Costco Canada Today

• 4th Largest retailer in Canada

• Sales $15.1 B

• # of Employees: 24,850

• # of Cardholders: 10,008,000

April 2013
Costco Today

626 Warehouses Worldwide

449 – US  9 – Korea
85 – CN  9 – Taiwan
23 – UK  15 – Japan
33 – MX  3 - Australia

April 2013
Costco Today

• Typical Costco warehouse carries approximately 4,000 items for sale
  – Fresh foods, groceries and sundry items
  – Electronics, appliances, housewares
  – Apparel, books, health and beauty aids
  – Gas stations, optical, hearing aid, tire and photo centres, and pharmacies

• Top quality national brands, as well as Kirkland Signature
Costco Today

- 17.54 million hot dogs sold in Costco Canada in FY 2012

HOT DOG
1/4 lb. ALL BEEF AND POP
20 oz. (with refill)

1.50
Costco Today

• Fresh Foods and Food Service includes the following departments:
  • Meat
  • Bakery
  • Service Deli
  • Food Court

• Represent 17% of total warehouse sales

• Known for its high quality food items
Risk analysis is defined for the purposes of the Codex Alimentarius Commission as “A process consisting of three components:

1. Risk assessment
   - Hazard identification and estimating the risks
2. Risk management
   - Identifying and implementing appropriate measures to control the risk
3. Risk communication”
   - Communicating information about the risks and the control measures applied.
Retail - Risk Management

Supply Chain – Product Flow

- Food Safety is crucial at all points along the supply chain, from farm to fork.
- Retailers are the last line of defense before food reaches the consumer.
Retail - Risk Management

• The retail industry has a responsibility for the safety of the products it produces or brings into the market.
Today’s consumer

- More knowledgeable and discerning about product safety
- Expect food to be safe (zero risk)
- Look for health or safety certifications
- Pushing retailers and manufacturers to improve their food safety practices
- Expect clearer product labeling, traceability and transparency
Consumer Expectations

- Consumers demanding fresher foods
  - Increasing importance of foods of plant origins
  - Importation of food and ingredients globally
Consumer Expectations

- Consumers spend less time preparing food at home
  - Ready-to-eat foods
  - Ready-to-heat or ready-to-eat meals
Consumer Expectations

- Consumer demand for ethnic foods
  - Importation of food and ingredients globally
  - Consumption of raw (sushi) or lightly cooked food
- Organic or “healthier” food choices
Retail Council of Canada

- Major grocery retailers participate on various food safety and procurement committees
- Jointly developed the Retail HACCP Program
  - Generic retail HACCP plan
  - Retail food safety best practices, checklists, templates
- Developed the Retail Listeria Program
  - Developed / updated retail best practices
- Developed retail-specific *FoodWise* food safety training program
Retail - Risk Management

Retail Food Safety Programs

- *FoodWise* Food Safety Training
- HACCP Guide for Retailers (CFIG/CCGD)
- HACCP Guide for Distribution Centres
- Retail Guidance Document – Pathogen Control in RTE Refrigerated Foods (including Lm)
- Pandemic Preparedness Guide
- Nutrition Labeling Reference Guide
- Supply Chain Food Product Recall Manual
Retail Supply Chain Food Safety

- Vendors should provide a food safety audit or GFSI certification
- Includes a supplier program for their vendor’s suppliers
Costco Vendor Program

- Our Buyers purchase food, ingredients and packaging material from reputable sources that are inspected by the appropriate level of government.
- Annual food safety audits required:
  - Processing facilities
  - Distributors
  - Farms and ranches
- Calibration audits
Costco - Risk Management

• Costco’s Vendor Requirements:
  – Mandatory annual food safety audit or GFSI certification
  – HACCP program in place
  – Foreign metal detector, preferably X-ray
  – Program in place to approve and monitor their suppliers
  – Test and hold program for select high risk foods and most ready-to-eat foods
• Our vendors are our partners in business
  – For us to prosper as a company they must prosper with us
  – Establish clear standards and expectations
  – Continuous improvement
    • Product quality
    • Food safety program
Costco - Risk Management

Costco Food Safety Audits and Inspections

• Our vendors and consumers expect us to prepare and handle food in a safe manner
  – Internal food safety audits, operations and facility audits
  – Daily food safety inspections
  – Monthly self audits
  – Refrigeration temperature checks
  – Sanitation and pest control
Costco Food Safety Training

• Managers, assistant managers, supervisors and fresh department leads are certified at the management level every 3 years (22-30)
• Food handlers are trained and certified annually (web training and exam)
• Ongoing hands on training
Food Court
Consumer Incident Reports

- Food items produced at Costco
  - Are fully investigated
  - Cooking and refrigeration
    temperature logs are reviewed
    where applicable
  - Identify root causes
  - Implement corrective actions
  - Preventative action
Consumer Incident Reports

• Vendor food and non-food items
  – Reviewed with our vendors
  – Tracking of vendor complaints
  – Many require investigation by the vendor
    • Root cause analysis
    • Corrective measures
    • Preventative action plan
Costco - Risk Management

Product Recalls (Class 1 and 2)

- Product is immediately pulled
- An administrative block is applied at the cash register
- A query is run to identify the members who purchased the recalled item
- Our members are notified of the recall by telephone, usually within a few hours
- Option to mail recall letters
- Typically we reach 85% to 95% of our members
Quality Assurance

• Testing of private label food items (Kirkland Signature) on a quarterly basis
  – Physical tests
  – Chemical tests (third party)
  – Microbiological tests

• Work closely with our vendors to establish product specifications and verify compliance

• Environmental sampling program
Costco - Risk Management

Crisis Situations

• Emergency planning
  – Ongoing process to prevent, mitigate, prepare for, respond to, and recover from a serious incident
  – Natural disasters (ie, earthquake, tsunami, flooding)
  – Power outages and water supply issues
  – Supply chain interruption

• Disaster recovery and business continuity planning
  – Ongoing process to identify the impact of potential losses and maintain viable recovery strategies and plans, and the continuity of services
Costco believes that food safety is a priority and all food products should be “HANDLED WITH COSTCO CARE.”

Questions?

Thank you!