

Running Head: SWOT



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Introduction:

This report will look at the strengths, weaknesses, opportunities and threats (SWOT) of Costco Wholesale Corporation. Costco is an international warehouse members only corporation, which offers a limited selection of nationally recognized products across a wide range of merchandise categories at lower than retail prices. They currently have operations in eight countries and the territory of Puerto Rico and employ about 174,000 people.

Methodology:

Team 1 looked at current SWOT analysis available for COSTCO, then compared the information found therein with data from financial statements, and the company website where the mission statement was available. Various newspaper articles were also accessed to gather background data. Costco is proactive in dealing with opportunities and threats and posted a 20% gain for the fiscal year 2013.

Exec summary

This report provides a SWOT analysis of Costco Wholesale Corporation: its strengths, weaknesses, opportunities, and threats. We hope to provide positive methods for Costco's continued success as to counter its weaknesses and threats that are both internal and external.

Methods of analysis include accessing current financial data provided on the internet as to provide a way of comparing and analyzing the corporation's expenses and profits. Additional accesses to other sites have provided us with additional information pertaining to its mission statement, structure and company culture.

Our finding shows that Costco has continued to provide its customers with wholesale goods at low price service while increasing gross profit with over half a million over the last three years.

The report demonstrates how the company, in its current position, is positive and can see sustained growth and success.

SWOT Analysis

<p>Strengths</p> <ul style="list-style-type: none"> • Price Positioning leads to increased customer loyalty • Low cost operating model 	<p>Weakness</p> <ul style="list-style-type: none"> • Limited Product Choice • Overdependence on the US and Canadian markets
<p>Opportunities</p> <ul style="list-style-type: none"> • Growing online retail sales • Growing demand for private label brands 	<p>Threats</p> <ul style="list-style-type: none"> • Increasing labor and healthcare costs • Competition

Strengths: Price positioning leads to customer loyalty because it provides the customer with low wholesale prices leading to high customer satisfaction that ensure customer loyalty. Their low costs operating model offers a high volume for a lower price. The total operating expenses are 10,155,000,000 in comparison to their total revenue which is 105,156,000,000 (Yahoo, 2013).

Weakness: Costco buys high bulk items leading to a limited product choice. Since there is only high bulk goods customer choice is limited to seasonal products. In addition, Costco is constrained to only operating in the U.S. and Canadian markets. This restraint limits the global expansion of the Costco brand.

Opportunities: Costco has the opportunity to increase revenue by entering an online market. The online market increases ease of shopping for customers which will increase revenue for the corporation. There is a growing demand for private label brands. If Costco added name brands on a consistent basis customers would spend more at higher prices for the brands they want.

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Threats: There are super stores such as Wal-Mart that offer wholesale prices without a membership fee. This causes competition for Costco clientele. In addition, there are increasing labor and healthcare costs. Costco is known as a top competitor with high wages and benefits and if wages rise they will have to continue raising wages.

Recommendation:

Strengths:

1. Price positioning leads to increased customer loyalty- Due to competitive pricing designated to keep prices low, customers return buying memberships annually year after year. In addition, having a mission that is customer oriented allows Costco to accept lengthened returns as well as provide customers with items backs by guarantee. Costco should continue to attract buyers by offering high value products at low cost to customers.
2. Low cost operating model- This allows Costco to have a competitive advantage over other whole sale companies. Since Costco owns Kirkland, this allows them to offer knock off versions of high quality products at an even lower price, allowing them to continue having effective low costs that yield high revenue return. This model will continue to let Costco have a competitive edge in the field.

Weakness:

1. Limited Product Choice- Due to the high volume products, Costco offers the variety of products takes a hit. In order for Costco to offer more choices they need to gain access to partnerships with suppliers who offer low cost goods throughout the year. In addition,

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they can broaden the variety of each product, offering knock off brands through different companies so there is a choice for the customer.

2. Overdependence on the U.S. and Canadian markets- Costco is restricted to only offering their service in the U.S. and Canadian markets. In order to be a global corporation they need to acquire contracts with global brands so they can grow the market. In addition, Costco needs to adapt to the wholesale brands in other countries, in order to expand the business overseas.

Opportunities:

1. Growing online retail sales- In order to be technologically advanced Costco needs to improve the online buying experience. Currently, there are limited products on sale at Costco online. To maximize online shopping, every product available in the store should be available online as well. This will give Costco a lead in the wholesale market because Sam's Club and other competitors offer online services but they are limited as well, making Costco the number one online wholesale provider
2. Growing demand for private label brands- Although Costco offers name brands, they are limited compared to their signature brand which is Kirkland. If Costco acquired more name brand products in wholesale bundles, customers would be more likely to purchase everyday products from them. In addition, they should offer some name brand products out of wholesale bundles in order to accommodate people on a regular grocery run. This would allow them to gain access to products that aren't bought, due to the lack of need for them in bulk.

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Threats:

1. Increasing labor and healthcare costs- There is already a high salary and benefit package put in place for Costco employees. Due to the rising healthcare costs and wage costs, Costco may want to put together a bundle for employees based on performance in order to compete with the rising costs. In addition, Costco may be able to create contracts with suppliers that offer insurance packages at a wholesale cost as well. Costco could then in return offer them a contract to sell the insurance at a discount cost through the store.
2. Competition- Costco can continue to maintain an edge on competitors such as Wal-Mart by pricing their bulk items to accommodate the low price of competition. For example, the bulk bundles will take into consideration individual package prices in local stores so they can beat out competitors. By ensuring that they offer bulk as well as low prices people will remain interested in gaining bulk.

Works Cited

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Appendix

Costco Wholesale Corporation (COST)

Income Statement

Annual Data (USD)

All numbers in thousands

Period Ending	Sep 1, 2013	Sep 2, 2012	Aug 28, 2011
Total Revenue	105,156,000	99,137,000	88,915,000
Cost of Revenue	91,948,000	86,823,000	77,739,000
Gross Profit	13,208,000	12,314,000	11,176,000
Operating Expenses			
Research Development	-	-	-
Selling General and Administrative	10,104,000	9,518,000	8,691,000
Non Recurring	51,000	37,000	46,000
Others	-	-	-
Total Operating Expenses	-	-	-
Operating Income or Loss	3,053,000	2,759,000	2,439,000
Income from Continuing Operations			
Total Other Income/Expenses Net	97,000	103,000	60,000
Earnings Before Interest And Taxes	3,150,000	2,862,000	2,499,000
Interest Expense	99,000	95,000	116,000
Income Before Tax	3,051,000	2,767,000	2,383,000
Income Tax Expense	990,000	1,000,000	841,000
Minority Interest	(22,000)	(58,000)	(80,000)
Net Income From Continuing Ops	2,039,000	1,709,000	1,462,000
Non-recurring Events			

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Discontinued Operations	-	-	-
Extraordinary Items	-	-	-
Effect Of Accounting Changes	-	-	-
Other Items	-	-	-
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Net Income	2,039,000	1,709,000	1,462,000
Preferred Stock And Other Adjustments	-	-	-
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Net Income Applicable To Common Shares	2,039,000	1,709,000	1,462,000

Yahoo! Finance. (2013). Retrieved from <http://finance.yahoo.com/q?s=COST>

Costco Wholesale Corporation (COST)

Balance Sheet

Annual Data (USD)

All numbers in thousands

Period Ending	Sep 1, 2013	Sep 2, 2012	Aug 28, 2011
Assets			
Current Assets			
Cash And Cash Equivalents	4,644,000	3,528,000	4,009,000
Short Term Investments	1,480,000	1,326,000	1,604,000
Net Receivables	1,822,000	1,576,000	1,455,000
Inventory	7,894,000	7,096,000	6,638,000
Other Current Assets	-	-	-
Total Current Assets	15,840,000	13,526,000	13,706,000
Long Term Investments	-	-	-
Property Plant and Equipment	13,881,000	12,961,000	12,432,000
Goodwill	-	-	-
Intangible Assets	-	-	-
Accumulated Amortization	-	-	-
Other Assets	562,000	653,000	623,000
Deferred Long Term Asset Charges	-	-	-
Total Assets	30,283,000	27,140,000	26,761,000
Liabilities			
Current Liabilities			
Accounts Payable	11,001,000	10,193,000	9,239,000
Short/Current Long Term Debt	-	-	900,000
Other Current Liabilities	2,256,000	2,067,000	1,911,000
Total Current Liabilities	13,257,000	12,260,000	12,050,000

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Long Term Debt	4,998,000	1,381,000	1,253,000
Other Liabilities	-	-	-
Deferred Long Term Liability Charges	1,016,000	981,000	885,000
Minority Interest	179,000	157,000	571,000
Negative Goodwill	-	-	-
Total Liabilities	19,450,000	14,779,000	14,759,000
Stockholders' Equity			
Misc Stocks Options Warrants	-	-	-
Redeemable Preferred Stock	-	-	-
Preferred Stock	-	-	-
Common Stock	2,000	2,000	2,000
Retained Earnings	6,283,000	7,834,000	7,111,000
Treasury Stock	-	-	-
Capital Surplus	4,670,000	4,369,000	4,516,000
Other Stockholder Equity	(122,000)	156,000	373,000
Total Stockholder Equity	10,833,000	12,361,000	12,002,000
Net Tangible Assets	10,833,000	12,361,000	12,002,000

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Costco Wholesale Corporation (COST)

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Statement of Cash Flows

Annual Data (USD)

All numbers in thousands

Period Ending	Sep 1, 2013	Sep 2, 2012	Aug 28, 2011
Net Income	2,039,000	1,709,000	1,462,000
Operating Activities, Cash Flows Provided By or Used In			
Depreciation	946,000	908,000	855,000
Adjustments To Net Income	224,000	202,000	269,000
Changes In Accounts Receivables	-	-	-
Changes In Liabilities	718,000	338,000	804,000
Changes In Inventories	(898,000)	(490,000)	(642,000)
Changes In Other Operating Activities	386,000	332,000	370,000
Total Cash Flow From Operating Activities	3,437,000	3,057,000	3,198,000
Investing Activities, Cash Flows Provided By or Used In			
Capital Expenditures	(2,083,000)	(1,480,000)	(1,290,000)
Investments	(187,000)	255,000	(60,000)
Other Cash flows from Investing Activities	19,000	(11,000)	170,000
Total Cash Flows From Investing Activities	(2,251,000)	(1,236,000)	(1,180,000)
Financing Activities, Cash Flows Provided By or Used In			
Dividends Paid	(3,582,000)	(607,000)	(380,000)
Sale Purchase of Stock	16,000	(1,312,000)	(339,000)
Net Borrowings	3,686,000	(313,000)	(540,000)
Other Cash Flows from Financing Activities	(137,000)	(113,000)	(63,000)
Total Cash Flows From Financing Activities	44,000	(2,281,000)	(1,277,000)
Effect Of Exchange Rate Changes	(114,000)	(21,000)	54,000
Change In Cash and Cash Equivalents	1,116,000	(481,000)	795,000

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Yahoo! Finance. (2013). Retrieved from <http://finance.yahoo.com/q?s=COST>