**PROPOSAL FOR REDUCING RICHMOND KOSTCO PARKING TRAFFIC**

For

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**Abstract**

With over 770 locations around the world, Kostco continues to grow as an industry-leader in the retail and wholesale space. With its own in-store Kirkland Signature brand, an expanding involvement in the community, and a sprawling CDN$15 billion in sales each year, it continues to attract all populations alike. Foot traffic in Richmond. BC’s Kostco warehouse continues to rise, often reaching 5000 to 6000 per day. The warehouse sits in a prime location within the city, attracting drivers from nearby highways and cities, too.

Kostco is efficient in identifying and solving problems regarding member relations and any decision that may affect their members. Kostco’s current parking system, however, is time-consuming and often a barrier for members who wish to shop at the popular wholesaler. By examining methods to manage parking issues, the Richmond Kostco location may attract even more members.

In order to simply and improve the current parking-related issues, Kostco should consider the following recommendations:

* Implementing a delivery system, with delivery charges waived with a minimum purchase
* Offering exclusive promotions to members that carpool or use transportation methods other than driving
* Offering promotions during specific periods throughout the week towards people that use public transportation

**Introduction**

The Kostco Wholesale location in Richmond, BC expects, and often exceeds, a daily foot traffic of 6000 customers. On a typical weekend, an average of 660 customers walk through Kostco through a given hour and spend over an hour shopping. Meanwhile, the location only has about 650 parking stalls, often not enough for the hundreds of members shopping at the same time. Members frequently express frustration in the parking delays, while others opt to park around neighbouring streets, risking a parking ticket. More members are turning to online shopping for non-grocery needs, which ultimately results in a loss for the warehouse.

Given the warehouse’s prime location and transit accessibility, the General Manager may consider implementing a delivery service which directly benefits the warehouse, and offering environmentally-friendly-driven promotions to balance the weekend traffic towards other days.

Environmentally-friendly-driven promotions would involve any ideas to promote a greener Kostco. These ideas would have to benefit the planet, while encouraging members to turn towards greener solutions to their everyday needs. These may include exclusive discounts to individuals who carpool or individuals who travel by public transportation or other means. This may also include exclusive discounts to individuals who provide their own containers or mugs to use when ordering from the food court. members to use alternative transportation methods or to carpool with others.

Current members who frequent the Richmond Kostco location want a smoother, more time-efficient experience parking and shopping at Kostco.

This report investigates the feasibility of various solutions to improve Richmond Kostco’s parking system.

**Data Section**

**Key Factors Affecting Parking System Changes**

 **Costs Involved in Delivery System**

To implement a delivery system, Kostco must employ staff to gather the chosen items, drivers to deliver the goods, and management to direct and further develop the delivery system. The following is a breakdown of costs per day, based on typical salary and staffing:

* + 5 staff gathering chosen items during opening hours - $750-1000
	+ 5 staff delivering goods - $750-1000/day
	+ Fuel cost – $300-500
	+ 1 manager overlooking services - $250-300

The total cost per day would be around $2050- 2800 per day. A base charge of $25 for members in the lower mainland looking for a delivery would cover the cost of service if a minimum of 100 members ordered deliveries. A minimum threshold for a free delivery would be set at $750 to encourage business to order through the warehouse.

Kostko Wholesale would only profit from the delivery if more than 100 people ordered through the system.

 **Costs Involved in Offering Promotions**

Implementing a discount for food court patrons who provide their own containers for food would help reduce the cost of purchasing food packaging. Because the food packaging is purchased in bulk, Kostco may reduce it’s environmental footprint if a minimum of 500 food items are provided in reusable containers. Otherwise, Kostco would still need to order the same amount of supplies.

 **Member Feedback and Needs**

Members were surveyed on a Sunday and Monday to determine member feedback. A total of 152 members were surveyed on the Sunday, and 149 on the Monday, bringing the total to 301 surveyed members.

  **Time Spent as a Member**

Survey results indicate that most shoppers have spent between 1 to 5 years as paying members (Figure 1). In addition, 82 customers indicated that they became members for less than 1 year, while only 59 have had a membership for over 5 years. Meanwhile, 44 customers did not have a membership at the time of the survey, and were instead borrowing a friend’s or relative’s membership, or were only visiting the pharmacy, which requires no paid membership.

**Figure 1: Figure 2: Figure 3:**

 **Type of Membership**

A slightly higher number of members indicated they have Executive memberships rather than Goldstar memberships (Figure 2). Only a few indicated they have business memberships. These results indicate that members prefer the perks that come with the more expensive Executive membership.

 **Shopping Frequency**

Survey results indicate that most members shop one or more times per week at Kostco (Figure 3), while slightly fewer shop ever two weeks. Very few members shop a few times a year, or once a month. These results indicate that most members return frequently, and are dedicated to shopping at Kostco.

 **Shopping – Time of Day**

Survey results indicate that most members shop during after school hours (Figure 4), with slightly less shopping during opening hours. The least amount of members shop late in the evening, instead preferring to shop earlier in the day.

**Figure 4: Figure 5: Figure 6:**

 **Shopping – Day of Week**

Most members indicated that they shop on the weekends, with very few shopping Tuesday to Thursday (Figure 5). This indicates that Kostco’s current traffic is more concentrated on specific days, rather than throughout the week.

 **Opinions on Kostco Parking**

Members were given the following four options to select:

* 1. ample parking space
	2. able to find parking within reasonable time
	3. difficult to find available parking
	4. difficult to find parking, and causes problems and delays

The letter of the option corresponds to responses in Figure 6. Most members indicated that they had trouble searching for parking, which causes problems and delays. Members who selected “A: ample parking space” expressed that they choose particular hours to shop where parking is largely available.

 **Transportation Methods Used**

As shown in figure 7, most members use their personal vehicle to commute to Kostco Wholesale. Very few members opt to bike or use business transportations.

**Figure 7: Figure 8: Figure 9:**

 **Online Shopping Frequency**

Figure 8 shows the online shopping trends, with many members choosing to shop online a few times a year. Seventy-eight members, however, do not shop online. Those that shop more than once a week are affiliated with businesses.

 **Opinion on Delivery Service**

Most members indicated that a delivery service would be of interest to others, but not to themselves (Figure 9). Slightly fewer members indicated it would be of interest to themselves, and only 49 said it wouldn’t be of interest to anyone.

 **Shopping in Different Weather Conditions**

As shown in figure 10, most members opt to shop when the weather is sunny or cold. Slightly fewer shop when it’s rainy or windy, and very few shop when it’s snowing. Members were allowed to select as many options that applied, so the numbers are inconsistent with previous tables. Only 98 members indicated that they shop in rainy weather. Considering it is usually raining in Richmond, BC, this Kostco location would be a good candidate for online delivery to boost sales and traffic on rainy days.

**Figure 10:**

**Methods to Check Eligibility for Promotions**

Promoting a “Bus to Kostco” or “Carpool to Kostco” timeframe on a less crowded day, such as Tuesday or Thursday, would help reduce the weekend traffic and instead concentrate it during specific hours. For members that bus, they would need to show the cashier their tap log through the Translink Compass Card website. The tap log would indicate their last tap out. For members that carpool, they must enter Kostco together in order to receive a one-time use promotional card.

The promotions offered could be a $50 discount if members reach a $500 threshold, or $20 for a $250 threshold. Promotions could also be exclusive discounts off of specific Kirkland Signature products, or a free item if members reach a minimum amount such as $150 or $200.

**Management Feedback**

The general manager and assistant manager of the Richmond Kostco location were interviewed to assess the feasibility of providing a delivery service and environmentally-friendly related promotions. Both managers agreed that ample parking space is important to members, noting that “Members who cannot find parking easily will often leave or complain.” When asked about any changes that have already been made, they said the previous general manager had already “applied to the city to increase parking capacity to include surrounding streets, so members would not be ticketed.” While some surrounding streets can be used for parking, not all of them can. “Lots of members complain that they were ticketed for parking on a nearby street,” explains Mark, the store manager.

The managers agreed that a delivery system would be efficient and cost-effective, however, Mark notes that “Costco is already implementing a delivery system that would work out of a regional warehouse.” The sales would not directly benefit the individual Richmond warehouse, and therefore a Richmond Kostco delivery system would compete with the regional one. “It just wouldn’t happen,” noted Mark. “Head office wouldn’t let us compete with the regional system.”

However, the managers were lured by the ideas of specific promotions. “Other stores already do that in some form, such as Senior Thursday at Shoppers Drug Mart or free items after a minimum threshold is met at Superstore. Their systems are very effective at reallocating foot traffic to less busy days, and that is definitely a possibility for us, too,” notes Mark. The only difficult part, he says, would be “checking member eligibility and implementing the promotion and training staff.” It would take a while for changes to be implemented, however both managers believe it is definitely a possibility.

**Conclusion**

**Summary of Findings**

Survey results and management interviews indicate that members are overall dissatisfied with parking availability. The findings also indicate that the weekends are busiest at Richmond Kostco, whereas Tuesday to Thursday are less popular shopping days. In addition, most members only shop in sunny, cold, or windy weather conditions, thereby affecting the foot traffic throughout the week on rainier days. The interviews with managers indicate that Kostco is already implementing a regional delivery system, but that it would not directly benefit the Richmond warehouse.

**Interpretation of Findings**

The findings suggest that a warehouse-specific delivery system is not possible, but promotional offers for environmentally-friendly initiatives can be implemented. Offering promotions during quiet hours, such as Tuesday evenings, would encourage more members to shop during that time. In addition, Kostco would need to look into implementing the changes, such as staffing levels, training, and checking for member eligibility. The managers agreed that it would take a while for any changes to take effect, because the warehouse must first assess its loss, and whether it can financially handle further promotions.

**Recommendations**

In order to increase parking space on weekends and busier time-frames, Richmond Kostco can implement the following changes:

1. offer promotions to members that carpool, bike, or use transportation during specific time-frames
2. Promote the regional delivery system once it’s in place to turn slower shoppers to the service

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