

Thinking

Outside The Big Box

As **Costco** marks its 25th year, straight-talking **CEO Jim Sinegal** shares his two cents on sustainability, the economy, universal health care, and what our next president should do.

By Jeff Chu
+ Kate Rockwood

Photographs by
Annie Marie Musselman



Busy in Seattle
Costco's same-store sales were up 9% in August; its e-commerce is growing even faster.



Retail renegade
Costco CEO and cofounder Jim Sinegal says he bought a shirt at Sam's Club—but just to compare it with Costco's.

F Flat-screen TVs, wedding rings, mini-quiches, gallon jugs of mayo—and, of course, free samples. America's fourth-largest retailer, which opened its first warehouse store 25 years ago this fall, is booming. Wall Street grumbles that Costco cares more about its customers and employees than its shareholders; it pays workers an average of \$17 an hour and covers 90% of health-insurance costs for both full-timers and part-timers. Yet revenues have grown by 70% in the past five years, and its stock has doubled. In typically blunt language, cofounder and CEO Jim Sinegal makes his case for why "big box" and "progressive" aren't mutually exclusive.

You answer your own phone, you send your own faxes, you talk to customers and employees. What motivates you to stay involved in the details of the business?
Because I love it. I've been doing it all my life, and it's my style. That doesn't mean it's the right style or the style that works for everybody, but it's my style.

You recently announced that August same-store sales were up 9%, yet Wall Street analysts were unhappy because

you hadn't met their expectations.

You know, that has nothing to do with reality. Analysts put their own numbers on things, and we can't help them there. We think that 9% in the state of this economy is pretty good.

Some of those analysts have argued that Costco's generosity to its workers hurts the company and its shareholders.

You have to recognize—and I don't mean this in an acrimonious sense—that the

people in that business are trying to make money between now and next Thursday. We're trying to build a company that's going to be here 50 and 60 years from now. We owe that to the communities where we do business. We owe that to our employees, that they can count on us for security. We have 140,000 employees and their families; that's a significant number of people who count on us. We owe it to our suppliers. Think about the people who produce products for us—you could probably multiply our family of employees by three or four times. And we owe it to our customers to continue to offer good prices. Our presence in a community makes pricing better throughout that community because when you have a tough competitor in the marketplace, prices come down.

Could we talk about your competition for a minute? Would you be willing to play a little game for us? Costco is to Sam's Club as _____ is to _____.

You're not going to get me to fall for that one. Listen, Sam's is a very formidable competitor. They're part of Wal-Mart. That's the biggest corporation ever in the world in terms of sales volume, and continuing to grow. They've made significant improvements to their Sam's operation. We watch them like a hawk. Hardly a week goes by that I'm not in a Sam's.

Do you buy anything?

I think I purchased one of their men's dress shirts one time, because I wanted to test it in comparison to ours. But I don't buy anything for consumption.

And obviously yours was better.

That's the reason I'm telling you the story [laughs]. No, I mean, we feel it's better. You know, you have to be careful not to delude yourself in what you're putting into a product. The final analysis is, the customers vote at the checkout.

What's the first thing you look for when you go into a Costco?

I try to approach the visits from the standpoint of a customer. Does the building have the right goods out? Is it well-stocked and clean and safe? Nothing is a bigger turnoff than poor housekeeping, most particularly in a place where you have food. Also, when you have a sloppy building, I can guarantee you're going to have high shrinkage [pilfering and shoplifting].