

Costco Wholesale Corp. in 2016: Mission, Business Model, and Strategy

Assignment Questions

1. What is Costco's business model? Is the company's business model appealing? Why or why not?
2. What are the chief elements of Costco's strategy? How good is the strategy?
3. Do you think Jim Sinegal was an effective CEO? What grades would you give him in leading the process of crafting and executing Costco's strategy? What support can you offer for these grades? How well is Craig Jelinek performing as Sinegal's successor? Refer to Figure 2.1 in Chapter 2 in developing your answers.
4. What core values or business principles did Jim Sinegal stress at Costco?
5. (In the event you have covered Chapter 3) What is competition like in the North American wholesale club industry? Which of the five competitive forces is strongest and why? Use the information in Figures 3.4, 3.5, 3.6, 3.7, and 3.8 (and the related discussions in Chapter 3) to do a complete five-forces analysis of competition in the North American wholesale club industry.
6. How well is Costco performing from a financial perspective? Do some number-crunching using the data in case Exhibit 1 to support your answer. Use the financial ratios presented in Table 4.1 of Chapter 4 (pages 66-68) to help you diagnose Costco's financial performance.
7. Based on the data in case Exhibits 1 and 4, is Costco's financial performance superior to that at Sam's Club and BJ's Wholesale?
8. Does the data in case Exhibit 2 indicate that Costco's expansion outside the U.S. is financially successful? Why or why not?
9. How well is Costco performing from a strategic perspective? Does Costco enjoy a competitive advantage over Sam's Club? Over BJ's Wholesale? If so, what is the nature of its competitive advantage? Does Costco have a winning strategy? Why or why not?
10. Are Costco's prices too low? Why or why not?
11. What do you think of Costco's compensation practices? Does it surprise you that Costco employees apparently are rather well-compensated?
12. What recommendations would you make to Costco top management regarding how best to sustain the company's growth and improve its financial performance?