

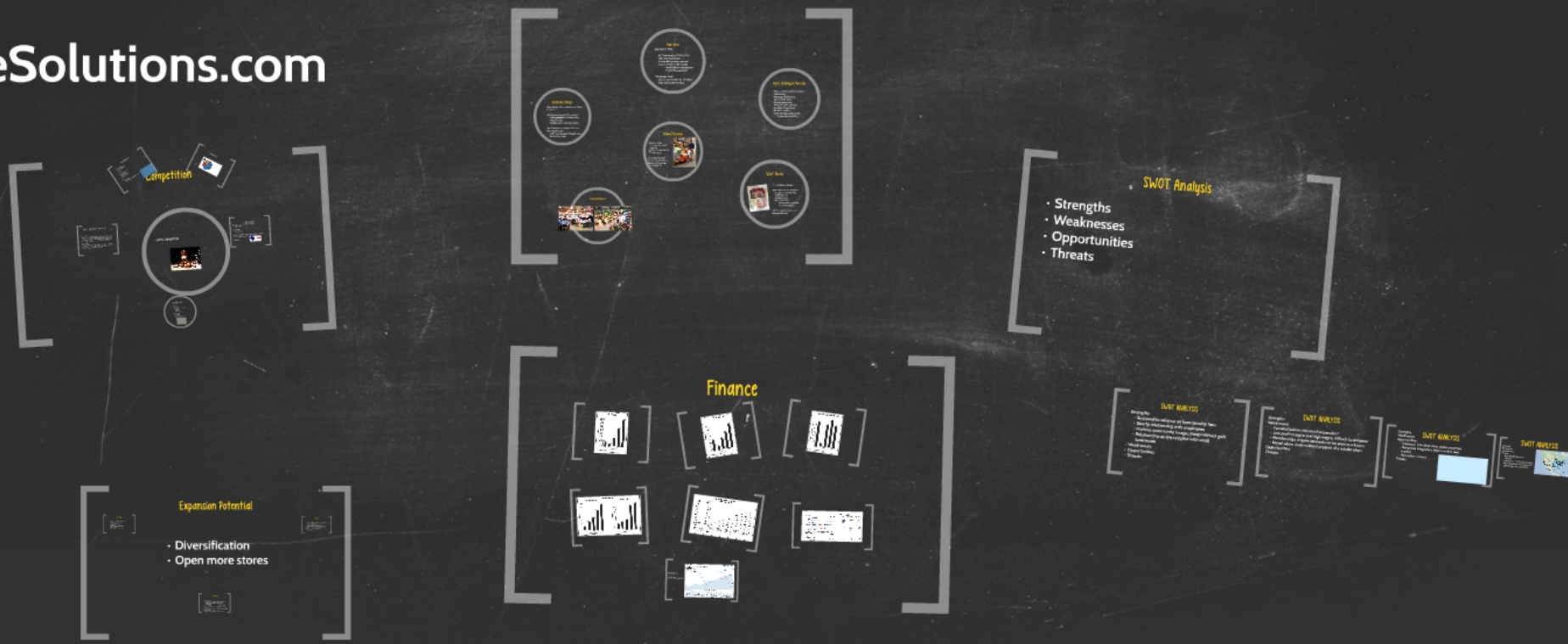
Costco Wholesale Corporation. Harvard Case Solution & Analysis

TheCaseSolutions.com



Costco Wholesale Corporation. Harvard Case Solution & Analysis

TheCaseSolutions.com



Overview

Founded in 1983

- 641 Warehouses (457 in U.S.)
- 185,000 employees
- In terms of revenue, second largest retailer in the world
 - \$105 billion in revenue in FY 2013 (ended 9/1)

"Wholesale Club"
Cheap stuff in bulk for relatively high-end customer base

Wholesale (Cheap)

-Bloomberg: Even Amazon can't beat it's prices

- Markup average of 10% over cost
 - Pricing dispute with Coca-Cola
 - House Brand
 - Includes weird and pricey items

-Profit Margins roughly half that of other retail giants

- 1.69% average profit margin over the last five years

Perks of Being in the Club

- Auto and homeowner insurance
- Auto buying
- Mortgage/refinancing
- Boat and RV loans
- Identity protection
- Personal check printing
- Vacation/Travel Deals
- Business services
- \$1.50 hot dog-soda combo
 - 27 years and counting

Volume/Turnover

- Sales Per Store
 - Costco: Over \$150 million
 - Target and Walmart: \$40 million

-Inventory Turnover Ratio is almost twice as high as retail average

- Roughly 12.3



Low Overhead



"Club" Status



- 71.2 million cardholders
- Over 90% renew every year
 - 3 types of membership
 - Gold Star: \$55
 - Business: \$55
 - Executive: \$110
 - Increased to more than 1/3 of members
- 80 % of profits derive from membership fees

Overview

Founded in 1983

- 641 Warehouses (457 in U.S.)
- 185,000 employees
- In terms of revenue, second largest retailer in the world
 - \$105 billion in revenue in FY 2013 (ended 9/1)

“Wholesale Club”

Cheap stuff in bulk for relatively high-end customer base

Wholesale (Cheap)

- Bloomberg: Even Amazon can't beat its prices
- Markup average of 10% over cost
 - Pricing dispute with Coca-Cola
 - House Brand
 - Includes weird and pricey items
- Profit Margins roughly half that of other retail giants
 - 1.69% average profit margin over the last five years

Volume/Turnover

- Sales Per Store
 - Costco: Over \$150 million
 - Target and Walmart: \$40 million
- Inventory Turnover Ratio is almost twice as high as retail average
 - Roughly 12.3



Low Overhead



"Club" Status



-71.2 million cardholders

-Over 90% renew every year

- 3 types of membership
- Gold Star: \$55
- Business: \$55
- Executive: \$110
 - Increased to more than 1/3 of members

-80 % of profits derive from membership fees