

# IS THE TREASURE HUNT STRATEGY WORKING FOR COSTCO?

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## ABSTRACT

*The purpose of this paper was to find out if Costco's "treasure hunt" strategy was effectively attracting customers and increasing spending per visit. It was an exploratory research to provide insights in the perceptions of Costco customers in reference to new, seasonal, and premium products ("treasure hunt") in their shopping habits, in comparison with purchasing regular items. An initial survey was developed for this purpose and sent to a sample of 150 individuals with a 55.33 % response rate (83 completed the survey), and a second survey was sent to the same sample to find out additional complementary information, this time with a 29% response rate. The results showed that only 4% of the sample population (that shop every three months at Costco) was predominantly attracted to these seasonal and premium items; however, all respondents agreed that these items are an important complement to the regular purchases, and that they increase their spending per visit. On the other hand, results also confirmed that these items do not necessarily increase the frequency of visits for Costco members of this group.*

**JEL:** D11, D12, M21, M31

**KEYWORDS:** Costco, treasure hunt, merchandising strategy, marketing, consumer behavior, shopping habits, strategy

## INTRODUCTION

The retail industry is becoming more competitive and traditional companies are struggling to survive, many have disappeared, including big companies like Mervyn's and Montgomery Ward (Corona, 2009). Four of the companies that compete intensely to attract more customers and increase sales and profits in the US are Walmart, Costco, Target and Sears, and each one has its own business model, follows a unique strategy, has different locations and store sizes, and generates different sales revenue. Each faces unique challenges and target markets, and uses distinct positioning strategies. Most of them operate on a global scale and confront different cultural challenges and adaptations to survive in an increasingly competitive landscape (Corona, 2009).

In order to compete successfully, Costco introduces its "treasure hunt strategy" as an innovative way to attract new customers, and make existing members shop more often. Jim Sinegal developed this strategy by offering premium and seasonal items. These includes fine crystal, famous names handbags, the latest in consumer electronics, plasma TV's, cashmere sweaters, gourmet cheeses, imported wines, leather jackets and lobster, to name a few. Costco's regular products include food, health and beauty items, tires, consumer electronics, wine, soft goods, groceries, and even caskets (Funeral Monitor, p.2, as cited in Chevalier, 2008).

The purpose of this paper is to explore how much of this "treasure hunt" strategy is really enticing customers to shop more often or buy more as a result of impulsive tendencies rather than cognitive perception.

This manuscript includes a literature review section to cite previous papers about the subject, a brief background of the company followed by the research methodology used in the survey. A supplemental section on the sample characteristics is included to justify the convenience selection process, and the data

analysis of the results. The conclusions are also included, followed by the references section and the two appendixes for both surveys employed.

## **LITERATURE REVIEW**

On a recent survey conducted by consumerreports.org to more than 6,903 subscribers, Costco ranked the highest of all retailers with 85 points (out of 100). Furthermore, for purchases of jewelry and clothes, subscribers buying at Costco were significantly more satisfied with the quality of these products, versus the other eight retailers (Kohl's, Target, JCPenney, Sears, Sam's Club, Macy's, Walmart and K Mart), including some more specialized in these products like JCPenney and Kohl's (Consumer Reports, 2009).

Costco's strategy has to do more with the context and impulse buying persuasion, which emphasizes the situation in which they place the products. Presumably, consumers have well-defined wants and preferences, but when influenced by others, a persuasion for change is effective. When their insights are not deeply rooted and preferences are unstable, the consumer is subject to the influence of context and reference groups (Simonson, 1993). "Consumer's preferences tend to be fuzzy and imprecise, and as a result the choices they make are susceptible to a variety of seemingly irrelevant influences" (Simonson, 1993). One of these irrelevant factors in Costco's strategy that can easily become a strong influence is the amount of products offered and the observable throngs of shoppers anxiously inspecting and purchasing those items.

Costco's key strategies consist of low prices, limited selection, and a treasure-hunt shopping strategy that generates excitement and surprise to the customer. The latter consists of having 1,000 items (out of 4,000 total) to be seasonal or specialty type of products that are constantly changing (Thompson, 2007). The purpose is to attract shoppers to buy more than they do otherwise by offering them irresistible premium items. "We try to get that sense of urgency in our customers," says Sinegal (Thompson, 2007). One of Sinegal's cardinal rules is to mark up by a maximum of 14 percent in all items, and 15 percent for private label, contrasting with supermarkets that mark up merchandise by 25 percent, and department stores by 50 percent or more (Greenhouse, 2005).

It also uses a "preemptive" approach to seasonal items, by being the first to offer products a few months ahead of the season, creating a "preemptive desire" and capturing sales away from and before the competition. The systematic view of persuasion emphasizes the cognitive process of persuasion and messages, whereas the heuristic approach gives less importance to the cognitive process and more to impulse persuasion (Chaiken, 1980). One of the most fascinating aspects of this strategy has to do with the concept of scarcity that is based on the idea that the customer will display a higher propensity to buy if they realize that a particular item may not be offered again next week. Costco is the world's largest seller of fine wine (Thompson, 2008).

## **COSTCO BACKGROUND**

Sinegal and Jeff Brotman founded Costco in 1983 in Issaquah, Washington, following the principles of the Price Club warehouse operations of bulk quantities and low prices. Together they built an empire of 544 stores in 40 states as well as eight countries of the world, with sales of \$ 72 billion in 2008 (McGregor, 2008). Costco is ranked 29<sup>th</sup> in the Fortune 500 list (up from 32<sup>nd</sup> place last year), and competing indirectly with the number one company in America, Walmart (with sales of over \$379 billion). Within the specialized retailers, Costco is second only to Home Depot, with 84.7 billion in sales, and has become the fourth largest retailer in the country and the seventh in the world (Boyle, 2006).

Costco's merchandising strategy has proven very effective by generating sales of \$918 dollars per square foot on average per year, compared with \$438 of Wal-Mart, and Sam's Wholesale Club (a division of Wal-Mart) with an estimate of \$552, and only second to Best Buy with \$941. However, the latter sells

mostly electronic items that tend to be rather pricey, and Costco averages include groceries, food, cleaning items and other low-price items (Boyle, 2006). Despite having 82 fewer outlets than rival Sam's Club has, Costco has \$ 20 billion more in sales.

The more than 50 million Costco members avidly shop an average of 22 times per year and more than a third have a household income of \$75,000 a year (Boyle, 2006). Not surprisingly, these customers have the financial means to buy more luxury items like expensive wine and plasma TV's, in addition to the regular food and cleaning items. This is what makes Costco so unique and it is usual to observe fancy, expensive, sport cars parked outside their warehouses across the nation.

In order to foster higher purchases more frequently, Costco uses the "treasure hunt" strategy. Moreover, they have a low-cost strategy of maximum of 14% margin on any item, as well as economies of scale due to the high volume of limited number of products (only 4,000 items per store, compared with 40K of some of its competitors). Their distribution system is very efficient too, especially now that they have a truck fleet for distribution to warehouses.

Even on the verge of an economic recession at the end of 2008, Costco's TV sales were up 50% versus the previous year, and traffic in the stores increased 2.8% although the average transactions declined by 7.5%, same as net sales by 3 percent (Wolf, 2008). This data validates how strong the preference for this type of "treasure hunt" products is for the Costco member, despite difficult times.

Regarding advertising, Costco has also broken all paradigms of traditional retailing by using the most inexpensive and effective way of promotion: word of mouth. They do not contract any newspaper, radio or TV ads (except when they have store openings) but are able to attract many customers that tell other friends about it (the buzz factor), thus creating a viral marketing effect that expands rapidly in any given community. Sinegal says, "Advertising becomes like a drug, once you start doing it, it is very hard to stop. We feel that the most successful type of Advertising is word-of-mouth. When people are saying good things about you, it is much more important that when you say them about yourself" (Davis, 2008).

Another rather innovative approach is the membership fees (an average of \$50/member), that reached revenue of \$ 1.1 billion dollars in 2006, which compensates for lower margins in all items, as mentioned before. These merchandising tactics combined can create a compulsion to shop at Costco, or a "Costco Addiction" that entices customers to shop more often. "Costco card-carrying legions come in droves, waiting anxiously in fancy foreign cars on Saturday mornings for the store to open. Carts in hand, they display a fervor not usually seen outside of houses of worship. Why? Because we all love a bargain and Lord help us if we miss one" (Boyle, 2006).

The Issaquah, Washington-based warehouse chain also implements a very effective approach in providing services outside the store to its members, such as kitchen counter-tops, garage doors, window blinds and curtains, carpet, automobiles and trucks (the auto-buy program in affiliation with local car dealers) as well as business services that include printing, insurance, accounting services, and others. Furthermore, its website is becoming a very important source of income for Costco, where members can buy a wider variety of products and services, including auto-insurance, travel, financial investing, payroll, and phone services (costco.com, 2008).

Costco has also been the pioneer in implementing customer lifetime value (CLTV) by adopting a return policy with no questions asked, which also helps generate more impulse buying, realizing that the customer can return the product later if he/she does not like it or is not fully satisfied. CLTV looks at the potential revenue from a customer based on an estimated number of years or loyalty, and thus makes decision based on the spectrum of revenues rather than the profit from each transaction (Thompson, 2008). Furthermore, Costco is one of the few stores that offer a three-month return policy in computers and electronics and a 24-hours free technical assistance for any electronic items purchased at the store.

## RESEARCH DESIGN AND METHODOLOGY

Malhotra (2007, 42) defines qualitative research as: “Unstructured, exploratory in nature, based on small samples, and may utilize popular qualitative techniques such as focus groups (group interviews), word associations, in-depth interviews and other exploratory research techniques such as pilot surveys and case studies.” A pilot survey was designed to test the hypothesis that the Costco members were especially attracted to the store as a result of new, seasonal and premium products and indulgencies, as mentioned previously, using a direct approach and an exploratory research methodology with a sample of 150 individuals (convenience sample). The basic research questions are: 1) How much are Costco members attracted to distinctive seasonal and premium items? 2) Do seasonal and premium items foster more frequent visits and larger disbursement each time?

The first survey consisted of ten questions (Appendix A) using a combination of word completion, multiple-choice, scale and dichotomous types of questions. The email surveys had a response rate of 55.33% of completed surveys. Questions included the shopping frequency habits, perceptions and attitudes about these products and their impact to increase the visit frequency to the store, as well as ranking of different lines of products, and demographic data. To gain a better perspective of their addiction level, one question addressed the degree of discomfort experienced by Costco members who did not find a seasonal or premium item when they tried to buy it again.

The second email survey (Appendix B) took place a few months later to the same population, but this time with only a 29% response rate. The ten questions on the second survey inquired about the population characteristics and options to shop at other competitors, as well as types of memberships held (basic, business, or executive) and amount of money spent per visit and per year, to complement the data from the first survey.

A pilot survey is a common method used in exploratory research to discover ideas and insights of a particular population (Malhotra, 2007). It offers flexibility and versatility to learn about a specific issue, as well as the basis of a future descriptive research, or to develop a new hypothesis. A pilot survey tends to be less structured and the sample used is much smaller, which is precisely the case for this paper.

## SAMPLE CHARACTERISTICS

We sent the pilot survey to 150 families and the sample for this study comes from 77 complete answers. It turns out that our sample of Costco customers is slightly male biased, clearly adult oriented and predominantly Hispanic. For the first survey, out of 77 respondents, 57% were male and 43% female. In addition, it is interesting to highlight that no respondent was less than 25 years old. In fact, 56% of the population surveyed was between 25 and 50 years old, and 44% were older than 50 years. The most relevant feature of this sample is that 70% were Hispanic and 24% Caucasian. Therefore, our exploratory study of Costco's treasure hunt strategy comes from a clear adult and predominantly Hispanic population.

## DATA ANALYSIS AND DISCUSSION

In order to evaluate how much regular or seasonal/premium items attract customers, we analyzed first the shopping pattern of our sample. Ten respondents (14%) declared that they shop at Costco 4 times per month and 25 of them (35%) shop 2 times per month. These two categories are roughly the frequent clients that go to Costco for 'regular' items and maybe some 'seasonal/premium' items. Then, we have 27 (38%) respondents that visit Costco once per month. This may be a good representation of the group that looks for 'seasonal/premium' items, or just a group with preferences similar to the preferences of the frequent clients but because of 'small' families, they do not need to go to Costco for regular items more than once per month. The next categories contain 3 respondents (4%) that visit Costco once each 3 months and 6 respondents (8%) that go to Costco only occasionally. These two groups are not regular

clients, so certainly seasonal/premium items more likely drive them, but it may be also that they are just looking for bulk items.

The first approach to distinguish these groups is by considering their own perception about why they shop at Costco. The second question in survey 1 revealed this self-perception, which is an open-ended, word-association question that asks for the first word that comes to mind when thinking of Costco. The results show that the most important reasons to shop there, irrespective of the frequency of shopping (once a week, every two weeks, once a month, every three months or occasionally), are price, quality, bulk items, service, and value. The price category includes the following answers: discount, cheap, bargains, low prices, competitive, and savings. Only 8% of responses (6 individuals) mention that seasonal and/or premium items are important reasons to shop at Costco.

In order to better understand the shopping patterns of our sample, we developed a cross tabulation of frequency of shopping and the important reasons to shop at Costco, shown as Table 1 below. To analyze this table, we distinguish three zones. The top zone includes the top three lines where the reasons mentioned by respondents are important or very important for 80% or more of the respondents. Then, price and quality, for instance, are important or very important for 100% of respondents that buy four times and 2 times per month at Costco. We think that the reasons included in this top zone are categories that strongly determine buying patterns at Costco.

The bottom zone includes the last three lines where the reasons mentioned by respondents are important or very important for less than 20% of respondents. We can see that food samples and seasonal items, for instance, are important for 0% of occasional buyers. We think that the reasons included in this group are not determinants of buying patterns. There is an intermediate zone between the top and bottom sections that includes reasons important for less than 80% and above 20% of respondents. We think that we cannot conclude if those are strong reasons to determine buying patterns without a larger sample and explicit statistical hypothesis testing. Therefore, we focus only on the top and bottom sections.

Given the previous framework, we conclude the following from the data in Table 1:

1. Price (p) and quality (q) are key for regular buyers (four and two times per month) and for once per month buyers. Price is still important for buyers who show up every 3 months, but not so for occasional buyers. Quality is not that relevant for the latter two groups.
2. In addition to price and quality, the most frequent buyers consider return policy (R) and service (Sr) as fundamental reasons to go to Costco, and are the only group that cares about service. The Return policy is also significant to attract buyers that shop once per month. Return policy makes sense with seasonal/premium items, so it seems the most frequent buyers and monthly buyers may be acquiring not only regular stuff but also seasonal/premium items.
3. However, the only group that directly recognizes that new and premium products (N and S) are very important is the clients that shop every 3 months.

Table 2 below presents direct results that address the seasonal and premium items. The group that buys once every 3 months is clearly the group that goes to Costco for this type of items. All of them, 100% say that seasonal and premium products are important or very important for them (Table 2, first question). These answers within the other groups are in the range of 53% and 59%, being the lowest for the most frequent buyers.

Table 1: Frequency of shopping at Costco and Important Reasons of Buying at Costco

Percentage	about once a week	about every two weeks	about once a month	every three months or so	ocassionally
100	P,Q	P,Q		P,N	
90-99	R		P,Q		
80-89	Sr		R		
70-79		R,L,V			P
69-69	L,V	N,Sr	L,N,V,Sr	R,L,Q,S,V	Q
50-59	S,N	S	S		
40-49					
30-39		F	F	F,Sr	L,N
20-29					
10-19	F				R,V,Sr
1-19					
0					F,S

*This table shows in the left column the percentage of customers that said, for instance, Price is the most important reason to buy at Costco. Customers are separated by the number of visits to Costco in the other columns, so groups are 'once a week,' or 'once a month.' The rectangle in the top shows the reasons mentioned by 80% to 100% of customers separated by buying frequency groups. The rectangle of the bottom shows the reasons mentioned by 0% to 19% of customers separated by frequency groups. The reasons are P (price), Q (quality); R (return policy); Sr (service), L (location); V (variety); N (new products); S (seasonal products) and F (food samples). Data comes from cross tabulation of questions three and eight of Survey 1.*

It seems that regular items rather than seasonal/premium items attract the most frequent buyers, not only on the previous results of frequency buying patterns, but also on spending patterns. As we can see in Table 2 (Question 2), only 23% of the respondents that visit Costco every week declared that seasonal/premium items represent more than 20% of their weekly receipt. However, for buyers that visit Costco once every 3 months, this percentage is 67%. Therefore, seasonal/premium items do not only attract buyers who visit Costco once every 3 months, non-frequent buyers, but they spend most of their purchases in these items. Regular items attract buyers that are more frequent and these account for most of their spending at Costco.

Finally, when the survey asked Costco buyers if seasonal/premium products make Costco more attractive than competitors, 70.1% of all respondents say that they agree or strongly agree (Table 2, question 3). However, this answer is 100% for once every 3 months buyers, 62% and 63% for frequent buyers (Table 2, question 3). Again, reinforcing the idea that non-frequent buyers are more attracted to seasonal/premium items than frequent buyers are.

The second survey revealed additional information including demographics, and results show that 63% of the sample had 3 to 5 family members, 30% had only two members, and the rest had more than five people in their families. Fifty-three percent of them were relatively close to the store (5 miles or less), 33% live between 6-10 miles, and only 13% were further away from a Costco warehouse. Regarding the type of membership in the sample, 54% had executive, 38% basic, and 8% had the business membership, which is consistent with the expected purchases for both business and personal (53% personal only and 47% both).

Regarding possible alternative options with Costco's competitors, 48% had other similar stores available within 10 miles from Costco, which means increased competition for the same target market. Fifteen percent had similar warehouse stores between 11-15 miles, and another 15% had other stores located 16-20 miles away. The rest did not know or were not sure, but only 27% were members of a similar warehouse store. Fifty percent of the respondents have access to use a car, 37% can use a van, and 13% can use pickup trucks.

Table 2: Cross-table Questions for Seasonal and Premium Items

<b>COSTCO offers seasonal products before other retailers, as well as new products, specialty products, imported goods, fancy wines, etc., which are not your "regular" shopping products. Please rate how important is this to make you go to COSTCO.</b>							
<b>How often do you shop at COSTCO?</b>							
<b>Answer Options</b>	<b>about once a week</b>	<b>about every two weeks</b>	<b>about once a month</b>	<b>every three months or so</b>	<b>ocassionally</b>	<b>Response Percent</b>	<b>Response Count</b>
Very important	2	3	7	1	0	16.9%	13
Important	5	13	8	2	0	36.4%	28
Somewhat important	6	9	4	0	2	27.3%	21
Neutral	0	1	3	0	2	7.8%	6
Not important	0	1	5	0	3	11.7%	9
total answers	13	27	27	3	7		77
<b>important and very important (%)</b>	<b>53.8</b>	<b>59.3</b>	<b>55.6</b>	<b>100.0</b>	<b>0.0</b>	<b>53.3%</b>	
<b>What percentage of your typical COSTCO purchase is comprised of new-to-the-store or seasonal items?</b>							
<b>How often do you shop at COSTCO?</b>							
<b>Answer Options</b>	<b>about once a week</b>	<b>about every two weeks</b>	<b>about once a month</b>	<b>every three months or so</b>	<b>ocassionally</b>	<b>Response Percent</b>	<b>Response Count</b>
0 to 10%	8	11	16	0	5	51.9%	40
11 to 20%	2	8	5	1	1	22.1%	17
21 to 40%	3	6	6	1	1	22.1%	17
41 or more	0	2	0	1	0	3.9%	3
answered question	13	27	27	3	7		77
<b>0 to 20%</b>	<b>76.9</b>	<b>70.4</b>	<b>77.8</b>	<b>33.3</b>	<b>85.7</b>	<b>74.0%</b>	
<b>Above 20%</b>	<b>23.1</b>	<b>29.6</b>	<b>22.2</b>	<b>66.7</b>	<b>14.3</b>	<b>26.0%</b>	
<b>The fact that COSTCO has new, seasonal and ever-changing products makes it more attractive than other similar retailers</b>							
<b>How often do you shop at COSTCO?</b>							
<b>Answer Options</b>	<b>about once a week</b>	<b>about every two weeks</b>	<b>about once a month</b>	<b>every three months or so</b>	<b>ocassionally</b>	<b>Response Percent</b>	<b>Response Count</b>
Strongly agree	2	5	4	0	0	14.3%	11
Agree	8	17	12	3	3	55.8%	43
Indiferent	3	3	8	0	4	23.4%	18
Disagree	0	2	2	0	0	5.2%	4
Strongly disagree	0	0	1	0	0	1.3%	1
answered question	13	27	27	3	7		77
<b>Agree and Strongly Agree (%)</b>	<b>61.7</b>	<b>63.1</b>	<b>44.6</b>	<b>100.0</b>	<b>42.9</b>	<b>70.1%</b>	

*This table presents the answers of 77 respondents to three specific questions about seasonal and new-in-store products. Data is provided below each question: the answer options are on the left column, customers are separated by buying frequency, and the number of respondents is in the right column. The rows in red are the sum of the first two numbers in each column expressed in percentages.*

In reference to the amount of money spent per visit, 43% responded they spend between \$ 100-200, 33% less than \$ 100, and the rest spend more than \$ 200 per visit. On a yearly basis, 30% of the responses stated they spend less than \$ 1000 a year, 15% between \$ 1000-3000, another 30% spend between \$ 3000-5000, and 25% of the sample spend more than \$ 5,000 dollars a year. Two of the respondents to this question said they buy more than \$ 15 000 a year in Costco.

## CONCLUSION

The purpose of this paper was to explore how much of Costco's treasure hunt strategy is effectively enticing customers to shop more often or spend more money as result of impulsive tendencies rather than

cognitive perception. After recognizing that the hunt strategy was based on seasonal, new-in-store products and premium items, we use a qualitative research survey to answer two research questions: How much are Costco members attracted to distinctive seasonal and premium items? Do seasonal and premium items foster more frequent visits and larger disbursement each time?

The results for the first question from a sample dominated by adult Hispanic population shows that only buyers who visit the store once every three months proved our research question regarding the “treasure hunt” strategy to attract customers to shop more frequently. It demonstrated that impulse tendencies were stronger than cognitive perception for this group, but not for the other more frequent buyers.

The answer for the second question regarding seasonal/premium items fostering more frequent visits and higher expenditure per visit has two parts. On the one hand, we can say with certainty that these items do not promote more frequent visits because it is the once every 3 months group of buyers that is strongly attracted to it. The more frequent buyers just find a complement but not a strong reason to go there. On the other hand, tickets amounts are higher because of these items for all groups. This is also valid for the frequent buyers that spend 23% of their expense on seasonal/premium items. Therefore, we can imply that the seasonal and premium items do increase the total purchases per visit, but not necessarily the frequency of visits.

The group that seems to be very attracted to seasonal/premium items is not big respect to the others, only 4% of our sample. The bulk of Costco clients in our sample dominated by Hispanic adults are buyers that shop twice per month and once per month. The average visit is 20 times per year, just a little bit below the 22 average mentioned by Boyle (2006) for a Costco members. Price and quality are very important for our sample but not seasonal/premium products. It may be that price or a combination price/quality and limited selection of regular items is enough arguments to entice buyers to buy more frequently, or that the combination price/quality of bulk items is the argument of competitive advantage against close competitors that may only have price advantage. There is no doubt that seasonal/premium items generate some level of excitement for all Costco members but the effect on incremental demand seems to be still marginal.

One possible limitation of this research was the sample population based on convenience sampling selection. As we already mentioned, this sample was mostly Hispanic male adults. It could be interesting to find evidence that shopping habits of this sample significantly differs from the rest of Costco members. It could be also interesting to research if gender is relevant in these results.

This exploratory research supports the possibility for developing the hypothesis that “the treasure hunt merchandising strategy implemented by Costco is a determining factor in increasing store sales for the non-frequent buyers.” A subsequent descriptive, conclusive research study will be necessary to test that hypothesis with a larger sample.

## APPENDIX

### Appendix A: Survey One

1. Do you shop at COSTCO? If you answer "No, never", you have completed the survey so please click submit at the end and thank you for your time.
  - a. Yes
  - b. No
2. What is the first thing that comes to mind when you think of COSTCO? (using word completion)
3. How often do you shop at COSTCO?
  - a. About once a week
  - b. About once every two weeks
  - c. About once a month
  - d. Every three months or so
  - e. Occasionally
4. Please rate the reasons why you like COSTCO: (using Likert itemized ranking scale of very important, important, somewhat important, neutral, not important)
  - a. price
  - b. location
  - c. quality
  - d. new and exciting products
  - e. seasonal items
  - f. service
  - g. variety
  - h. return policy
  - i. food samples
5. COSTCO offers seasonal products before other retailers, as well as new products, specialty products, imported goods, fancy wines, etc., which are not your "regular" shopping products. Please rate how important this is to make you go to COSTCO (using Likert itemized ranking scale of very important, important, somewhat important, neutral, and not important).
6. What percentage of your typical COSTCO purchase is comprised of new-to-the-store or seasonal items?
  - a. 0 to 10%
  - b. 11 to 20%
  - c. 21 to 40%
  - d. 41% or more
7. Rank the following COSTCO categories as one for the most important, two for the following, and so on, until seven to the least important category/product (possible responses one to seven ranking)
  - a. Books/DVD/CD
  - b. Clothing
  - c. Electronic items
  - d. Imported food
  - e. Plasma and other TV's
  - f. Sporting goods
  - g. Wines
8. The fact that COSTCO has new, seasonal and ever-changing products makes it more attractive than other similar retailers do.
  - a. Strongly agree
  - b. Agree
  - c. Indifferent
  - d. Disagree
  - e. Strongly disagree
9. How upset does it make you when you go to COSTCO to get a particular item and you realize they no longer carry it?
  - a. Very upset
  - b. Upset
  - c. Neutral
  - d. It is the way they operate
10. Your demographic information
  - a. Gender – male or female
  - b. Age bracket
    - i. Less than 25
    - ii. 25 to 40
    - iii. 40 to 50
    - iv. 50 to 60
    - v. More than 60
  - c. Ethnic background
    - i. Caucasian
    - ii. African-American
    - iii. Hispanic
    - iv. Pacific islander
    - v. Native American
    - vi. Other

Appendix II: Survey 2

1. How many people are in your household?
2. How many miles (approximately) does it take you to travel to Costco?
3. How many miles is it for you to an alternate Club (Sam's, BJ Wholesale or others)?
4. Do you have a membership in more than one club?
5. What is the largest vehicle regularly available to you?
6. What type of membership do you have?
7. Do you shop at Costco primarily for Personal or business purposes?
8. Approximately how much money do you spend each year at Costco?
9. Approximately how much money per visit do you spend (in dollars) at Costco?
10. What is your percentage of total purchases at Costco? (Including not only food and cleaning items, but also electronics, clothing, Gifts, and so forth)

Appendix III: Demographics

Demographic Information							Response Count
<b>Gender</b>				<b>male</b>	<b>female</b>		
Responses				44	33		77
<b>Age Bracket</b>		<b>Less than 25 years</b>	<b>25 to 40</b>	<b>40 to 50</b>	<b>50 to 60</b>	<b>More than 60</b>	
Responses		0	24	19	23	11	77
<b>Ethnic Background</b>	<b>Caucasian</b>	<b>African-American</b>	<b>Hispanic</b>	<b>Pacific Islander</b>	<b>Asian-American</b>	<b>Native American</b>	<b>Other</b>
Responses	18	1	53	1	1	0	2

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