



608 SW 8th Street
Bentonville, AR 72716

To: Valued Sam's Club Supplier
Subject: Electronic Product Code (EPC) / Radio Frequency Identification (RFID) Labeling Update
Date: January 15, 2009

As we begin the New Year, Sam's Club remains committed to the vision of 100% EPC labeling on selling units. Together with the Wal-Mart and International divisions of Wal-Mart Stores, Inc., we learned a lot this past year. We are confident that this initiative can deliver game-changing services and value to our Customers and Members, and deliver value to your organization as well.

Sam's Club is now fully EPC-enabled at receiving doors, sales floor transition areas, and box crusher areas of all the clubs. Visibility to all of your tagged pallets is available now through Retail Link. We have worked with our technology providers to refine the forklift readers on our lifts in our test clubs to optimize accuracy, and we are ready to expand the test to all clubs serviced by the Desoto, TX DC in the next 90 days. This pilot will provide both Sam's Club and our Suppliers a wonderful opportunity to validate the known benefits of the pallet level technology and discover new benefits as well.

We have also invested in and begun work on POS register technology, as well as other in-club technology applications that will enable us to deliver maximum value to our Members as we move toward selling unit labeling. We are working on proof of concept technology and application tests from the receiving doors to the front end of the clubs, so that we can validate Member benefits and Sam's Club and Supplier costs and benefits of pallet and selling unit labeling throughout the club process.

Our last letter to you set forth an aggressive timeline for selling unit preparation. Since then, several of you have contacted us with questions, concerns, and suggestions, particularly in light of the current economic environment. We learned we need to help you clearly understand the benefits of selling unit labeling before we lock into a firm timeline. So, here is our overall path forward at Sam's Club for the EPC initiative:

- 1) **Effective November 1, 2008, we reduced the pallet service charge** for labeling pallets at our DCs and Clubs. The charge will now be \$.12/tag to print and apply pallet tags at our DCs or at our clubs. For now, we will only apply this charge for pallet labeling at the Desoto DC and at clubs supported by DeSoto.
- 2) **In 2009, we will refine the in-stock and feature tracking applications in our Desoto DC-supported clubs and prepare for a chain-wide rollout of pallet level labeling in 2010.** Prior to that rollout, we will revisit our pallet service charges at the DCs, based on the value the applications deliver to you.
- 3) **We formed a Supplier Council to develop and validate the cost/benefit models** of both pallet level and selling unit level labeling applications as we move forward through a series of proof of concept tests.
- 4) **Case level labeling is now optional.** While there are benefits to case labeling in the Sam's Club environment and some suppliers who are labeling cases today have found value based on supply chain visibility, the benefit to our Members is less significant when compared to the benefit of selling unit labeling. We will continue to support and provide product visibility to all suppliers who label cases.
- 5) **The roll out timing of labeling selling units is under review.** We recognize you will need 12 to 18 months to prepare and implement selling unit labeling. We will consider that when we establish and communicate the timeline.

Please stay engaged with the EPC initiative at Sam's Club through Retail Link and the Sam's Club Supplier On-Boarding team. We will post updates from our testing and work with the Supplier Council on Retail Link. Your involvement is essential to the success of this initiative. We look forward to working with you as we work together to take the next steps toward implementation of this amazing technology.

Thank you

A handwritten signature in black ink that reads 'Doug McMillon'.

Doug McMillon
CEO, Sam's Club

Supplier On-Boarding Contact Information:

Jared Overstreet
Sam's Club Enterprise PMO
(479) 277-7204
<mailto:Jared.Overstreet@Samsclub.com>

Michele Southall
EPCglobal North America
(609) 620-4542
msouthall@gs1us.org

Sonia Santos
Sam's Club Enterprise PMO
(479) 277-7109
<mailto:Sonia.Santos@SamsClub.com>

Direct Import Contacts:

Maja Dogic
Direct Import Merchandising
479-277-1954
<mailto:maja.dogic@wal-mart.com>

Natalie Alumbaugh
Sam's Club Enterprise PMO
Sam's EPC Supplier Council Coordinator
(479) 277-7707
<mailto:natalie.alumbaugh@wal-mart.com>

Bill Deitz
Sam's Club Enterprise PMO
Sam's EPC In-Club Testing/Technology Coordinator
(479) 277-8266
<mailto:Bill.Deitz@SamsClub.com>