



**UNIVERSITÉ
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GENEVA SCHOOL OF ECONOMICS
AND MANAGEMENT



Entering Switzerland

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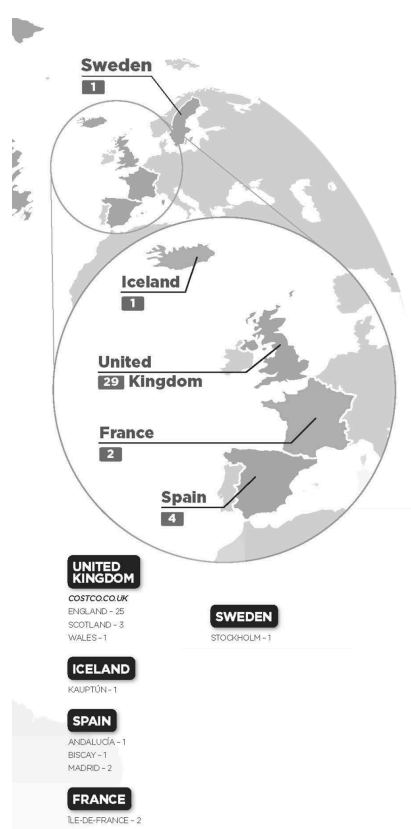
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1. Introduction of Costco

Costco Wholesale Corporation is a renowned multinational corporation operating a chain of membership-only retail stores. As of 2023, it stands as the third-largest retailer globally, excelling in various categories including choice and prime beef, organic foods, rotisserie chicken, and wine. Additionally, Costco offers services like gasoline stations, pharmacies, and online shopping through its e-commerce websites.

Founded in 1976 and headquartered in Issaquah, Washington, Costco was originally known as Costco Companies, Inc., changing its name to Costco Wholesale Corporation in 1999. The company operates on a global scale, [with 859 locations across countries](#) such as the United States, Canada, Mexico, the United Kingdom, Japan, Australia, and several European countries. It employs approximately 316,000 people worldwide.



locations in EU as of December 31, 2023 (reference: Costco 2023 Annual Report)

Membership at Costco is exclusive, with options including Executive, Business, and Gold Star memberships, each providing various benefits and rewards tailored to the member's needs. As of early 2024, Costco has over 130 million cardholders, highlighting its popularity and the value it provides to its members.

Costco's significant growth and strategic expansion efforts have solidified its position as a leading figure in the retail industry, providing for millions of satisfied customers globally and continuously exploring new markets to extend its reach and influence. And its expansion into Europe aligns with its mission to provide quality goods at low prices and demonstrates its commitment to grow its

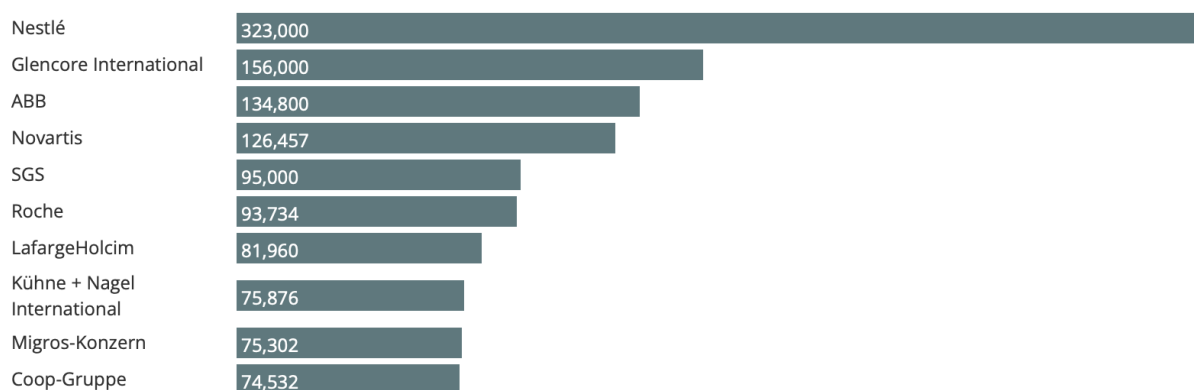
international footprint while adhering to [its core values of respect, fairness and “doing the right things for its members”](#). Entering the Swiss market could reinforce these values by offering Swiss consumers the benefits of competitive pricing and high-quality service.

2. Market Introduction

Switzerland’s economy develops in diverse industries. Due to its stability and equality, a significant number of large multinational companies establish their headquarters in this small paradise. Giants like Nestle, Novartis, UBS, among others, strongly influence Switzerland’s economic growth.

Largest companies in Switzerland by total employees*

Nestlé is the largest company in Switzerland by total employees. However, the majority of their staff and assets are located outside of Switzerland.



(https://www.swissinfo.ch/eng/business/big-business_switzerland-s-love-affair-with-multinationals/44342642)

The Swiss retail sector generates CHF 100 billion in sales providing employment for approximately 300,000 people (Schweizerische Eidgenossenschaft, 2023). With a labor market of 5.362 million employed people (Federal Statistical Office, 2024), the retail sector claims 5.6% of the workforce. These statistics show the importance of retail not only in Switzerland’s economy, but also in the labor market. Two cooperatives Migros and Coop, dominate the market employing 75,300 and 74,500 people generating CHF 30 billion and CHF 34 billion turnover respectively (Schweizerische Eidgenossenschaft, 2023).

One of the secrets behind such high turnovers of Swiss retailers, are their remarkably high gross margins, going up to 40.2% for Migros and 29.8% for Coop (Swissinfo, 2017). However, despite these high figures, operating in Switzerland is extremely costly, dropping the net profit margin to an average of 1.7% (Swissinfo, 2017). This shows the unique challenges faced in Switzerland, where costs of labor and retail space rents, drag profitability down. For instance, while Costco in the US has a gross margin of 12.9% it maintains a net profit margin of 2.73% (Yahoo, 2024).

Other players in the retail sector are Denner, Lidl, Aldi, and Aligro. It is noticeable that most of them are Swiss companies, challenging international players willing to enter the territory. The Swiss market

for Cash & Carry shops is currently small. With few players such as Prodega, Aligro, and Otto's the first one designed exclusively for professionals and resellers.

The Swiss online shopping landscape is restricted to one major player, Digitec Galaxus, owned by Migros. However, development of diverse platforms, such as Temu, Aliexpress among others, can be noticed. Unlike other European countries where diversity can be seen with Amazon and other giants, Switzerland has seen Galaxus dominating the online retail. This dominance gives Migros a high retention of clients, offering discounts and overnight delivery. Knowing the shift from physical shopping to online purchases during the Covid-19 pandemic, Costco will be forced to adapt their business model to the Swiss market.

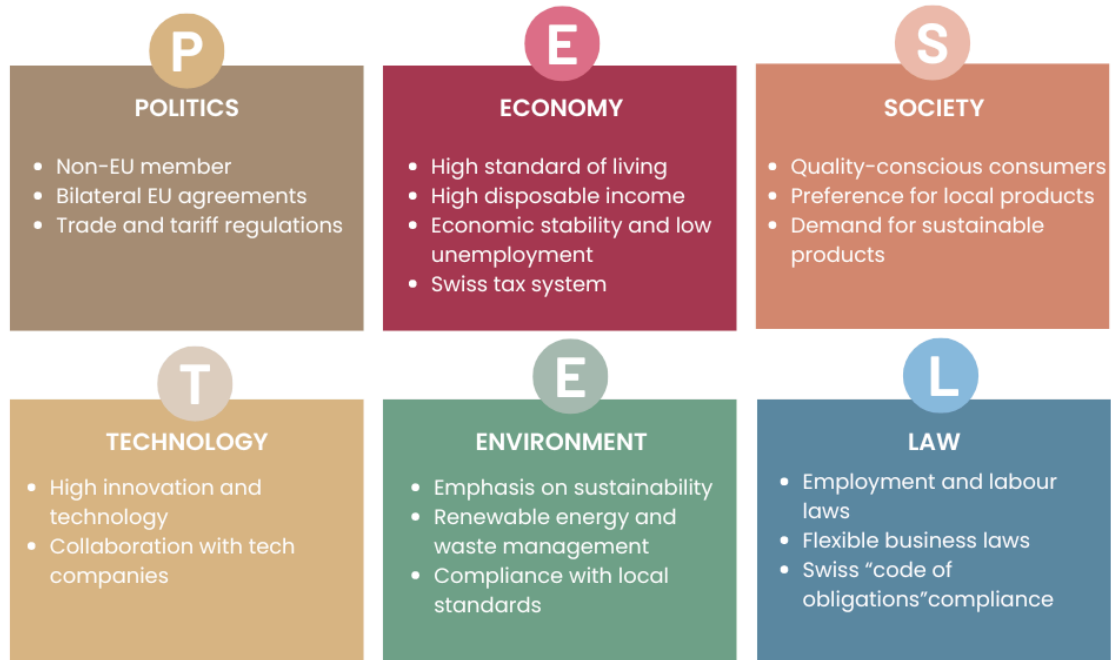
When considering the profitability and competitiveness of the Swiss retail sector, it is crucial to consider the Purchasing Power Parity. PPP adjusts economic indicators, accounting for differences in price levels between countries, providing a more accurate comparison of purchasing power across borders. Swiss PPP with the European Union as the base value (100), yields an index of 157 (Federal Statistical Office, 2023). This index indicates that, on average, prices for goods and services in Switzerland are approximately 57% higher than the EU average.

This information is invaluable for examining a potential entrance into a new market, just like Costco would when entering Switzerland. Strategic decision-making and pricing strategies are crucial elements in order to achieve a successful entrance. In the case of Costco, the high PPP of Switzerland represents both opportunities and challenges that must be deeply examined.

2.1. Pestel analysis

In this chapter, we explore the strategic considerations for Costco's potential entry into the Swiss market. To understand the multifaceted business environment, we employ a PESTEL analysis.

PESTEL



Political: Switzerland's unique position outside the EU but with numerous bilateral agreements impacts trade and regulatory frameworks Costco must navigate. Understanding local trade policies is crucial as it influences Costco's supply chain and product pricing.

Economic: Switzerland's consumer base has a high disposable income and high standard of living, which can be summarized by a high Human Development Index. Economic stability and low unemployment further contribute to consistent consumer spending and a reliable and skilled workforce. Furthermore, Switzerland offers relatively low corporate tax rates compared to many other countries. According to the World Bank, Switzerland is one of the world's wealthiest countries, with a GDP per capita of \$93'259 (2022 data). Comparing it to other European countries where Costco has decided to enter, this value provides an opportunity of high turnover.

Sociocultural: Swiss consumers often prioritize quality and local products, which aligns with Costco's emphasis on quality and value, although it may necessitate adjustments in product sourcing to meet local expectations. Additionally, there is a growing demand for sustainability. Swiss citizens are more likely to use public transportation than choose a car, an aspect that should be taken into account when deciding about Costco's locations. Take the fact that rail accounts for 38% of the transported goods in Switzerland, as an example. <https://www.bfs.admin.ch/bfs/en/home/statistics/mobility-transport/goods-transport.html#:~:text=Goods%20transport%20in%20Switzerland%20is,billion%20tonne%2Dkilometres%20in%202014.>

Technological: Possibility of partnering with Switzerland's rich network of innovative and technological companies. Giants like Nestle, Novartis, UBS, among others, strongly influence

Switzerland's economic growth. Switzerland is a major hub for innovation, where start-ups offering services to the retail sector might be attractive for Costco.

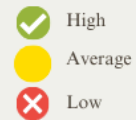
Environmental: Compliance with Switzerland's environmental regulations is essential, including renewable energy and waste management practices. The Swiss power market is balancing between sufficiency and shortage. Especially during winter where the local production is insufficient, and the stability is based on power imports. <https://www.axpo.com/ch/en/knowledge/power-market-switzerland.html#:~:text=Consumption%20and%20production%20in%20Switzerland,energy%20statistics%20from%20the%20BFE>. Moreover Switzerland bases 52,8% of its total electricity production on hydroelectric power plants <https://www.admin.ch/gov/fr/accueil/documentation/communiques.msg-id-97643.html#:~:text=L'%C3%A9lectricit%C3%A9%20produite%20en%20Suisse,mix%20de%20production%20suisse%202022>. This leads to lower carbon emissions, however during drought periods, results in power shortages and significant increase in electricity prices.

Legal: Switzerland's business laws are often considered flexible and "business-friendly". The specificity of this country is that there is no national minimum wage, although cantons can introduce local regulations. However, this makes labor unions strongly active in creating Collective Labor Agreements, looking after the employees' rights, and imposing a minimum wage in given industries. <https://valais.unia.ch/pourquoi-etre-syndique>. For the retail sector, a considerable actor is Unia, which has negotiated a CCT (Convention Collective du Travail) with Coop, imposing a minimum wage of 4'200 CHF x 13, while in the early 2000's wages were only at 2'600 CHF <https://unia.ch/fr/monde-du-travail/de-a-a-z/secteur-des-services/commerce-de-detail/coop>. Additionally, the freedom of creation of a union is guaranteed by the Federal Constitution <https://www.espacedroit.ch/articles/syndicat/>.

2.2. Benchmarking

In the competitive landscape of global retail, the potential entry of Costco into the Swiss market necessitates a thorough benchmarking analysis against established local giants like Migros, Coop, and Denner. This study aims to examine key aspects and compare them.

→ Benchmarking



Competitive comparison of Costco with major retailers

CRITERIAS				
Product diversity	✗	✓	✓	✗
Low-cost	✓	✓	✓	✓
Premium	✓	●	●	✗
Customer experience	✓	●	●	●
Reputation	✗	✓	✓	✓
Geographic spread	✗	✓	✓	✓
Loyalty program	✓	✓	✓	✗
Branding extension	✓	✓	✓	✗

While Costco is known for its diverse product offerings, its range, although extensive, is notably smaller compared to Coop. Coop, especially with its “Coop City” outlets, provides a broader selection of items, establishing it as a significant competitor in this aspect.

Both Migros and Coop provide budget-conscious consumers with specific low-cost product lines; Migros with "[M-Budget](#)" and Coop with "[Prix Garantie](#)." Denner positions itself primarily as a low-cost retailer. Costco, known for its cost-effective pricing across a broader range of products, could leverage this reputation to attract price-sensitive Swiss consumers.

In the premium segment, Migros offers "[Migros Sélection](#)" and Coop offers "[Fine Food](#)", despite both limited to a small assortment of products and focused primarily on food items. This presents an opportunity for Costco to penetrate the premium market segment in Switzerland. By expanding its premium offerings, Costco could fill a market gap and attract a demographic looking for high-quality and exclusive products beyond just food.

The shopping experience at Costco, characterized by its large warehouse format and unique American-style customer service, contrasts with the more conventional and convenient shopping formats of Migros, Coop, and Denner. This American shopping experience could appeal to Swiss consumers looking for a novel retail experience, potentially positioning Costco as more than just a shopping destination but a unique retail adventure.

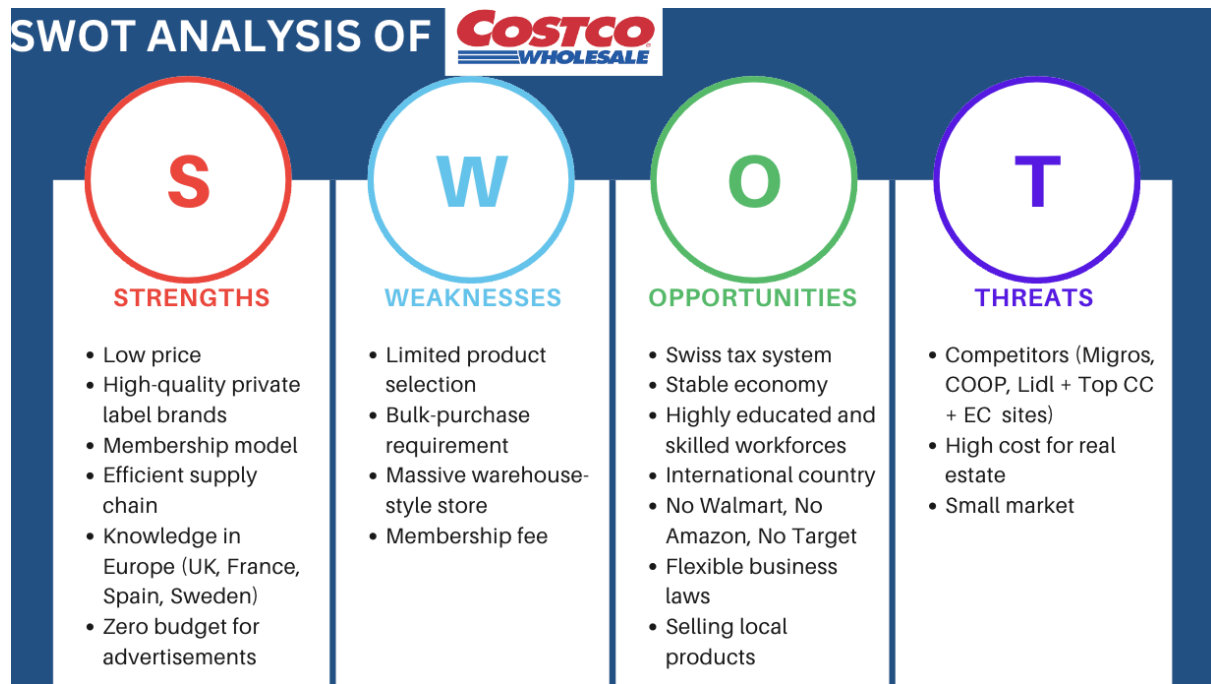
Unlike its Swiss counterparts, Costco does not yet have a market presence or established reputation in Switzerland. Migros, Coop, and Denner have a significant advantage with strong brand recognition and customer loyalty. Costco will need to build its brand from the ground up, investing in marketing strategies and community engagement to establish trust and recognition among Swiss consumers.

Both Coop and Migros have implemented customer loyalty programs that reward consumers for their purchases. Coop's "[Supercard](#)" and Migros's "[Cumulus](#)" card allow customers to accumulate points when they shop, which can then be used to obtain discounts on future purchases. These programs are designed to enhance customer loyalty and provide value through savings. In contrast, Costco operates on a membership basis, offering access to its low-priced products exclusively to its members. Meanwhile, Denner, known for its focus on low-cost offerings, does not employ a traditional loyalty program, as its value proposition is already centered on budget-friendly pricing.

Coop and Migros have notably expanded their offerings beyond traditional grocery sales to enhance customer experience and meet diverse consumer needs. Migros has ventured into various services like "[Migros Restaurant](#)" and "[Migros Print-Shop](#)". Similarly, Coop has diversified its portfolio to include services such as [Coop Restaurant](#) and florist shops to name a few, broadening its appeal and providing added convenience to shoppers. Costco has also expanded its service offerings to include specialized services like [Costco Optical](#), [Costco Hearing Aids](#), [Costco Travel](#) and even [Costco Pharmacy](#). In contrast, Denner has maintained a focus primarily on low-cost retail without branching extensively into additional services.

In conclusion, while Costco faces challenges entering a market with well-established players, its broad low-cost product range, opportunity to introduce more premium products, and unique customer experience provide compelling reasons to consider its expansion into Switzerland.

3. SWOT Analysis



- Strengths

Low price: Costco's low-price strategy is the prime strength of Costco. What makes this possible is its bulk-buying system, cost-savings. Costco provides massive amounts of products and expects customers bulk-buying, and this directly connects to Costco's cost-savings. Furthermore, cost-savings, for example, eliminating low operational costs and conventional retail costs like sales personnel, fancy buildings, and billing processes are also significant reasons which enable its strategy. This model has allowed Costco to achieve substantial sales volumes and rapid inventory turnover, benefiting both the company and its members. Also, Costco is using treasure-hunt retail psychology, and it provides customers experiences of finding items and surprising customers by super cheap prices (<https://www.youtube.com/watch?v=BOHG-TGip3Q>). And once customers have got surprised, they are going to explore more items which are really affordable and end up bulk-buying. (<https://www.fool.com/the-ascent/personal-finance/articles/who-really-makes-costcos-kirkland-products-you-may-be-surprised/#:~:text=Costco's%20Kirkland%20Signature%20brands%2C%20well,25%25%20of%20Costco's%20total%20revenue>)

High-quality private label products: Costco offers a range of private label products under its "Kirkland Signature" brand. These products often provide higher profit margins compared to branded products. According to a report by CB Insights, retailers can earn 25% ~ 30% higher gross margins on private labels compared to manufacturer brands. It was established in 1995 and has been building a superb reputation for quality and low prices of their commodities and making customer's loyalty. This private label dominates about a quarter of Costco's annual sales (<https://www.youtube.com/watch?v=BOHG-TGip3Q>).

Membership model: Costco operates on a membership-based model, where customers pay an annual fee to access the store (60\$ annual fee for normal membership, plus 120\$ upgrade fee for executive membership) (<https://www.youtube.com/watch?v=BOHG-TGip3Q>). This steady flow of membership revenue provides a consistent source of income for the company and substantially enables Costco to offer items at cheap prices. Additionally, this model will maintain high customer loyalty.

Efficient supply chain: Costco strategically locates distribution centers in proximity to its warehouses to streamline and ensure timely replenishment of stock. Expansion to Switzerland requires establishing new distribution centers or partnering with local logistics providers to ensure a smooth flow of goods.

Knowledge in Europe (UK, France, Spain, Sweden): As of February 2024, there are 29 Costco in the UK, 4 in Spain, 2 in France, 1 in Sweden in Europe. And Costco is setting to have 15 warehouses by 2025 as a goal. This means Costco is getting used to European culture especially in the UK, Spain, and France. This will be a huge advantage for Costco because 22.8% of Switzerland consists of French spoken areas. Therefore, getting used to the culture in the French spoken part of Switzerland might not be a tough challenge for Costco.

Zero budget for advertisements: Costco does not have a budget for advertising. In comparison, [Walmart invested 4.4 billion U.S. dollars in advertising in 2023](#) , [Target spent 1.4 billion U.S. dollars in 2023](#) and [Amazon invested 20.3 billion U.S. dollars in 2022](#) . This is one of the huge reasons that Costco achieves selling at an extremely cheap price. In an interview, Jim Sinegal, Cofounder, and former CEO, says that “Advertising is evil because it costs huge sums of money, which would lead to higher prices of the merchandise and that’s bad for the company and our customers.” (<https://bstrategyhub.com/costco-swot-analysis/>)

- Weaknesses

Limited product selection: Costco sells a variety of products like furnitures, clothes, foods, toys, TVs, and more. However, average Costco’s stock is about 3,700 products at any given time (<https://www.youtube.com/watch?v=BOHG-TGip3Q>). This is an extremely small number compared to other retail firms. In comparison, [COOP has 20,900 products SKUs](#) (stock keeping unit) and [Migros has 30,000 products SKUs](#). Thus, Costco can not attract people who want various selections of products.

Bulk-purchase requirement: Costco supposes customers who do bulk-purchasing. Thus, Costco cannot attract people who want a small amount of items. Furthermore, in Switzerland, people tend to use public transportation which is not suitable for bulk purchasing. Therefore, this bulk-purchase requirement by Costco may not suit Swiss culture.

Massive warehouse-style store: Costco uses warehouse-style stores, and this warehouse is massive and there is no map and even sign for each product, but there is just a number for each aisle. (<https://www.youtube.com/watch?v=BOHG-TGip3Q>) Therefore, people sometimes struggle to find what they want to purchase, and it takes a long time. This weakness might annoy customers who want a specific item or do not have much time for buying.

Membership fee: Membership fee might be a huge wall for new customers. This makes new customers hesitate whether to use Costco, because it is uncertain whether Costco is a good place to purchase for them and they have to pay at least 60\$ for making sure. However, a refund system is in place for customers who are unsatisfied with the services provided. Unfortunately even having this in mind, customers who are hesitant about joining because it may take a time to get a refund. And after being a member, they have to come many times to get the return of being a member. If the customer lives far from the store and does not know he or she will come many times, the person might not pay for membership.

- Opportunities

Swiss tax system: Swiss tax system is really attractive for Costco. The rate of corporate tax in Switzerland depends on each canton. Entering a French spoken canton may be better for Costco because it has already entered France and got used to French culture. And in French spoken cantons, minimum is 13.57% in canton Neuchâtel and maximum is 17.12% in canton Valais (<https://karpeo.ch/en/corporate-tax-rate-in-switzerland-swiss-company-tax/>). However, in 2022 Switzerland agreed to implement from 2024 the minimum tax rate of 15% for companies with a turnover of more than €750 million (CHF 786 million) (<https://www.swissinfo.ch/eng/business/swiss-corporate-tax-rate-still-attractive-but-can-vary-by-canton/48355060#:~:text=Companies%20based%20in%20Switzerland%20continue,However%2C%20regional%20variations%20remain%20significant.&text=The%20canton%20of%20Zug%2C%20which,tax%20rate%20in%20the%20country>). Thus, this tax rate will apply for Costco. Nevertheless, this rate is still low and attractive for the firm. In comparison, the rate is 20.6% in Sweden, 25% in France, Spain, and the UK.

Stable economy (PESTEL): Switzerland is the most stable country in the world according to the U.S. News and in 2nd place by Global Resilience Index in 2020 and 4th place in 2024 (<https://www.s-ge.com/sites/default/files/publication/free/factsheet-headquarters-switzerland-s-ge-en-2021.pdf>). Therefore, Switzerland is trustworthy for Costco and Costco has less risks than entering other countries and this will be a huge opportunity for Costco.

Highly educated and skilled workforces: Switzerland implements a unique education system and that grows highly educated people. About 20% of Swiss students go to high schools and universities and study academic knowledge and 80% of students go to specialized school and learn specialized knowledge and experience real works which they chose (<https://www.bfs.admin.ch/bfs/de/home/statistiken/bildung-wissenschaft/bildungsindikatoren/themen/bildungserfolg/maturitaetsquote.html>). Thus, both of them become highly educated and seasonal workforce. By entering Switzerland, Costco might acquire these experienced laborers and erect the basis for expanding Costco in Switzerland.

International country: Switzerland is the most cosmopolitan economy in 2018 by KOF Globalization Index 2020, and there are more than 850 international companies' headquarters in the region (<https://www.s-ge.com/sites/default/files/publication/free/factsheet-headquarters-switzerland-s-ge-en-2021.pdf>). Additionally, Switzerland is located next to three countries, France, Germany, and Italy. This enables direct access to/from the other European markets and Costco can enter from France directly and would enter Germany and Italy in the future. Swiss German, French, Italian, and Romansh are spoken and coexist in Switzerland which means a high degree of openness and tolerance to new cultures or business models.

No Walmart, No Amazon, No Target: No foreign mega-retail company in Switzerland will be an opportunity for Costco. Walmart, Amazon, and Target have not entered Switzerland yet. This means less competitors in Switzerland. Nevertheless, there are still local retail competitors, but this situation is better than with Amazon, Walmart, or Target. And there is a possibility that Costco can get loyal customers before other huge foreign companies.

Flexible business laws (PESTEL): More flexible capital regulations have applied from January 2023, and this provides advantageous effects to Costco. First, this permits capital in foreign currency like Swiss Francs, British Pounds, Euro, US-Dollar, and Japanese Yen. The applicable currency is relevant for all aspects of company laws. Second, a new institution called Capital band which allows operations of capital increases and decreases more flexibly (<https://www.kendris.com/en/news-insights/2022/02/03/revised-company-law-1st-january-2023-more-flexible-capital-regulations-virtual-general-assemblies-and-much-more/>).

Selling local products (PESTEL): Costco has adaptability to local customers and ecosystem and proved when they entered Spain. Costco started to sell local products in addition to original products like Kirkland Signature. This adaptability is Costco's strength and opportunity for entering Switzerland. Costco may acquire their customers easily and gain its turnover by selling local items because Swiss people have a preference for local products.

- Threats

Competitors (Migros, COOP, Lidl, Top CC + EC sites like GALAXUS, BRACK.CH, zalando, TEMU): There are many competitors in Switzerland. It is mostly the two biggest supermarkets in the region, Migros and COOP. Migros dominate 35.1% of market share in Switzerland and COOP has 34.8% of it (<https://www.statista.com/statistics/787298/switzerland-market-share-of-food-retailers/>). There is a likelihood that Costco might not acquire new customers from these competitors. Moreover, EC sites like GALAXUS, BRACK.CH, Zalando, TEMU will be also huge obstacles for Costco.

High cost for real estate: the average ratio between estate rental and turnover is between 5% to 10% in Switzerland. And the rental is +- 2 times more expensive in Switzerland than in the US (<https://www.immobilier.ch/fr/actualite-magazines/prix-moyen-des-locaux-commerciaux-a-geneve-et-lausanne>). This will pressure its budget and be the reason that Costco might hesitate its entering operation or raise prices of items.

Small market: Population of Switzerland is about 8.7 million and this number is significantly small compared to other European countries. In comparison, France has 68 million people, Spain has 46.7 million people, the UK has 67 million people (https://datacommons.org/ranking/Count_Person/Country/europe?h=country/GBR&unit=&scaling=). Therefore, inevitably the Swiss market is small, and Costco might not gain enough revenue in Switzerland.

4. Challenges

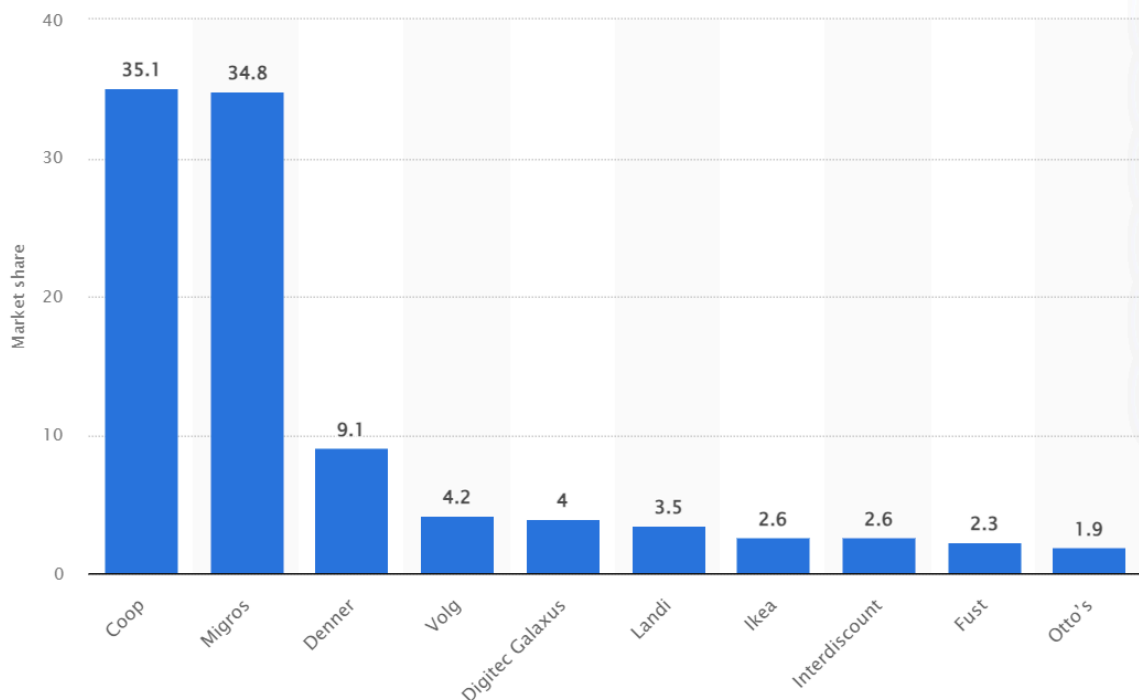
After analyzing the background of the country and the market, entering the European or Switzerland market for an American company, like Costco, may be extremely complex and challenging. Multiple companies have tried, some of them succeeding like Netflix, Uber...but some of these also ended up as a failure, like the entering of Walmart in Germany. From our perspective, Costco may face the following challenges when trying to enter Swiss market:

Cultural challenges/adaptation of consumers: The culture problems that may seem negligible for businesses, but important for local customers. Unlike Americans, Swiss consumers don't usually engage in large-scale purchasing. Also thanks to the strong public transportation system, Swiss people can easily access supermarkets which are near their houses without traveling far. It makes people more likely to buy small portions of goods. This poses a significant challenge for Costco, which is known for offering products in bulk.

Furthermore, [Switzerland is one of the countries with the highest ratio of private label sales, accounting for around 50%.](#) Swiss locals are very committed to their own brands. [Over 79% of the customers prioritize a product's origin when making purchasing decisions, considering it more important than price,](#) which can make it tougher for foreign unheard-of brands to be accepted.

Market competition with local retailers : Switzerland already has well-established and solid retail chains and supermarkets, especially local brands like Coop, Migros, Aligro etc. Among them, [the 2 main players are Migros and Coop with a combined market share of around 70%.](#) Therefore, for Costco, Switzerland is a small market with a lot of competitors. How to sustain itself by facing the existing players under this circumstance will be one of the major challenges for Costco.

Competition with online retailers: The entering of Costco also must face the competition with cyber shopping like Temu, Aliexpress, Ochama, Otto's and Galaxus platform, as all brick-and-mortar retail industries. In Switzerland, online shopping remains popular especially after the pandemic of 2019. [The survey was done by the University of St. Gallen showed that "In Switzerland, 2024, 43% of respondents said they made their online purchases via smartphone. In 2017, this figure was just 12%"](#) . There has also been a dramatic shift in customer buying behavior, ["44% of respondents in Switzerland perceived the product range online as more attractive than in-store. Additionally, 23% of respondents rated the price of digital shopping as more attractive compared to in-store pricing."](#) Consequently, Costco's competition goes beyond the simple number of market shares to the more nuanced challenges of product variety and price advantage.



Market share of the leading companies in retail in Switzerland in 2020

Membership model: While the membership model provides steady revenue for Costco, it can also be a big challenge when entering the Swiss market. “[We charge people to get in the door.](#)” said Jim Murphy, Costco’s head of international operations, acknowledging the challenges when they first expanded their business to Spain in 2014. It is compulsory for customers to pay \$60 for the annual fee before they make their purchase. Implementing this policy will let Costco be the first company to do so in Switzerland, it will go against the perception and habits of most Swiss consumers. Therefore, how to attract customers to pay for the membership fee before letting them purchase would be a challenge for Costco to overcome.

High costs in Switzerland: High costs of real estate, labor and shipping should be considered when performing the expansion. As Switzerland is best-known for its high cost of living and expensive real estate, to secure suitable locations for Costco warehouses at reasonable prices could be challenging. Additionally, labor costs in Switzerland are also on average higher than in neighboring European countries. Comparing the minimum wage per hour in neighboring France with that in the Swiss canton of Geneva, where the hourly minimum wage is [CHF 24.32](#), while in France it is [€11.65](#), which is less than half of the minimum wage in the canton of Geneva. As Swissinfo mentioned that “operating in Switzerland is extremely costly, dropping the net profit margin to an average of 1.7% (Swissinfo, 2017). This shows one of the main challenges faced in Switzerland, where costs of labor and retail space rents drag profitability down.

Regulatory compliance: While Switzerland maintains strong trading ties with the EU, it enforces distinct and stringent regulations governing business operations, import/export procedures, and labor laws. Costco must diligently adhere to these regulations, which may diverge from those in other jurisdictions. Variances such as those found in 'the Code of Obligations' compared to EU standards

can pose legal hurdles and potentially prolong processes. Ensuring strict compliance is imperative for Costco to preempt any legal or operational complications."

5. Strategy

=> Greenfield version:

To effectively penetrate the Swiss market, Costco can consider either a strategic alliance or a greenfield investment. Given the intense retail competition already present in Switzerland, a strategic alliance could be advantageous. Partnering with established local entities, such as creating a dedicated Costco section within Balexert or collaborating with Migros, could facilitate smoother market entry for Costco as an unfamiliar foreign brand. However, Costco's business model, which emphasizes a distinctive membership scheme and bulk purchasing, might be better supported by a greenfield strategy. This approach not only allows Costco to fully implement its unique model but also addresses the need for large-sized warehouses—a requirement that is difficult to meet through alliances with other companies. Importantly, the membership and bulk purchasing model enables Costco to maintain low costs, a critical factor in combating the existing competitive market. Thus, maintaining complete control over its operations enables Costco to establish its distinctive market presence more effectively.

In the early stage of their expansion to Switzerland, Costco could benefit from establishing their business in the French-speaking part of Switzerland, like Geneva, since it already has their business in France. Being familiar to the French language and culture, Costco can capitalize on its familiarity with the French language and business practices to increase the likelihood of success. By starting in Geneva, Costco can make a smoother transition of their operation models from France. Which not only minimizes the entry barriers but also shortens the set-up time.

Considering the location, the warehouse should be situated between downtown Geneva and its suburban areas. According to the data in 2021, Swiss people traveled an average of 4.59 km, or 12.72 minutes every day for shopping, as mentioned in the tables below:

T 3.4.1.1 Distance, temps de trajet et nombre de déplacements moyens par personne et par jour selon le motif de déplacement, en 2015 et en 2021				
Distance journalière moyenne en Suisse par personne				
	2015		2021	
	Distance [km]	+/-	Distance [km]	+/-
Tous les motifs	36.83	0.48	30.01	0.45
Travail	8.85	0.20	8.31	0.23
Formation, école	1.91	0.11	1.42	0.12
Achats	4.77	0.15	4.59	0.15
Loisirs	16.25	0.36	12.92	0.32
Activité professionnelle et voyage de service	2.55	0.17	0.88	0.10
Services et accompagnement	1.85	0.10	1.46	0.09
Autres (y c. ne sait pas/aucune indication)	0.65	0.09	0.45	0.06

Base: 57 090 personnes cible (2015) et 55 018 personnes cible (2021)

T 3.4.1.1 Distance, temps de trajet et nombre de déplacements moyens par personne et par jour selon le motif de déplacement, en 2015 et en 2021

Temps de trajet journalier moyen (avec temps d'attente et de correspondance) en Suisse par personne

	2015		2021	
	Temps de trajet [min.]	+/-	Temps de trajet [min.]	+/-
Tous les motifs	90.41	0.76	80.24	0.77
Travail	17.25	0.33	15.54	0.36
Formation, école	5.46	0.18	4.48	0.18
Achats	13.16	0.27	12.72	0.28
Loisirs	45.23	0.65	41.65	0.65
Activité professionnelle et voyage de service	4.40	0.25	1.86	0.18
Services et accompagnement	3.57	0.14	2.99	0.14
Autres (y c. ne sait pas/aucune indication)	1.33	0.14	1.01	0.11

Base: 57 090 personnes cible (2015) et 55 018 personnes cible (2021)

source

By situating the warehouse nearby, Costco can not only reduce the real estate costs compared to the city center but also ensure the accessibility via the public transport system. Additionally, locating in these areas allows Costco to have a larger hinterland area for the stocking inventory and parking, which is another necessary element for its unique treasure-hunt shopping experience for customers.

After deciding the location of the first Costco store, Costco should pay more attention to its logistics system and the legal environment in Switzerland. With the knowledge of the local market from the co-partner, Costco should leverage the technology for effective delivery and inventory management in order to enhance overall customer satisfaction and shopping experience. And considering Switzerland's strict yet business-friendly legal environment, Costco should always make a priority to comply with local laws and regulations which are related to the business operations, labor rights and import/export procedures. Hiring legal experts and cooperating with the legal department of Migros can ensure compliance with the rules and regulations of the country. In addition to strictly following the legal provisions, Costco can also take advantage of business-friendly law in Switzerland to make its local operation and management in the country more effective.

Moreover, embracing the ethos of adaptability is another crucial step for Costco. Swiss people not only prioritize sustainability and product origin over price, but also used to buy small portions of products at a time. Thus, in order to better appeal to customers, cooperating with local farmers and engaging in strategic co-branding are two foundational steps for entering this new market. By sourcing and selling locally grown crops, Costco can not only guarantee the freshness and quality of fruits and vegetables but also foster a deeper connection with customers. Introducing innovative co-branded products with esteemed Swiss brands such as Rolex, Lindt or other renowned entities is also a way to create conversation-sparking offerings and enhance brand visibility in the Swiss market.

It is worth mentioning that building brand awareness will be vital for Costco's long-term success in the Swiss market. Participating in local events and conducting targeted marketing campaigns can both help establish Costco as a trusted and socially responsible brand within the new market. This can not only foster the connection between Costco and the customers, but also help Costco stand out from many local brands.

Last but not least, Costco could enhance its market entry into Switzerland by adopting sustainable practices in operations and supply chain management. This could include using energy-efficient

technologies in their warehouses, minimizing packaging waste, and integrating renewable energy sources. Emphasizing sustainability aligns with Swiss values and consumer expectations, potentially increasing Costco's acceptance in the market.

Conclusion

Costco's entry into Switzerland has a high potential for success. As mentioned in the market analysis, although it is a relatively small country with high competition, Costco's business model would bring a new perspective to retail. Importantly, Swiss customers are loyal to their brands. A membership model emphasizes brand loyalty even more, a fact that Costco should use to its advantage.

Two entry options came up in our minds - strategic alliance and greenfield investment. At first glance, both seemed reasonable, but upon further review, we found greenfield investment to be the better choice. Strategic alliance had major weaknesses. Costco's low-price strategy can only be achieved with high sales volumes and large physical stores.

As a result, a greenfield investment emerges as the optimal choice for Costco's entry into Switzerland, taking advantage of our knowledge of the market and aligning it with Costco's competitive advantages.

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