



## About Costco

March 2019

### Company Profile

Costco Wholesale Corporation operates an international chain of membership warehouses, mainly under the “Costco Wholesale” name, that carry quality, brand-name merchandise at lower prices than are typically found at conventional wholesale or retail sources.

Warehouses are designed to help small- to medium-size businesses reduce costs in purchasing for resale and for everyday business use. Individuals may also purchase for their personal needs.

Costco warehouses present one of the largest product category selections to be found under a single roof. Categories include groceries, candy, appliances, electronics, automotive supplies, tires, toys, hardware, sporting goods, jewelry, watches, cameras, books, housewares, apparel, health and beauty aids, furniture, office supplies, and office equipment. Costco is known for carrying top quality national and regional brands, with 100% satisfaction guaranteed, at prices consistently below traditional wholesale or retail outlets.

Members also can shop for private label Kirkland Signature™ products, designed to be of equal or better quality than national brands, including juice, cookies, coffee, housewares, luggage, clothing and detergent. Additionally, Costco operates self-service gasoline stations at a number of its U.S. and Canadian locations.

Costco Wholesale Industries, a division of the Company, operates manufacturing businesses, including special food packaging, optical laboratories, meat processing and jewelry distribution. These businesses have a common goal of providing members with high quality products at a greater value.

According to Craig Jelinek, president, CEO and director, “Costco is able to offer lower prices and better values by eliminating virtually all the frills and costs historically associated with conventional wholesalers and retailers, including salespeople, fancy buildings, delivery, billing, and accounts receivable. We run a tight operation with extremely low overhead that enables us to pass on dramatic savings to our members.”

### Founded in 1983



Costco Wholesale began operations in 1983 in Seattle. In October 1993, Costco merged with The Price Company, which pioneered the membership warehouse concept in 1976. In January 1997, after the spin-off of most of its non-warehouse assets to Price Enterprises, Inc., the Company changed its name to Costco Wholesale Corporation, which trades under the NASDAQ symbol “COST.”

Costco originated the warehouse club concept in 1976 and continues to be an industry leader in terms of service, quality, value and innovation. Costco has grown to become, in terms of sales, the second-largest Global retailer and the largest operator of membership clubs worldwide.

## Company Mission Statement



Costco's mission is to continually provide our members with quality goods and services at the lowest possible prices. In order to achieve our mission we will conduct our business with the following Code of Ethics in mind:

1. Obey the law
2. Take care of our members
3. Take care of our employees
4. Respect our vendors

If we do these four things throughout our organization, then we will realize our ultimate goal, which is to **reward our shareholders.**

## Costco Risk-Free 100% Satisfaction Guarantee



### On Membership:

Costco will refund the membership fee in full at any time if a member is dissatisfied.

### On Merchandise:

We guarantee satisfaction on every product we sell with a full refund. Product specific limitations apply. See Costco.com for details.

## Worldwide Location Totals by Country



770 Warehouses (as of 3/7/19)

- 535 in U.S. (44 states) & Puerto Rico
- 100 in Canada (9 Canadian provinces)
- 39 in Mexico (18 states)
- 28 in the United Kingdom
- 10 in Australia
- 2 in Spain
- 13 in Taiwan
- 15 in South Korea
- 26 in Japan
- 1 in France
- 1 in Iceland

## Financial Performance FY '18



- Annual Revenue \$138.4 Billion
- Net Income \$3.13 Billion
- Average Sales per Warehouse Worldwide \$176 Million

## Employment Facts



- 249,540 employees worldwide; 161,160 U.S. employees.
- U.S. – 89% benefits eligible (97% enrolled).
- Low turnover (U.S.) – 14.1% first year; 7.2% after one year
- Costco recruits primarily from the community in which it is located.
- Costco's objective is to hire promotable employees with enthusiasm and a desire to build a career.
- Costco pays among the highest wages in the industry. U.S. hourly wages:
  - Service Assistant \$15.00 to \$25.05 per hour
  - Service Clerk \$15.50 to \$26.75 per hour
  - Meat Cutters \$15.50 to \$28.25 per hour
  - Long-term employees are also eligible for extra checks of \$5,000 to \$8,000 per year.
  - A full-time cashier's annual salary after 5 years is \$58,352.
- Costco provides a tremendous benefit package including medical, dental, vision, pharmacy, mental health, life insurance, disability, long term care, employee assistance program, flexible spending accounts, employee stock purchase program, 11 holidays per year, college student retention program, 401(k), and a free Costco membership with an annual 2% Reward.
- Part-time employees working more than 23 hours per week receive core medical, dental and vacation benefits after 6 months.
- Part-time employees are guaranteed 24 hours per week.
- Great opportunities for career advancement, Costco promotes from within.
- Strive for 50% full-time to part-time ratio.
- Costco employment grows as sales increase.
- Substantial disposable income generated within the community.

## Membership Data (as of 2/17/19)

- 52.7 Million Households
- 96.3 Million Cardholders
- 41.7 Million Gold Star Primary Members
- 7.7 Million Business Members, plus 3.3 Million Affiliate Members
- Renewal Rate: 90.7% (U.S. and CN)

### Types of Membership:



- **Business Membership** is available to all licensed businesses, nonprofit organizations, government agencies, farmers and ranchers. The \$60 annual membership fee includes a spouse card. Up to six additional Business Membership cards are available at \$60 each, which includes a free Household card. Business identification (business license, resale certificate, or three pieces of business ID) is required when applying for a Business Membership. It is valid at any Costco worldwide.



- **Gold Star Membership** is available for individuals who do not qualify for a Business Membership. The Gold Star Membership is \$60 per year, which includes a free Household card. It is valid at any Costco worldwide.



- **Executive Membership** is available to anyone who wants the benefits of

a Costco Gold Star Membership with the added value of an Executive Membership. It adds savings by offering exclusive services and an annual 2% Reward. Executive Members also receive additional benefits on select Costco Services, such as identity protection, check printing and more. Executive Members also receive a complimentary subscription to the *Costco Connection* – a lifestyle magazine. The upgrade fee is \$60 for Gold Star and Business Members.

## Why a Membership Fee?



Costco's operating philosophy is simple. We keep costs down and pass the savings on to our members. By charging a small annual membership fee, we are able to offset operating cost and price our merchandise even lower. We do not advertise and we do not have "sales." Our tremendous buying power combined with our never-ending quest for efficiency, results in the lowest possible prices on the items our members want most.

## Merchandise Strategy



- Limited selection: 3,800 – 4,000 active SKU's
- Wide range of product categories
- Highest quality national brands
- Selected private label – Kirkland Signature™
  - High volume items – many in top 10
  - Ease of development not a factor
- Substantial price savings on all items
- Packaging innovation
- New products and services
- The Six Rights of Merchandising – the basis of Costco's merchandising philosophy and practices. It is emphasized in training at all levels.
  - The Right Merchandise
  - In the Right Place
  - At the Right Time
  - In the Right Quantity
  - In the Right Condition
  - At the Right Price

## Specialty Departments and Services



- Fresh Produce
- Gourmet Deli & Rotisserie Chicken
- Fresh Meat
- Fresh Bakery
- Food Court
- Photo Center
- Auto Buying
- Pharmacy (also at Costco.com)
- Tire Center
- Optical Department/Independent Optometrist
- Hearing Aid Center
- Gas Station
- Travel Program
- Special Order Kiosk
- Costco.com

## Typical Hours of Operation



- Warehouses
  - Monday – Friday 10:00 AM to 8:30 PM
  - Saturday 9:30 AM to 6:00 PM
  - Sunday 10:00 AM to 6:00 PM
- Gas Station hours vary

## How does Costco benefit the city and community?

- Provides jobs
- Curbs Retail Leakage
- Generates property tax
- Involved in the community
- Local Services

## What are examples of Costco's Community Involvement?



1% of pretax profit is designated annually for charitable organizations.

- **Volunteer Reading Program**

Costco employees volunteer to help students in first through fourth grades improve their reading skills. Currently, there are over 400 programs across the United States and Canada, with more than 2,000 volunteers working one-on-one with students.

- **Children's Miracle Network Hospitals Campaign**

In 2018, Costco members and employees helped to raise more than \$40 million (including Costco's contribution) for 113 Children's Miracle Network Hospitals across the U.S. and Canada.

- **United Way Campaign 2018-19**

All U.S. and Canada locations participated in raising over \$21 million (including company match).

- **Charity Backpack Program**

Since 1993, more than 6 million backpacks have been donated to children in need in the U.S., Canada, Mexico, Taiwan, Korea, Japan, Puerto Rico, Spain, Australia and the U.K. In 2018, more than 330,000 backpacks were distributed.

- **Costco Scholarship Fund**

Since 2000, Costco has joined forces with the University of Washington and Seattle University to create scholarships for highly qualified underrepresented students who wish to attend these universities. The goal is to fill the financial gap and offer access for many deserving students to attend college.