plumbing system that successfully removes sewage, provides floor drainage where needed, prevents backflow, and carries enough water around the facility
- Be equipped with clean toilet facilities and hand washing facilities
- Have adequate sewage disposal

Additionally, your facility will fail its Costco food safety audit if you're unable to provide proof of FDA registration for the Bioterrorism Act, are not in compliance with USDA regulations, or if you've been given an FDA warning letter, such as [Form 483](#).

Anticipated Timelines for Implementations

Implementing all of the required regulations for Costco food seller approval can take time. If you want to streamline the process, you should keep an estimated timeline in your head so that you have clear milestones you can reach, and a clear idea on when you can apply for food seller status successfully.

1. [The standard FDA approval process](#) for food and drugs can take as long as **12 months**, or less than six months if you're eligible for priority review
2. [Registering a facility with the FDA](#) can take up to **90 days** before a registration number is assigned to the facility
3. [The entire HACCP process](#) can take between **one and 12 months**, including learning and implementing the rules, creating plans, audit inspections, and the actual issuing of the HACCP certification. An HACCP audit alone can take **between one and five days**

The timeline of compliance for the Food Safety Modernization Act is more difficult to gauge as this is an ongoing commitment to food safety standards. Not only does it include the time it takes to implement an HACCP process, you must also demonstrate [ongoing compliance with all the rules set out in the Act](#).

Anticipated Timelines for Implementations (cont.)

For Costco audits, the time allotted for third-party inspections is usually one day, though this will depend on the size and condition of the facility. In general, you should expect the following to take place during your audit:

- **Opening Meeting:** The auditor speaks to the factory owner and management staff about the auditing process and answers any questions
- **Safety and Health Inspection:** The auditor will inspect the entire facility, including the production site, the treatment of wastewater, the storage of products, and all other areas. These are not restricted to Costco-only production areas
- **Employee Interviews:** The auditor will conduct closed-door interviews with randomly selected employees about working conditions, freedom of movement, working periods, disciplinary procedures, and so on
- **Document Review:** The auditor will access factory documents, such as labor policies, the business license, health and safety records, and environmental protection records. They will also have access to documents pertaining to staff
- **Supply Chain Security:** The auditor will check whether the facility meets counter-terrorism precautions by examining the supply chain safety checklist
- **Review Summary Meeting:** The auditor will go over evaluation results with management. Any deficiencies identified in the report will be accompanied with improvement recommendations and the time you have to make these before a re-audit is issued

At the end of the audit, a formal report needs to be sent to Costco within **five to 10 business days**. If you pass the audit, it remains **valid for 12 months**. If you're issued a re-audit, this usually takes place between **three to six months** after the initial audit.



COSTCO REQUIREMENTS FOR FOOD SELLER APPROVAL

Costco Sales Volumes

The number of sales Costco will expect your bakery to fulfill is only set in stone in 16-week blocks. It entirely depends on what type of product they want, and how many of their warehouses they want to sell your product or products in.

Dave Nickila from Portland French Bakery explains: “When you introduce products, Costco will sometimes test them in a smaller subset of warehouses. If it’s a product Costco wants in all their warehouses, they might take it full-market.”

Dave goes on to advise that if you’re a new food vendor at Costco, you should expect your first order to be much bigger than your subsequent orders, so this is your first chance to impress them with your ability to get your products to market and really show off your production capacity.

“When you introduce products, Costco will sometimes test them in a smaller subset of warehouses. If it’s a product Costco wants in all their warehouses, they might take it full-market.”

Production Capacity

Even though your sales volumes for Costco may fluctuate, your bakery will still need to have the production capacity in place to fulfill sales in all warehouses if that’s what Costco decides.

Crucial to your bakery’s production capacity will be its volume of ingredients. You have to be able to get in all the ingredients, or have them in-stock ready for when sale volumes increase.

It’s important for your bakery to have this capacity in place before entering into an agreement with Costco. Even if you don’t use it straightaway, it will mean you’re always at-the-ready if you suddenly find yourself with large orders to fulfill across multiple warehouses, or need to distribute nationally rather than locally or regionally.

You must be able to maintain your sales and service to Costco as best you can if you want a longstanding business relationship with them. Dave Nickila explains: “They have margin expectations. They don’t want to consider bringing in a product if the supplier can’t meet their margin goal.”

Path to Various Levels

As a food seller for Costco, your bakery may be asked to supply products on one of three levels: local, regional, or national. While they tend to favor the regional distributor model, the level you're asked to supply could change as Costco often switches products in-and-out on a 12 week rotation.

For example, for 12 weeks, your bakery might be supplying cinnamon bagels across your state. But for the next 12 weeks, it might change to selling cheese puffs in your local area.

The ability to have flexible distribution is a key component of what Costco expects from their food vendors. Dave Nickila explains: "The ability to distribute the product throughout the whole region has to be part of the model if you want to get new products in and get them to stay. If you can get into all of the regional locations and control your distribution, that is key."

Fostering a good relationship with your distributor is important when selling food products to Costco. This will give you more control over your distribution network and, combined with your production capacity, will allow you to meet demand if you're asked to scale up from a local level to a regional, or even national level. Take a look at [the number of Costco warehouses by state](#) for reference.

"The ability to distribute the product throughout the whole region has to be part of the model if you want to get new products in and get them to stay..."



PREPARING TO BECOME A COSTCO VENDOR

Preparing to [get your product into Costco](#) requires a number of steps, from choosing a unique product to making Costco's category buyers aware of your brand.

Timelines You Should Implement

1 Identify what makes your product unique

Figure out what it is about your product that makes it unique. For Dave Nickila, this is one of the most important steps. "Your product has to be a unique assortment to what is available in other grocers." This not only relates to the product itself, but also how it's packaged.

Getting a place on Costco's shelves is highly competitive, especially if you're aiming for shelf space in a warehouse, rather than online. Costco wants to offer its customers unique products that are high value, so make sure your product hits these two markers.

2 Carry out product testing

Make sure that there is a demand for your product before you pitch it to Costco. If you're selling baguettes, for example, do customers know why it's different from similar products, just by seeing it on the shelf? Costco is also less likely to carry a new product if it's similar to something they already offer.

3 Devise the perfect pitch

When you speak to Costco about the potential of selling your product, they will want to feel confident in your competency as a business partner. This is why you should take time to know the stats, logistics, and financials surrounding your product. If you don't demonstrate expert knowledge in what you're pitching, you risk failing at the first meeting.

Timelines You Should Implement (cont.)

4 Get Costco's attention

Before you make the jump and contact Costco directly, you should pique their interest by making your brand known to them. This is your chance to deploy some strategic advertising and marketing campaigns. The aim is to get noticed, so that when Costco has a new slot to fill, your brand name springs to their mind.

This can also put you in good stead when you do come to contact them. When marketing your product, make sure to pay attention to its unique selling point and how it fulfills a specific need, or is in-keeping with a particular trend, such as being vegan or gluten-free. You can even connect with Costco buyers in your category on LinkedIn if you really want to get your foot in the door!

5 Contact the right division office

Using the Vendor Enquiries section on Costco, you should now contact Costco at the appropriate regional office. Be prepared to give a short description about your product, its marketability, and your business plan.

6 Fill out an application

If your call with the regional office goes well and they're interested in your product, you will be asked to complete an application. Be as detailed as you can here. This application will be given to a Costco category buyer, who will assess whether your product is right for Costco.

You may then be asked to create a presentation of your product. This is where you should go into all the hard facts about your financials and logistics.

7 Prepare for an audit

If the category buyer approves your application, the next step is an audit of your facility. As we touched on earlier, this will be conducted by a Costco-approved auditing company and will be used to inspect your work and food safety standards.

If you pass the food safety audit, and meet all other requirements, you will be able to begin selling at Costco!

Costco's Supplier Diversity Program

If you're a minority-owned or women-owned bakery, you're eligible to apply to Costco's Supplier Diversity Program. This is here to support local minority-owned suppliers by providing them with opportunities to grow.

While it won't guarantee you status as a Costco food seller, the program will give you a competitive edge from other applicants. [You can learn more about it here.](#)

Common Missteps & How To Avoid Them

When you apply for food seller status at Costco, there will inevitably be some hiccups along the way. Here are some common missteps and how you can avoid them:

- **Food safety regulations:** Ensure that your facility and production processes meet all the required food safety regulations set out earlier in this guide. If they don't, you won't get past the first hurdle
- **Distribution:** You need to choose reliable distribution partners and build a good relationship with them. You should also implement a tracking system that gives you the ability to see through the supply chain. This will safeguard against any problems falling back on your brand
- **Ability to scale:** Be prepared for Costco to ask you to scale-up, or scale-down your sales volumes at a moment's notice. You need to have the production capacity in-place to go from selling locally, to regionally, to even nationally if that's what they decide
- **Uniqueness:** If your product doesn't offer anything new to your category, Costco probably won't be interested in it. Identify what makes your product different and why consumers will want it before attempting to pitch it to Costco
- **Pricing:** Costco sells to consumers at a lower margin than most grocers or bakers. They are committed to providing below-market prices, and customers have come to expect this. Ensure your product is not a higher price than any other vendor, while still using margins that allow Costco, distributors, and yourself to make a profit. It's worth noting here that Costco is very mindful of their suppliers' margins, and will ensure that your margin is good enough
- **New products regularly:** Because Costco likes to switch-up their product offerings quite regularly, you need to have the ability to move in a new product every 12 weeks or so. If you're unable to keep up with this, you may be taken off the shelves entirely
- **Aligning to core Costco values:** At the heart of Costco is their commitment to quality and service, and they expect the same from their food vendors

Costco's Stated Guidelines

[Costco outlines a number of stipulations for vendors](#) on their website. These act as guidelines that you should follow when preparing to sell your product at one of their stores:

- **Quality:** Your product must have guaranteed quality in order to uphold Costco's reputation and satisfy its customers
- **Pricing:** Your product should be priced at the lowest possible acquisition price. When preparing your presentation, Costco advises that you include financial information pertaining to built-in costs, demos, spoils, advertising and marketing volume, rebates, and opening deals
- **Presentation:** In addition to financial information, Costco also expects presentations from vendors to include an evaluation of the methods you plan to use for product distribution
- **Packaging:** Costco states that all packaging used by their vendors must be environmentally sustainable and compliant with EU and UK packaging regulations
- **Product Categories:** There are three main item categories that you should keep in mind when pitching your product to Costco:
 - **Wholesale items:** These are products that are stocked on an ongoing basis
 - **Treasure hunt items:** These are high-value, high-image products that are stocked on a one-time basis
 - **Seasonal items:** These products are only offered during relevant seasons
- **Gratuities:** Costco prohibits vendors from offering gratuities to Costco employees, even if you have yet to be fully approved
- **Purchasing Quotes:** Costco expects its vendors to not only price, but also quote their products at the lowest possible acquisition price. If you fail to do this, your status as a supplier to Costco will be permanently discontinued
- **Code of Ethics:** As a seller to Costco, you must comply with their Code of Ethics, Vendor Code of Conduct, as well as all other legal and ethical policies

SUCCESSFUL ACTIONS TAKEN

Benefits of Being Approved as a Costco Vendor

Revenue Increase

One of the biggest benefits of being approved as a Costco vendor are the increased profits you can expect to see. Did you know, for example, that [Costco made an average of \\$182m per warehouse in 2019](#)? This is in spite of their low margin business model, which prioritizes low prices — but they win a significant piece of the market as a result.

This is great news for vendors because it maximizes the amount of people willing to buy your product. Costco is also known for giving back to their manufacturers by way of generous profit margins.

Similarly, due to Costco's enormous and incredibly loyal customer base, having your products recommended by them makes you more appealing and trustworthy to other potential buyers. Not only does this make Costco one of the most profitable wholesalers to supply to, it also brings us to the next benefit of becoming one of their vendors: increased brand awareness.

Increased Brand Awareness

Over the years, Costco has successfully established itself as a trustworthy business among its shoppers. With over 105.5 million people converting into members in 2020 alone, it's no surprise that having your product shown off on one of their in-store or digital shelves will do wonders for your brand recognition.

As a medium sized bakery, becoming a Costco food vendor will help give your brand the word-of-mouth marketing it needs to earn more awareness and a bigger customer base.

“Being in Costco has its own value — it represents quality.”

DAVE NICKILA FROM PORTLAND FRENCH BAKERY

Benefits of Being Approved as a Costco Vendor (cont.)

Cheaper and Better Advertising

The way Costco advertises can also be hugely beneficial for your business. While vendors don't get a whole lot of control over their ads, this is balanced out by the fact that there are no upfront costs to pay. Instead, any advertising costs for things like banner ads or email shoutouts are simply deducted from your profits.

David De Nino, Director of Ecommerce for a luxury haircare brand that sells through Costco, [explains](#) just how beneficial this process can be: "If I wanted to order a massive hero ad for \$100,000 per week on the home page of Costco.com, they'd probably give it to me. It may take me two months of sales to make back that money with an actual profit, but there's no actual exchange of cash. And you never had that money in your bank account, so you don't miss it."

Couple this with how much shoppers value Costco recommendations, and you're looking at the potential to massively boost your sales, all without taking a dime out of your bank account.

Expansion and Growth

Becoming a food seller at Costco also comes with a huge opportunity to expand and grow your bakery. Not only is this facilitated by getting your products in front of more people and building a good, reputable name for yourself, it's also made possible by Costco purchase orders, which can help you secure bank loans.

For example, if you have a purchase order from Costco, which will likely be for a significant sum of money, you can show this to your bank and demonstrate the strength of your financial situation. This means that the bank will be more open to giving you a loan, enabling you to purchase new equipment, hire more staff, and grow into the future.

Mass Production Capacity

When you become a food seller at Costco, your production capacity is imperative for delivering products on-schedule in the correct volumes. As a baker, you have to work from the ovens back; you can only produce as much as your ovens can keep up with.

To streamline the production process, you need an efficient, automated packing system so that your machines are reliable in meeting the demand for your product. This was an issue that the team at Portland French Bakery experienced personally.

Dave Nickila explains: "Our packing ability was the bottleneck to launch into all warehouses. Automation proves the ability to get your product to market."

Mass Production Capacity (cont.)

One way you can improve your mass production capacity via automation is by introducing LMC equipment into your process, including automatic bagel, bread, and bun baggers, as well as bun slicers.

[Lenexa Manufacturing Company \(LMC\)](#) uses automated packing processes to ensure that your baked goods are bagged and sliced quickly and efficiently. They also carry out servicing and maintenance on existing equipment so that your production facility can run as smoothly as possible. This means all you have to worry about is making sure that your product is fresh and baked to perfection.

Automating your production line in this way will play a huge role in your status as a Costco food seller because it will allow you to keep up with demand while providing high-quality products that have been packaged to impeccable standards. This aligns with Costco's commitment to value and will establish you as a reliable food vendor.

“Our packing ability was the bottleneck to launch into all warehouses. Automation proves the ability to get your product to market.”

DAVE NICKILA FROM PORTLAND FRENCH BAKERY

Additional Costs To Be Aware Of

As a fully-fledged food seller at Costco, you'll be expected to create some demos of your product. This is so that they can provide samples to customers in their warehouses, and boost sales of your product or products.

You will be expected to buy these demos, so you *must* factor in the cost of these. Demos typically cost \$200 per warehouse per day.

ADVICE FROM BAKING EXPERTS

If you're a bakery considering taking the steps to become a Costco seller, the most important things to remember are to keep your quality high and your prices low, ensure you're following food safety regulations at every step, automate your packing process as much as you can, and use a reliable network of distributors.

But don't just take our advice. The experts at Portland French Bakery have had 35 years of business selling their baked goods at Costco, and they have some valuable words of advice:

- **Get in there and get to know them.** Be confident and set appointments with Costco buyers — they will take calls!
- **Build a robust business plan.** You can't sweet talk a buyer, but using well-researched figures and compelling facts will definitely get their attention
- **Have a good game plan for something unique.** You can't just go in and oversell them on a product they already have
- **You have to slowly get them to believe in you.** If you want to develop a longstanding relationship, it's all about building good, trustworthy connections
- **Check out the competition.** Get to know what products are on the shelf from the in-house Costco bakery, as well as their other vendors



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