

Case study assignment: COSTCO

1. Objectives of the case work

- to understand the background of the warehouse club industry;
- to understand the challenges that foreign retailers face upon entering the Chinese market;
- to analyze the viability of the strategies adopted by COSTCO in their international retail expansion;
- to compare the localization and standardization approaches in international expansion.

2. Assignment questions

1. Examine the growth drivers of the Chinese warehouse club industry;
2. Define the target market for COSTCO in China and assess its attractiveness;
3. Analyze the expansion of COSTCO in China;
4. Provide the arguments and your recommendation for implementation of localization vs. standardization strategy in the future expansion of COSTCO in China.

3. Analysis

Begin your case study analysis with examination of the warehouse club industry in US and China – what are the key supply- and demand-side trends in the industry, who are the leading retailers in warehouse clubs in US and China, what are the categories of products offered by the key players. To understand the background of Chinese warehouse club industry you could use Michael E. Porter's "Five Forces Model". After the analysis of growth drivers for the warehouse clubs in China, compare and analyze COSTCO's strengths and weaknesses with those of the competition.

Then, identify and define the target market for COSTCO in China: who are the target customers, what are their common characteristics. Assess the development stage of the market: is the new market at the emerging or mature stage (think from the perspective of local laws and regulations, the political environment, infrastructure, and supply chains). Identify the company objectives and criteria for accomplishing them in the target market.

Then, evaluate the method of entry to the new market chosen by COSTCO in China. To facilitate your analysis, you could use four universal market entry strategies mentioned by Peter F. Drucker in 3rd part of his book "Innovation and Entrepreneurship" (New Jersey: Wiley, 2015) and an article by Joseph C. Picken (2020) Strategies for entering new markets: A framework for choice and decision. *Organizational Dynamics*, 49: 1-14.

Finally, analyze whether implementation of the localization or standardization strategy would be more beneficial for COSTCO in China. Take into account different stages of international expansion. Consider COSTCO's future plans in China.

To facilitate your analysis, you could use the following reading material:

Pankaj, G. (2001) Distance still matters. The hard reality of global expansion. *Harvard Business Review*, 79(8): 137-162.

Drucker, P. F. (2015) *Innovation and Entrepreneurship*, New Jersey: Wiley.

Picken, J. C. (2020) Strategies for entering new markets: A framework for choice and decision. *Organizational Dynamics*, 49: 1-14.

4. Group case study report

Your group case study report needs to consist of three parts: (1) Introduction, (2) Analysis, and (3) Solution. In the introduction, describe the case in brief, provide a description of broader economic and industrial context the case takes place in, and outline the objectives and structure of your analysis. In the analysis, follow the steps guided by the *Assignment Questions* provided in section 2. In the solution chapter, provide managerial recommendations and conclusions driven by your in-depth case analysis.

The length of the report should not exceed 5 pages (font 12, line spacing 1,0, reference style APA). The report is due by midnight on **26 November 2023 (Sunday)** and should be submitted only once by any of the group representatives through MyCourses.

5. Group case study presentation

The results of your group case study analysis are going to be presented in the class on **30 November 2023 (Thursday)**. You will have 20 minutes to present your work. The structure of the presentation could be the following: (1) Summary of the case, (2) Analysis, (3) Solution.

The discussion of the case is going to be facilitated by a group of opponents, i.e. another case study team assigned by the course instructors.