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Fortune 500 Retail Companies and their Annual Letter to Shareholders:

A Genre Analysis

### **Defining a Shareholder**

Shareholders are a necessary, inevitable, and potentially volatile group of investors that hold a financial stake in publicly traded companies. While some shareholders may simply want to support a company and its driving mission/purpose, many others choose to invest as a means of receiving returns on their money years down the line. However, this black and white approach to evaluating a shareholder's rationale for investing is very atypical; a shareholder will commonly consider financial returns, public opinion regarding a company, and their own personal values before choosing whether to invest. Additionally, while any person who has purchased some share of a company's stock is technically a shareholder of that company, this genre analysis will be referring to shareholders as those investors who own a controlling (or near controlling) stake in the company unless otherwise specified.

### **Context Behind the Genre**

At the end of every fiscal year, a company will typically write an annual financial report that describes in detail their current financial position, what they accomplished over the year, and their goals moving forward. At the beginning of most annual reports is a letter to shareholders written by one of the company's top executives that briefly summarizes the report as a whole. How these letters are written can vary greatly depending on the company, its current financial

status, and the author. The intended audience is generally the top shareholders of the company but the letters are almost always available to the public as well.

### **Defining the Scope of this Analysis**

Every year Fortune posts a list of the top 500 performing companies that operate within the United States. According to Fortune themselves, the list is primarily based on revenue generated for each fiscal year. This is complicated for sectors such as banking or insurance where other factors like interest and premiums are considered. As such, this genre analysis will be directed towards top ranking companies in the retail sector where the revenue used to rank the company is simply the reported revenue listed in their financial statement for the given fiscal year (“Methodology”). Furthermore, the analysis will focus on evaluating similarities and differences within their letter to shareholders during the most recent fiscal year: 2020. The three retail companies chosen to be examined, and their respective Fortune 500 ranking for the 2020 fiscal year, are as follows: The Home Depot, Inc (59); Costco Wholesale Corporation (33); and Amazon.com, Inc (9) (“Global 500”). While each of these companies operates within the retail sector, they have vastly different business models that will be highlighted in their respective sections. The diversity in business models will allow this genre analysis to propose significant themes and styling within the genre without drawing connections solely based on identical business models and supporting strategies. Thus the conclusion of this analysis will be directed towards the retail sector as a whole, as opposed to a single strategy used by similar companies within the sector.

### **Evaluating Home Depot, Inc**

The Home Depot business model is best defined as a home improvement retailer that specializes in physical locations. The majority of their revenue is generated through the sale of

products through in-person and online orders of products moving in and out of their stores (Home Depot, Inc; Craig Menear, 49). Their letter to shareholders was by far the most aesthetically pleasing and easiest to read. The letter features a picture of the current CEO smiling while wearing a traditional front line employee's uniform. The title is in all caps and the classic Home Depot orange. Similarly the section headers within the letter are the same shade of orange, creating a clear appeal to the reader that simplifies the letter and gives a clear roadmap upon first glance. The letter begins with a reflection on current world events like the COVID-19 pandemic and Home Depot's efforts to maintain their company values while ensuring employee safety. The letter focuses on their investments geared towards employee safety and the growth of the business. They discuss expanding benefits for frontline employees and the increase in online sales. Specific figures are listed briefly but more time is taken to discuss how past investments have positively impacted the company and how future investments will continue this trend and ensure future growth. The letter ends by covering a few more specific financial details, such as dividends paid out to shareholders, and a thank you to Home Depot's suppliers and employees. Finally, before the annual financial report begins there is an infographic that again utilizes the classic Home Depot orange and conveys their sales, comparable sales growth, diluted EPS growth, and return on invested capital (all things mentioned within the letter).

Overall, the letter aims to appeal to shareholders by listing all the company's successes in both terms of finances and employee safety. The visual and linguistic modalities are evident throughout by the writing itself and the use of two pictures: one of the outside of a store, and the other of the inside of a store during operating hours. Additionally, the pleasant formatting of the letter into two columns helps Home Depot convey its message more clearly through the use of the spatial modality. The letter also utilizes pathos (employee safety), ethos (perspective of the

CEO), and logos (investment strategy) to appeal to the shareholders. All of this is to say that this letter to shareholders is a great example of how a company can clearly communicate its present circumstances and goals while convincing the reader of the inevitable strong future to come.

### **Evaluating Costco Wholesale Corporation**

Costco generates most of its revenue by selling products at their warehouses, but their margins are razor thin and they lose money on several products such as the hotdogs sold in their court. The profit they make is largely from the memberships they charge customers. Without this membership, customers are unable to purchase most utilities and products offered by Costco. All of this information can be found directly from Costco's annual financial report (Costco Wholesale Corporation; Craig Jelinek, 26). Costco's letter to shareholders is the shortest of the three examined in this genre analysis but it seems to contain the most concrete information of any of the reports. Unlike the Home Depot letter, there is no significant styling centered around the Costco brand, or any styling at all for that matter. The letter is in simple black and white with continuous font size and style and is written by the current president/CEO. It begins by emphasizing the unpredictable events of 2020 (namely the COVID-19 pandemic) and how Costco was labeled an essential service. Next, the letter describes how Costco implemented new strategies and policies to best deal with their extenuating circumstances. The company's CEO explains how employee pay was temporarily raised and how they installed protective equipment at the registers. Additionally, general business strategy such as targeting in demand goods is briefly explained. Following this, the letter presents the shareholders with statistics on memberships, sales increases, and new warehouse openings before discussing the growth of Costco's "Kirkland Signature" brand. Finally, the company's mission to work with more sustainable suppliers is discussed as well as their recent acquisitions. The letter is then closed

with a short thank you to Costco employees and members. Similar to Home Depot the letter then features an infographic before the annual financial report begins. This graphic displays Costco warehouses around the world and lists the number in each country and appropriate subregion.

As a whole, Costco's letter to shareholders is a simple yet effective form of communication that breaks down their successes throughout the year. Compared to Home Depot's use of the spatial modality, Costco is lacking, but the letter is still effectively broken down into well organized paragraphs that tie together nicely. Additionally, there is no use of any other modality (other than linguistic) until where the infographic is displayed. Yet while the use of modalities is limited, the letter strongly implements pathos through the detailed description of efforts to improve employee safety and satisfaction. The perspective of the CEO is used, but the effect of building ethos is not as strong as it could be until the sincere thank you that closes the letter. Furthermore, the letter does not discuss many plans for Costco moving forward and thus limits the use of logos to a few broad sentences centered around their acquisitions and sustainability. While this criticism may come across as harsh, the Costco letter to shareholders does still successfully appeal to the general audience and accomplish its intended purpose.

### **Evaluating Amazon.com, Inc**

Amazon is best known for its online marketplace and prime subscription but a large part of Amazon's revenue also comes from its Amazon Web Service (AWS), which provides customers with cloud computing platforms and useful APIs. Thus while their business model is focused around eCommerce they also have a significant portion of their revenue being generated from other subsidiaries like AWS. Like Costco's membership, this information can be found in much greater depth in their 2020 annual financial statement (Amazon.com, Inc; Jeffrey Bezos, 38). Amazon's letter to shareholders is very different from the rest and uses a more personal and

informal tone. It is also by far the longest of the three letters evaluated in this analysis at 10 pages long. Like Costco, Amazon utilizes a black and white color pallet alongside a paragraphical structure that keeps their letter simple and classic. The letter opens with a hello from the CEO, Jeffrey Bezos, and a reflection on the company's first ever letter to shareholders and its growth since then. Next, the letter lists many statistics about Amazon over the year such as employees hired and the current number of prime memberships. Now Amazon does something very different from the previous examples and talks about the impact on everyday citizens who have become small shareholders in amazon back when the company first went public. Bezos discusses an anecdote in which he received a letter from a couple about the wealth their family has acquired because of their investment into amazon long ago. This letter is included in the report so the shareholders can read it if they so choose. After this anecdote, the letter continues to talk about adding value to the world through the services Amazon provides. The next paragraphs are devoted to walking the reader through an explanation of how Amazon's marketplace and AWS services provide their customers with inherent value in the form of time and money saved. The monetary value of these services is then approximated through a series of calculations with accompanying explanations. After the calculations are completed the letter moves to discuss employee safety and satisfaction—a controversial topic for Amazon at the time of release. Bezos explains that contrary to what readers may have heard, 94% of Amazon employees are happy with their job and would recommend working at Amazon to a friend. This topic of employee safety and working conditions is further discussed and builds up to Amazon's goal of becoming the safest company to work for. The letter then transitions to another one of Amazon's goals: their mission to be a positive role model for other companies and move towards becoming carbon neutral by 2030. Here Amazon explains how it has cut emissions and reflects

on Bezos' personal \$10 billion contribution. Finally, the letter ends with Bezos thanking Andy Jassy for taking his role as CEO as well as a metaphor about death and Amazon's efforts to stay a thriving (alive) company. There are no pictures or infographics present.

Amazon's 2020 letter to shareholders is a great example of how an unconventional approach can still meet the goals of a typical letter to shareholders and further appeal to the audience in a unique way. While the letter only utilizes the visual and spatial modalities, Bezos's unique approach and personal touch develop a strong sense of appeal through the consistent presence of pathos throughout the letter. A few standout moments are the personal anecdote given near the start and the metaphor for life and death near the end. Amazon, of course, also employs ethos by using Bezos' perspective as CEO, much like Costco and Home Depot. However, the recognition factor behind Bezos' name carries more weight and thus better develops ethos throughout the letter. Additionally, logos is deployed during the discussion on employee safety where studies and surveys Amazon has performed provide evidence behind Amazon's claims. In summary, Amazon effectively utilizes pathos, ethos, and logos in an entirely unique style that still appeals to shareholders to convey a clear message about the future of Amazon.

### **Developing a Framework and Overall Analysis**

While the three letters to shareholders greatly differ in style, tone, and the information they chose to present there were several key elements specific to the genre that the letters shared. Beginning with structure, all three reports are clearly broken down in a paragraphical structure that begins with a reflection and ends with a thank you or sincere farewell. Every report is also written by the CEO of the company and ends with a handwritten signature alongside text reminding the reader of the author's position. As for common content discussed, the genre seems

to focus on three distinct measures for company success: investments (current and future), financial statistics, and employee safety/satisfaction. Furthermore, the genre seems to enforce a specific use and delivery for each of these sections within the letter. The information provided about the company's investments is always presented alongside a company goal or mission that allows the author to directly develop logos through the use of evidence from how past investments have positively impacted the same goal or mission previously mentioned. The financial statistics are always presented briefly and never mention any negative statistics, apart from Amazon who stated they aim to increase the percentage of satisfied employees from 94% to 100%. That leads well into the last piece of common content, that being some description of employee safety and satisfaction. This information is presented to naturally develop pathos within the letter as shareholders read about how much the company cares for their employees and how much the employees love their jobs. Finally, the clearest connection within the genre is the overarching message and purpose. Every letter evaluated aims to assure the reader, the top shareholders, that the company is not only currently successful, but is also moving towards an even more successful future with clear goals and objectives that every shareholder can get behind. When looking at the rhetorical situation of the genre, this should be clear. Without the shareholders' investments, the company will lose a key backing. Additionally, most shareholders possess power within the company and may be able to replace top officers if they see fit. This gives the acting CEO, the writer of the letter, a reason to write in such a way that promotes a positive current and future state of the company.

### **Final Thoughts and Critique of the Genre**

While these individual examples did share much in common and offer a great framework for the genre as a whole, there are many elements that differ greatly between the different letters



to shareholders. The most apparent of these is styling, or lack thereof. Home Depot's letter to shareholders was carefully designed and exceptionally on-brand for a company that sells countless products aimed to improve the aesthetics of their customer's homes. Another element within the genre that was not shared by the three evaluated examples was the use of an infographic after the conclusion of the written text. Costco and Home Depot used distinctly different infographics that conveyed even more different information, yet both graphics added to the development of logos within their respective letters. The infographics both helped depict data mentioned in the letter that was used to develop the central claim of the business moving towards an even more successful future. As such, while not seemingly necessary in the genre, the inclusion of both intentional styling and a concise infographic is highly recommended to be used alongside the key elements discussed in the previous paragraphs.

In conclusion, the genre of the letter to shareholders within the retail sector scene is firm in structure and required content used to accomplish its desired purpose; however, it is also loose for interpretation in the delivery, style, and additional elements/content used to enhance the central message. This lack of required styling and additional elements grants the intended audience a simplified and concise experience but can also lead to a dull and mundane experience for an uninterested audience. Overall, the genre as a whole is effective when aimed towards its intended audience but can suffer from a lack of captivating elements when viewed by an audience who does not have a stake in the respective company.

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