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Subject: Financial Analysis and Investment Strategy for Costco Shares.

1. **Introduction:** This document provides a comprehensive analysis of the US wholesaler industry, with a specific focus on Costco's operational and financial performance. It begins with the evaluation of the wholesale industry to assess its competitive dynamics, opportunities and existing threats. Following that, a brief analysis of the strengths, weaknesses, opportunities and threats (SWOT) of Costco's business strategy is presented. Additionally, this document also includes historical financial analysis along with industry benchmarking, providing deeper insights into Costco's overall performance.
2. **Five Forces Analysis:** Retail industry and wholesale trade has been consistently contributing between 15-17% to the GDP from 1995 to 2000 (**Exhibit 2**). Wholesale clubs and discount retailers are significantly driving this growth by their high revenue - low margin model which is able to attract a large customer base.
   1. **Threat of New Entrants: Low to Moderate**

      There are three main barriers for new entrants: complex industry, economies of scale, and customer loyalty. The wholesaler industry requires heavy capital requirements for their supply chain, warehouses, inventory, logistics as well as competitive pricing, which acts as a barrier for the new players. Costco, as a big player has expanded rapidly, having a growth of 33% for its warehouse count in the last 5 years and entering international market along with domestic dominance. Other players like BJ on the other hand is only focused on the US market, while maintaining its revenue growth at a steady level. (**Exhibit 4**). Also, by leveraging economies of scale, the dominant players were able to reduce their cost per unit making it difficult for new entrants to compete on price. Costco mark's up their products only by 14% as compared to the retailers having 25-40% markup.[1] However, by selling in bulk, wholesalers are able to maintain their operational efficiency, and at the same time provide the lowest cost to the customers. In addition, Wholesale clubs have a long term membership model, which deters the customers from buying from other retailers.
   2. **Bargaining power of Suppliers: Low**

      In general, wholesalers are able to negotiate lower prices from their suppliers due to their purchasing power. They use their influence on the market to get the lowest prices which helps them to pass on high discounts to their customers. From Kimberly Clark's example[1], supplier's revenue is increased, even though their profit growth is limited, thereby demonstrating how wholesalers like Costco are further diluting their supplier's bargaining power.
   3. **Bargaining power of Buyers: Moderate**

      There are two main factors to this point. First the price sensitivity of the buyers in this market is high which makes it a mandate for the wholesalers to maintain their prices at the lowest level possible. Second, wholesalers have a Membership model which is the annual payment model that creates a switching cost for the buyers, pushing them to be loyal to their brands thereby reducing their bargaining power. Although the buyers still have options to choose between the wholesaler giving them the best offer.
   4. **Threat of Substitute Products and Services: Moderate to High**

      Discount retailers like Walmart, traditional retailers and online retailers offer a substitute to the wholesale industry. However, wholesalers differentiate themselves by offering bulk items at discounted prices.

      Although there are many substitutes available, buying in bulk has its own advantages. Along with the rapid increase in personal income, the consumer's capacity to buy in bulk (**Exhibit 3**), favors the wholesaler's bu-

1. *Maureen McNichols and Brian Tayan, Costco Wholesale Corporation Financial Statement Analysis (A) (Stanford Graduate School of Business, 2003).*

-siness to match the discounts offered, allowing wholesalers to be at the top of the market.

5. **Industry Rivalry: High**

   During the period of 1997 to 2001, Costco has expanded its warehouse count from 274 to 365, Sam's club from 475 to 528, and BJ's from 84 to 130, which shows the intense competition among wholesalers. This is further putting a pressure on each to offer competitive pricing and best in class customer service to maintain their dominance in the market. Discounters such as Walmart, and Sears, continued to pose a competitive threat by offering a wide product range, appealing price sensitive customers. Additionally, the rapid growth of online retailing, like Walmart.com, is further increasing the pressure on the wholesalers to enhance their technological capabilities.

3. **SWOT Analysis**

- **Strengths:** Costco's strengths lie in efficient and streamlined operations, backed by a strong management team. They expanded worldwide, showing a strong potential for further expansion and a solid global presence. Costco's high inventory turnover ratio of 11.7 allows them to maintain low margins and sell products in bulk, providing better rates for customers than competitors. By being operationally efficient and implementing the bulk packaging strategy, they kept product markup low (14%)[1], in contrast to other retailers (25-40%)[1] and achieved the lowest price per unit.
- **Weaknesses:** Costco's required annual membership poses a barrier to attracting new customers, particularly those who are new to the country or store and who don't feel the need to purchase products in bulks. Customers must buy items in bulk, which can be challenging for those with limited storage space. Costco typically offers fewer product options (4,000 SKUs compared to 40,000+ SKUs)[1], often carrying only one or two brands, making grocery stores a better alternative for those seeking variety.
- **Opportunities:** In international markets, Costco can be a leader by using targeted marketing and governmental partnerships to attract international customers with different life styles. The high store foot traffic generates data that could improve sales strategies and customer experience using Data Analytics. Costco can also diversify into related sectors using its supply chain strengths. Moving into the online space could leverage Costco's bulk model and adopting a high/low pricing strategy[2] could improve profitability by mixing high and low margin products in high-demand areas.
- **Threats:** Costco faces intense competition from traditional retailers like Walmart and other wholesale clubs such as BJ's. They can offer similar benefits, or price their membership lower than Costco's ($45)[1] capturing the market share. Furthermore, changing regulations related to labor practices and taxation are potential threats to Costco's optimized operations and profitability. Also, Costco's focus on a limited customer base can pose a threat to them during economic downturns due to price sensitivity.

4. **Costco's Financial Analysis**

   1. **Income Statement Analysis:**

      We observe major rises as a percentage of net sales in operating income and income before cumulative effect of accounting. Operating Income first increased from 2.7% in 1997 to 3.28% in 2000. Then In 2001 Costco saw a slight drop to 2.91% in its net income. Strong sales growth due to efficient cost management, and economies of scale led to improved profitability over the years, especially in the late 90s. Income Before Cumulative Effect of Accounting increased from 1.45% in 1997 to 2% in 2000 and slightly dropped to 1.76% in 2001, but overall growth is visible during the period. Costco's consistent revenue and controlled expenses contributed to higher pre-tax earnings, reflecting better operational performance (**Exhibit 9**).

      On the other hand, major drops as a percentage of net sales are noticed in Income from Continuing Operations and Provision for Income Taxes Income from Continuing Operations dropped from 1.93% in 19-

2. *MSBA 6111: Business Essentials - Marketing Slides Week 6 Module by Kendell Poch, Senior Lecturer, Carlson School of Management, University of Minnesota*

-98 to 1.45% in 1997 and fluctuated between 1.45 - 2.00% in the following years. The decline in 2001 (from 2.0 to 1.76%) was notable. This indicates the drop in income from continuing operations in 2001 is due to rising operating costs, particularly SG&A, or a slowdown in profit growth despite strong sales. Provision for Income Taxes raised from 0.97% in 1997 to 1.33% in 2000, before dropping slightly to 1.17% in 2001. The rise in taxes as a percentage of sales was due to the higher pre-tax profits in the earlier years, with a slight dip in 2001 as profits grew slower than expected or due to changes in tax strategies (**Exhibit 9**).

1. **Balance Sheet Analysis:**

   From the balance sheet, it is evident that Cash and Equivalents has risen from 3.20% in 1997 to 6.07% in 2000, showing an increase in liquidity and cash reserves (**Exhibit 9**). The increase in cash reserves reflects strong operating cash flow, improved profitability, and a strategy of maintaining higher liquidity for growth and expansion. Deferred Membership Income has also increased from 0% in 1997 and 1998 to 3.04% in 2000, reflecting increased membership revenue recognition over time. Net Property, Plant, and Equipment has a rising trend from 52.06% in 1999 to 57.75% in 2001, indicating significant investment in property, plant, and equipment due to store openings and infrastructure expansion. The effect of this can be seen in the short term debt, which has increased 0.46% in 1997 to 1.93% in 2001. Retained Earnings have increased from 33.56% in 1997 to 38.94% in 2001, demonstrating accumulated profits and growth in equity over time. Total Stockholders Equity has raised from 45.07% in 1997 to 48.39% in 2001, reflecting a steady build-up of equity through retained earnings reflecting Costco’s profitability and reinvestment into the business over time, leading to an overall increase in shareholders value.

   Long-Term Debt has reduced from 16.74% in 1997 to 8.52% in 2001, indicating a significant reduction in long-term borrowing, which reflects improved cash flow for debt repayment. Accounts Payable has increased from 25.46% in 1997 to 27.03% in 2001, reflecting an increase in outstanding payables as a percentage of total liabilities and equity.

   The balance sheet changes reflect Costco’s growth-focused strategy, with increased investment in property, higher cash reserves for expansion, and a reduction in long-term debt as its profitability improved. However, the rise in short-term borrowing and accounts payable indicates Costco was managing working capital and leveraging suppliers to fund its rapid expansion during this period.

2. **Sustainable Growth Model (SGM):**

   Return on Equity (ROE) declined from 18.6% in 1998 to 14.2% in 2001 (**Exhibit 10**), reflecting a decrease in profitability relative to equity. This suggests that while Costco's earnings grew, the expansion of equity outpaced the increase in net income, causing dilution of returns. Asset Growth increased significantly from $5,476 million in 1998 to $8,634 million in 2001, driven by investment in PP&E, and inventory. This is aligned with the company’s strategy of expansion and asset-heavy growth, which is reflected in the net PP&E increase, on the Balance Sheet.

   We can notice a Declining Return on Assets (ROA) from 8.4% in 1998 to 7.0% in 2001, indicating that as assets grew, Costco’s efficiency in generating profits from those assets diminished slightly. This is a result of the high investments in infrastructure that took time to yield returns or were less efficient relative to prior years. There is also a Strong Sales Growth steadily from $21,874 million in 1997 to $34,797 million in 2001, showing strong top-line growth. This is supported by Costco’s aggressive expansion strategy, which also drove the rise in assets and inventories.

   Financial Leverage remained relatively stable at around 2.04 to 2.22, meaning Costco’s use of debt to finance growth did not drastically change. The decrease in long-term debt on the Balance Sheet indicates Costco’s focus on reducing debt while still leveraging equity to fuel its expansion. The pretax return on sales slightly decreased from 3.16% in 1998 to 2.88% in 2001, which is a sign of increased competition or rising costs (e.g., SG&A expenses and merchandise costs), squeezing profit margins despite higher sales. The tax rate remained consistent at 40%, which provides stability in assessing profitability and tax burden. The after-tax income mirrored changes in pre-tax profitability, reinforcing the company's strong focus on maintaining operational efficiency despite some drops in margins.

In conclusion, Costco's growth strategy, which focuses on reinvesting profits into expansion rather than paying dividends, may have led to short-term declines in profitability ratios like ROE and ROA. However, this approach positions the company for long-term growth, as its investments in infrastructure and new stores are expected to generate higher sales and efficiency over time. For long-term investors, this strategy is a positive sign, as it suggests sustained growth potential and increasing shareholder value in the future, even if immediate returns are lower. The lack of dividends reflects a commitment to fueling expansion and solidifying Costco's competitive position, making it an appealing choice for investors focused on capital appreciation.

5. Costco Wholesale Competitive Benchmarking Analysis

Costco has two main segment of competitors. Wholesalers like Sam's Club and BJ's Wholesale, and other retail competitors like Walmart, Sears, Best Buy, etc. Costco operates with a unique value-driven strategy that sets it apart from both wholesale and traditional competitors. As mentioned in our SWOT analysis, unlike general retailers, Costco maintains a limited selection of approximately 4,000 SKUs, allowing it to leverage strong bargaining power with suppliers and achieve high inventory turnover rates. As a result, Costco has consistently attracted a loyal, higher-income customer base willing to buy in bulk, which enhances Costco's pricing power and membership value.

Through competitive benchmarking, Costco's financial performance reveals its strategic strengths and areas of differentiation. Its gross margin is lower than those of non-wholesale competitors like Walmart, but this aligns with Costco's emphasis on low markups and bulk sales. Despite a lower operating margin, Costco's financial stability is supported by membership fees, which contribute substantially to its net margin. Additionally, Costco's short accounts receivable period, high inventory turnover, and favorable cash flow management underscore its operational efficiency. Together, these factors highlight Costco's competitive positioning as a cost-efficient, customer-centric retailer.

- **Comparison of Business Models:**

It is evident from our Five Forces and SWOT analyses that the limited number of SKUs increase Costco bargaining power with suppliers which leads to the increase of their inventory turnover. Wholesale clubs focus on passing savings to customers, resulting in low-profit margins. Costco uses bulk sales and a private label (Kirkland)[1] to keep prices competitive. Costco initially led the wholesale club model and expanded into various markets, including gas, pharmacies, and tire services. Despite its extensive offerings, Costco's international expansion was primarily limited to Mexico and Canada, where regulations align more closely with those in the U.S.

Sam's Club: Larger in store count than Costco but lower in revenue, sales per store, and operating income. Costco is perceived as more stable, especially in management.

BJ's Wholesale: Competes in a similar market but with slightly higher pricing (+14%)[1] and improved store atmosphere. BJ's focused on US market and has not expanded internationally.

Walmart and Sears: Discounter competitors with a broader product range and higher prices. Their operational efficiency is not as high as Costco since Costco ran its stores in a no-frills warehouse facilities.[1]

- **Competitor Ratios Analysis**

  The following benchmarks have guided the comparison of Costco's strategic positioning, operational efficiency, and overall financial health relative to the industry landscape (**Exhibit 11**).

  Gross Margin: Merchandise sales figures exclude profits from memberships. Despite Costco's optimized operations, its gross margin is lower than that of Sears and Walmart but close to BJ's. At 10.4%, Costco's gross margin is reasonable, reflecting its pass-through savings to customers with a low markup (+14% cap)[1]. If Costco maintained a 40% markup, like some competitors, its gross profit would be higher. The focus on a lean markup illustrates Costco's emphasis on value for customers over high immediate profits.

  Operating Margin: Costco's operating margin is lower than that of its competitors, showing the impact of bulk sales on its profitability. This lower margin underscores Costco's strategy to build customer loyalty and sustain market position by its membership model. Membership fees offset the lower margins and contribute to overall profitability.

  Net Margin: Costco's net margin, though lower than Walmart's, is higher than BJ's and similar to Sears. This suggests that Costco's profitability primarily comes from membership fees, differentiating it from competitors relying more heavily on sales margins.

  Current Ratio: The current ratio for Costco is around 34% of Walmart's, despite Costco's current assets being only 5% of Walmart's. Costco demonstrates strong asset management and effective use of liabilities to generate assets, maximizing operational efficiency.

  Inventory Turnover: Costco has the highest inventory turnover (11.7) among its competitors. Costco's model, which uses stores as warehouses, reduces the need to keep large inventories. Additionally, dealing with fewer suppliers due to limited SKUs simplifies inventory management compared to retailers like Walmart and Sears.

  Receivables Period: Costco and Walmart have the shortest receivables periods among their competitors, with Costco collecting receivables approximately 105 times a year. This demonstrates Costco's strong cash flow and partner relations, as customers are willing to pay immediately. Sears has a longer receivables period due to its reliance on credit sales, which delays payment.

  Payables Period: Costco's payable period is longer than its receivables period, a favorable position for cash flow. With a larger payable period, Costco can delay payments to suppliers while collecting cash faster. Sears, however, has a shorter payable period, creating a cash flow disadvantage by needing to pay suppliers faster than it collects from customers.

6. Recommendations and Conclusion

Costco's consistent growth, and its unique membership-driven business model together position it as a leader in the among wholesale clubs. The company's high operational efficiency provide it with a competitive edge, especially for price-sensitive customers. Furthermore, Costco's expansion potential, both in product segment (similar to Kirkland) and geographic reach, presents numerous growth opportunities. The high foot traffic also offers a valuable data source, enabling Costco to optimize its strategies and customer experience over time.

In summary, Costco's well-rounded strengths and the potential for growth in emerging markets suggest a favorable outlook. Given the company's strong competitive positioning and expansion opportunities, Ms. Torres' continued investment in Costco appears justified. The analysis provides strong evidence for her to continue holding the shares.

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Appendix

	1950	1960	1970	1980	1990	2000
Gross domestic product, $bn	241	415	801	2708	5546	9873
Retail & wholesale trade, $bn	41	64	121	437	884	1568
Retail & wholesale trade as % GDP	17%	15%	15%	16%	16%	16%

Exhibit 2. Retail and Wholesale Trade as a Percentage of GDP

	1950	1960	1970	1980	1990	2000
Gross domestice product, $bn	1892	2918	5069	12276	23215	36174
Personal income, $	1502	2283	4101	10205	19614	30069
Disposable personal income, $	1369	2026	3591	8869	17176	25379
Personal consumption exp, $	1,270	1838	3164	7741	15327	24534

Exhibit 3. Per Capita Income

	1997	1998	1999	2000	2001
Costco					
Number of Stores	274	292	308	331	365
US	200	211	221	237	264
Canada	54	56	58	59	60
Mexico	13	14	16	18	20
Other international	7	11	13	17	21
SAM's Club					
Number of Stores	475	483	497	512	528
US	436	443	451	463	475
Canada	0	0	0	0	0
Mexico	28	28	31	34	38
Other international	11	12	15	15	15
BJ's Wholesale					
Number of Stores	84	96	107	118	130
US	84	96	107	118	130
Canada	0	0	0	0	0
Mexico	0	0	0	0	0
Other international	0	0	0	0	0

Exhibit 4. Number of Warehouses

Income Statement	2001	2000	1999	1998	1997
Net sales	100.00%	100.00%	100.00%	100.00%	100.00%
Membership fees and other	1.93%	1.72%	1.78%	1.85%	1.82%
Total revenues	101.93%	101.72%	101.78%	101.85%	101.82%
Merchandise costs	89.63%	89.57%	89.60%	89.72%	89.90%
SG&A	9.17%	8.72%	8.67%	8.69%	8.74%
Preopening expenses	0.18%	0.13%	0.11%	0.11%	0.13%
Provision for impaired assets / closings	0.05%	0.02%	0.21%	0.03%	0.35%
Total operating expenses	99.03%	98.44%	98.59%	98.54%	99.11%
Operating income	2.91%	3.28%	3.19%	3.30%	2.70%
Interest expense	-0.09%	-0.12%	-0.17%	-0.20%	-0.35%
Interest income and other	0.13%	0.17%	0.16%	0.11%	0.07%
Provision for merger and restructuring	0.00%	0.00%	0.00%	0.00%	0.00%
Income continuing ops before taxes	2.94%	3.33%	3.18%	3.21%	2.42%
Provision for income taxes	1.17%	1.33%	1.28%	1.28%	0.97%
Income before cumulative effect of accting	1.76%	2.00%	1.91%	1.93%	1.45%
Cumulative effect of accting, net of tax	0.00%	0.00%	-0.44%	0.00%	0.00%
Income from continuing operations	1.76%	2.00%	1.47%	1.93%	1.45%
Income (loss), net of tax	0.00%	0.00%	0.00%	0.00%	0.00%
Loss on disposal	0.00%	0.00%	0.00%	0.00%	0.00%
Net Income (loss)	1.76%	2.00%	1.47%	1.93%	1.45%

Exhibit 9. Common size Financial Statement for Costco

Balance Sheet	2001	2000	1999	1998	1997
Cash and equivalents	5.97%	6.07%	5.87%	5.78%	3.20%
Short-term investments	0.05%	0.56%	3.42%	1.21%	0.00%
Receivables, net	3.22%	2.02%	2.25%	2.74%	2.69%

Merchandise inventories, net	27.14%	28.84%	29.45%	30.52%	30.80%
Other current assets	2.10%	2.70%	3.19%	1.73%	1.84%
Total current assets	38.48%	40.19%	44.18%	41.99%	38.53%
Land and rights	18.60%	18.78%	16.84%	17.89%	19.99%
Building, leaseholds and land improvements	38.01%	34.84%	32.57%	34.68%	35.31%
Equipment and fixtures	15.16%	15.19%	15.17%	15.15%	15.35%
Construction in process	1.33%	2.32%	2.36%	1.47%	1.49%
Subtotal	73.10%	71.13%	66.94%	69.19%	72.14%
Less accumulated depreciation	-15.35%	-15.14%	-14.89%	-14.95%	-14.53%
Net property plant and equipment	57.75%	55.99%	52.06%	54.24%	57.61%
Other assets	3.77%	3.82%	3.76%	3.77%	3.87%
Total assets	100.00%	100.00%	100.00%	100.00%	100.00%
Short-term borrowing	1.93%	0.11%	0.00%	0.00%	0.46%
Accounts payable	27.03%	25.45%	25.48%	25.65%	25.46%
Accrued salaries and benefits	4.79%	4.89%	5.52%	5.64%	5.53%
Accrued sales and other tax	1.52%	1.85%	1.64%	1.64%	1.66%
Deferred membership income	3.20%	3.04%	0.01%	0.00%	0.00%
Other current liabilities	2.29%	4.09%	2.54%	2.17%	2.75%
Total current liabilities	40.76%	39.43%	38.19%	35.10%	35.86%
Long-term debt	8.52%	9.15%	12.24%	14.86%	12.90%
Deferred income taxes and other liabilities	1.18%	1.05%	0.89%	0.98%	0.71%
Total liabilities	50.46%	49.63%	51.33%	50.94%	53.32%
Minority interest	1.15%	1.26%	1.61%	1.68%	1.61%
Preferred	0.00%	0.00%	0.00%	0.00%	0.00%
Common	0.02%	0.03%	0.03%	0.03%	0.04%
Additional paid in	11.16%	11.91%	12.69%	13.06%	12.90%
Other accumulated	-1.72%	-1.36%	-1.57%	-2.43%	-1.43%
Retained earnings	38.94%	38.53%	35.91%	36.71%	33.56%

Total stockholder's equity	48.39%	49.11%	47.06%	47.38%	45.07%
Total liabilities and shareholder's equity	100.00%	100.00%	100.00%	100.00%	100.00%

Exhibit 9. Common size Financial Statement for Costco

Sustainable Growth Model (millions)	**2001**	**2000**	**1999**	**1998**	**1997**
Net Income	602	631	515	460	312
Owner's Equity	4,240	3,532	2,966	2,468	NA
Return on Equity (ROE)	14.2%	17.9%	17.4%	18.6%	NA
Dividend	0	0	0	0	0
Net Income (for Dividend Payout)	602	631	515	460	312
Dividend Payout	0.0%	0.0%	0.0%	0.0%	0.0%
Earnings Retention Ratio	100%	100%	100%	100%	100%
Net Income (for ROA)	602	631	515	460	312
Assets	8,634	7,505	6,260	5,476	NA
Return on Assets (ROA)	7.0%	8.4%	8.2%	8.4%	NA
Assets (for Financial Leverage)	8,634	7,505	6,260	5,476	NA
Owner's Equity (for Financial Leverage)	4,240	3,532	2,966	2,468	NA
Financial Leverage	2.04	2.12	2.11	2.22	NA
Net Income (for Net Margin)	602	631	515	460	312
Sales	34,797	32,164	27,456	24,270	21,874
Net Margin (Return on Sales)	1.73%	1.96%	1.88%	1.90%	1.43%
Sales (for Asset Turnover)	34,797	32,164	27,456	24,270	21,874
Assets (for Asset Turnover)	8,634	7,505	6,260	5,476	NA
Asset Turnover	4.03	4.29	4.39	4.43	NA
Pretax Income (continuing operations)	1,003	1,052	859	766	520
Sales (for Pretax Return)	34,797	32,164	27,456	24,270	21,874
Pretax Return on Sales	2.88%	3.27%	3.13%	3.16%	2.38%

Pretax Income (for Tax Rate)	1,003	1,052	859	766	520
Taxes	401	421	344	306	208
Tax Rate	40.0%	40.0%	40.0%	39.9%	40.0%
Tax Effect (1 - Tax Rate)	60.0%	60.0%	60.0%	60.1%	60.0%

Exhibit 10. Sustainable Growth Model for Costco

Other Ratios (millions)	**Costco**	**Sears**	**Wal-Mart**	**BJ's**
Cost of Goods Sold	30,598	26,322	150,255	4,686
Merchandise Sales	34,137	35,843	191,329	5,161
COGS	89.6%	73.4%	78.5%	90.8%
Gross Margin	10.4%	26.6%	21.5%	9.2%
Operating Income	992	1,178	11,490	233
Sales (Operating Margin)	34,797	41,078	193,295	5,280
Operating Margin	2.85%	2.87%	5.94%	4.41%
Net Income	602	735	6,295	82
Sales (Net Margin)	34,797	41,078	193,295	5,280
Net Margin	1.73%	1.79%	3.26%	1.56%
Current assets	3,882	36,105	78,130	753
Current liabilities	4,112	15,584	28,949	625
Current Ratio	0.94	2.32	2.70	1.20
Cost of Goods Sold (Inventory Turnover)	30,598	26,322	150,255	4,686
Average inventory	2,614	5,265	20,618	527
Inventory Turnover	11.7	5.0	7.3	8.9
Accounts receivable	325	28,155	1,768	61
Merchandise Sales (Average Receivables Period)	34,137	35,843	191,329	5,161
Average Receivables Period	3	287	3	4
Accounts payable	2,728	7,176	15,092	381
Cost of Goods Sold (Average Payable Period)	30,598	26,322	150,255	4,686
Average Payable Period	33	100	37	30

Exhibit 11. Other Ratios for Costco and Competitors