

8:00 A.M. and 8:30 P.M. weekdays, with earlier closing hours on the weekend; the gasoline operations outside many stores usually had extended hours. The shorter hours of operation—as compared with those of traditional retailers, discount retailers, and supermarkets—resulted in lower labor costs relative to the volume of sales.

Growth Strategy Costco's strategy to grow sales and profits had three main elements: open more new warehouses; build an ever larger, fiercely loyal membership base; and employ well-executed merchandising techniques to induce members to shop at Costco more often and purchase more per shopping trip. Costco had opened 265 new warehouses since September 2000, a key reason why company revenues climbed from \$1.6 billion in fiscal 2000 to \$71.4 billion in fiscal 2009. Expansion efforts in the United States were focused on entering cities and states where Costco did not yet have a warehouse (10 states had no Costco stores in 2010) and opening additional warehouses in metropolitan areas big enough to support two or more Costco locations. Expansion was under way internationally as well, with further expansion being planned in all of the company's Asian markets. Costco planned to double its store count in Taiwan from 6 to 12 over the next five years and to open a new distribution center; the company's sales in Taiwan (where it was the only wholesale club) had nearly tripled between 2004 (\$250 million) and 2009 (\$747 million), a period in which retail sales in Taiwan had grown by only 13 percent.⁹ Retailing in Taiwan was a \$72 billion market. However, less than 10 percent of Costco's operating income came from warehouses located outside the United States and Canada. Exhibit 5 presents selected geographical operating data for Costco's 2005–2009 fiscal years.

Costco's strategy to attract more members and entice members to do a bigger percentage of their shopping at Costco had three components:

- Give members a place to buy supplies of practical, frequently used business and household items at money-saving prices.
- Make shopping at Costco interesting and rewarding because of opportunities to purchase an ever-changing array of big-ticket items and indulgences at rock-bottom prices—in this regard, it was important that

members be able to spot appealing new items on the sales floor each time they shopped at Costco. Costco buyers constantly scanned the manufacturing landscape, looking for one-time opportunities to buy items that would appeal to bargain-hunting members. And warehouse personnel strived to do an effective job of displaying and merchandising the special buys on the sales floor.

- Acclimate members to the merits of visiting Costco weekly or bimonthly so as not to miss out on the special one-time-only merchandise selections that typically sold out in a matter of days.

To further grow its business, Costco operated two websites—www.costco.com in the United States and www.costco.ca in Canada—as a means of expanding product offerings to include big-ticket items that could not be economically displayed on the warehouse sales floor (e.g., indoor and outdoor furniture, special buys on PCs or other electronic items), and as a convenience to members who were not always able to purchase certain items at the warehouse where they customarily shopped. At Costco's online photo center, members could upload images and pick up the prints at their local warehouse in little over an hour. Costco's e-commerce sales totaled \$1.2 billion in fiscal 2007, up from \$534 million in fiscal 2005 and \$376 million in fiscal 2004 (more recent e-commerce sales data was not reported).

Jim Sinegal—Costco's Cofounder and CEO

Jim Sinegal was the driving force behind Costco's success. He was far from the stereotypical CEO. A grandfatherly 73-year-old, Sinegal dressed casually and unpretentiously, often going to the office or touring Costco stores wearing an open-collared cotton shirt that came from a Costco bargain rack and sporting a standard employee name tag that said, simply, "Jim." His informal dress, mustache, gray hair, and unimposing appearance made it easy for Costco shoppers to mistake him for a store clerk. He answered his own phone, once telling ABC News reporters, "If a customer's calling and they have a gripe, don't you think they kind of enjoy the fact that I picked up the phone and talked to them?"¹⁰