



University of South Florida Undergraduate Students
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Date: 11/13/2022

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Superintendent of the University of South Florida

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Subject: Recommendation Report in support of the on-campus Costco

Attached to this report is a proposal to add a more cost-efficient supermarket on campus. This 1-year plan would include a Costco located near the research park in between USF Orange Dr. and Sycamore Dr. The new addition would create benefits for all future and current students who attend the University of South Florida. The data includes recent inflation rate risings in Tampa that can be seen in prices around the school. Students who have been negatively impacted by this situation are struggling to keep up with grades and their education, they are in desperate need of a solution. Implementing a Costco could be the key to this issue. Within the report, we talk about the differences that can be seen with this supermarket along with a plan of action that includes finances, location, building structure, and Time. This can be the change the school needs.

The University of South Florida

Implementation of a Cost-Beneficial

Wholesale Corporation

A Recommendation Report

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Table of Contents

Introduction.....	Page 1
Current Standings.....	Page 2
Students Reaction to Inflation.....	Page 2
The Price Students Pay for Goods.....	Page 2
Solution.....	Page 3
Costco and the Benefits of Putting One on USF Campus.....	Page 3
Membership Loyalty.....	Page 4
Costco Breakdown.....	Page 5
Location.....	Page 5
Design Development.....	Page 6
Finances.....	Page 6
Processing Time.....	Page 7
Issues and Concerns.....	Page 7
Conclusion.....	Page 7
References.....	Page 9

Abstract

The city of Tampa, alongside most cities in Florida, has had an overall spike in the cost of living. A key stressor in the life of a university student is their finances, and with the current rate of inflation that stress has only gotten larger. To be a successful student, necessities need to be met, such as housing, food, and transportation.

A university's number one goal should be to facilitate a healthy environment and set up success for its students. A university campus is an ecosystem in which its facilities and amenities directly affect the health of its faculty and students. Therefore, a facility that can meet multiple basic human needs will help alleviate stress and improve a university environment.

Different corporations and types of grocery stores were compared in regard to affordability, wholesale clubs were found to have the best pricing per unit. The implementation of a cost-beneficial wholesale corporation, such as a Costco, is a solution to the current financial stress on students. An on-campus wholesale store brings a large array of benefits from affordable food, services, and employment. The implementation of an on-campus Costco can also bring income to a university as the land needs to be leased to the company. These combined benefits create a healthy university environment, directly improving the quality of the average student and of the university.

Introduction

The best way to reduce the financial struggle for students is to create a more cost-efficient option for simple everyday necessities. Implementing a Costco on campus would in general make it easier for students to combat inflation. The new improvements would include cheaper food and gas prices. To integrate this Costco proficiently the best course of action would involve free memberships provided by the school for the students. Outsiders who do not attend the University of South Florida would be required to pay the normal membership fee in order for Costco to maintain their operating costs to keep their merchandising low.

Currently, The University of South Florida has implemented a Feed-A-Bull food pantry that attempts to tackle food insecurities that students may face when attending university. The pantry offers students to choose from donated food, in which most cases consist of canned products such as meat and vegetables. Although helpful, it is not ideal as it only provides non-perishable food options to choose from, which can lack nutrients and variety. Costco would allow students to purchase dairy products, meat, and poultry that would otherwise go bad at the Feed-A-Bull program and unlike the ongoing on-campus Publix, Costco would be able to provide the students with a cheaper option for gas.

Therefore, we determined the benefits that would be shown as a result of having a wholesale corporation with easy access to the students. The tasks that we have compiled within this recommendation report include:

- Analyzing the change in inflation rates from 2019-2022.
- Determining the price comparison between Costco and other food companies such as Publix and Walmart
- Determining the effect that off-campus students would have with a gas station located on-campus along with the benefits of cheaper gasoline
- Evaluation of Costco's benefits for the University of South Florida, including employment opportunities.
- Organizing a 1-year management plan for the implementation of Costco.

We found that this new development can successfully reduce the number of students who struggle to pay for groceries and food. It gives them easy access and more variety than what is already available. The report has successfully implemented a long-term plan to tackle this situation including the positive outcomes that will be seen from doing this. Overall adding a Costco to the University of South Florida will help Create a healthy environment for students to thrive in.

Current Standings

Student's Reaction to Inflation

The inflation rate across the U.S. economy severely impacts the population's livelihoods such that consumers forego the necessary goods and services to survive and succeed in our country. College students feel these effects at a much larger scale when we consider their reliance on reasonable prices as they contend with increasing education and living expenses throughout their academic careers. The inflation rate in the United States has steadily increased from 1.8% in 2019 to 7.7% as of October 2022, causing the U.S. economy to teeter on the edge of recession as the Federal Reserve (the Fed) works to slow the rate of increase (CPI Home : U.S. Bureau of Labor Statistics). This 5.9% increase is significant, considering that the Fed aims to maintain inflation at 2% yearly because it indicates the economy is healthy. At this low rate, employee wages can keep up with inflation to offset its adverse effects on their salary. This example shows an issue with higher inflation as it continues to break down consumer buying power. As the buying power slowly dissolves, producers raise prices for goods to maintain revenue while employees concurrently demand higher wages to sustain their lives. The economy begins to enter a cycle where the Fed increases the Federal Funds Rate (FFR) to prevent a rapid inflation rate increase (hyperinflation). This causes consumers to spend more money which then leads producers to raise prices as supply lags demand. As prices increase so does the overall size of the U.S. economy.

The financial system of our country feels the ripple effects caused by the Fed's hike in interest rates, yet the largest waves reach those who make the least money as it becomes harder to pay off debt and borrow money at reasonable prices. Students at The University of South Florida (USF) are part of the group who makes the least amount of money considering that most students work minimum-wage jobs. They subsequently shift their priorities to working more as they attempt to sustain their lives instead of prioritizing academic success. The Wharton School of the University of Pennsylvania did a study that found a negative correlation between four-year students and their employment (Paulson). The study found that college students who are increasingly employed during their tenure receive a 0.41 lower GPA on average than students who never work in college. Realistically, USF Students need to work to maintain and improve their lives as they strive for academic success, but increasing economic pressure exacerbates the average student's ability to do so. Additionally, it is in USF's best interest to decrease such high financial pressures in any way possible to increase the university's average student GPA and overall marketability in the future.

The Price Students Pay for Goods

While It's no surprise that recently consumer goods prices have been increasing in our community. The University of South Florida is no exception with students struggling to pay for food, tuition, housing, etc. With tuition doubling the costs of inflation rates, it's only a matter of time before we see another increase in school prices again. The Consumer Price Index (CPI) is one of many indices used to assess inflation levels in the United States by measuring the average cost of goods for a consumer to buy and a producer to sell. The CPI measures the average cost of "a basket of goods" in the US economy, as it keeps up with the cost of grocery items such as milk, eggs, bread, and other food staples across the country. In 2019, the CPI was \$255.70 and has

steadily increased approximately 13% per year on average to \$294.40 as of October 2022 (CPI Inflation Calculator). Students who already must pay for tuition, housing, and textbooks can't afford to pay almost \$300 for every shopping trip. At retailers such as Publix, where food prices have been increasing. We can see a major change in meat products as they escalated by about 22.5% from the year 2020-2021 (Cridlin and Berdychowski). The food increase at nearby retailers isn't the only thing that will affect students' financial struggle; meal plans are also predicted to escalate in future months to come. The meal plan currently starts at \$925 (only available to off-campus students) and ends at \$2275; a meal plan is also required for the first year you attend USF. If a student doesn't like the food given at the dining halls, they can go to any of the on-campus restaurants and use their dining dollars at that place ("Spring 2023 Meal Plans - University of South Florida"). The problem with that is out of the money you are buying for the meal plan you are only using around \$300-350 of it, which is why the majority of students say the meal plan isn't worth it. Students already have to pay money for something they would rather not have and on top of that, meal plans are estimated to increase alongside inflation rates.

The CPI has also hurt the rental market in the areas surrounding USF - Tampa campus. Traditionally, it has been cheaper for students to live off campus because rent can be reduced by splitting the cost across multiple students. Despite this, students find it harder to find affordable places to live off-campus because of consistently increasing rent costs due to inflation. Apartment List, a website where landlords advertise apartments for rent, reported trending rental prices in Tampa have risen to \$1785 for a two-bedroom apartment since November 17, 2021 - a 3.6% increase ("TAMPA, FL RENTAL MARKET TRENDS"). Using 30% as the general rule of thumb for rent cost based on income, the average two-bedroom apartment would require two students to gather \$71,400/yr. cumulatively to afford rent costs combined with all other living expenses. These students who commute to school also face more financial burdens as they have to pay for gas. As of November 15th, 2022, the Hillsborough County average is \$3.57 where the University of South Florida is Located (AAA Gas Prices.) The average amount of miles that a Floridian drive is 14,557 which is estimated at about 582.28 gallons per year. If you figure 1 gallon equals 20-30 miles, it means the average driver pays about \$173.33 per month. (Covington). This is just another addition to the list of student problems. Having a cheaper option available would allow for a student's success.

Solution

Costco and the Benefits of Putting One on USF Campus

Costco is a large company that operates in various countries through membership subscriptions and sells enormous volumes of merchandise at discounted prices to members. Various factors have led to the success of Costco across the countries it operates. The company's operational structure, reduced costs of operation, and loyalty from the clients are some factors that contribute to the firm's success. Costco employs the warehouse club model, which is highly popular in the United States of America. This company operates almost 820 stores in North America and has 114.8 million members. These members are the largest group of customers who pay dues to the company and are the typical buyers of Costco goods. Costco company is also known to have the best employment policies where employees are renumerated well, which motivates their service.

The company also operates on lower costs, such as reduced advertisement and operation costs. Its operational structure makes it one of the best businesses in the world.

The expansion of a variety of businesses worldwide has been fueled, in part, by globalization and the formation of firms that span international borders—expanding a company's operations into different nations results in a broader customer base and higher gross margins for such firms. As a result of opening up stores in several different nations, Costco can now compete in marketplaces worldwide. It can maximize its profit despite the difficulties that globalization brings because of how its business is structured compared to its rivals. The fact that Costco makes its wares accessible to customers in both efficient and effective methods simplifies customers' decision-making process. The company's sales and, by extension, its earnings go up when they provide surroundings that facilitate consumer choice and maximize efficiency. Costco has had a 191% increase in revenue from the year 2010-2022 because of that (Figure 1). Before items are sold at retail locations, the procurement division of the firm conducts quality and productivity checks to ensure that they meet the standards set by the company. The checks help the company acquire new consumers and strengthen its existing relationships.

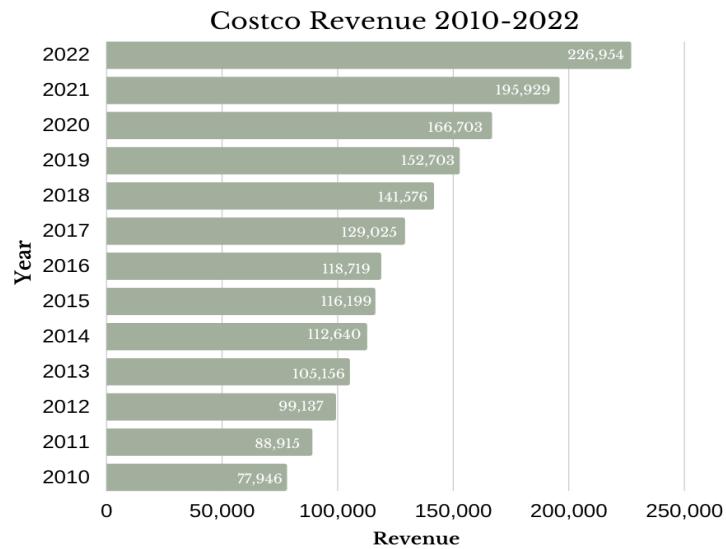


Figure 1 Smith, Cory. "Inflation Has Hit Food Prices Harder at America's Discount Stores." ABC 7 News, Sept. 2022

Membership Loyalty

Because only members are permitted to purchase at Costco, most of Costco's profits come from the membership dues paid by its customers. The corporation is independent of the sale of many items but instead on the membership dues. The firm's profit margin may be increased by cutting expenditures such as gasoline costs, which gives the company an advantage over its rivals, such as Walmart (Murry). The efficacy and efficiency with which a firm operates are directly proportional to the number of loyal members and repeat customers it serves. The company's profit margins will increase due to increased effectiveness and efficiency in its operations, which will lower the expenses of those activities and improve its ability to waste fewer items. Wastage is kept to a minimum due to the company's ability to sell whatever it produces.

In most cases, Costco will differentiate its products from its competitors to gain an advantage. The pricing rates offered by the organization are competitive and consistent, and they emphasize branded products, which helps lower the costs associated with the advertisement and promotional charges (David). While we see an increase in food prices in places such as Publix, Costco has relatively remained the same which is what makes the company so popular (Figure 2). Because Costco carries a significant number of signature items and brands, it only needs to spend as much money on marketing such products because they already have a loyal customer base that does not require additional persuasion before making a purchase. When the company purchases its materials in large quantities, it can take advantage of economies of scale. Buying in bulk provides the company with additional benefits, including the opportunity to receive quantity discounts, which helps increase their earnings. Purchasing goods and services directly from manufacturers or distributors lowers the operational risks and expenses associated with supply chains. The technique also makes it possible to strike bargains in the procurement process, cutting down on the time and money needed for supply.

Costco treats its employees very well. They offer good pay and benefits and are always looking for ways to improve the workplace. Costco is a great workplace, and employees are treated with respect. The company offers higher salaries to its employees than the minimum wage rate recommended by the federal government (Costco Jobs). Treating employees well enhances their motivation, thus creating a good image of the company. Implementing a Costco would create many job opportunities for the students to help them pay for their academic expenses. While most customers would return and be loyal to the establishment that treats them with dignity and offers them the best resources. Having this enhanced customer service will increase customer loyalty allowing for a gain in profit. These are just the few benefits of adding a Costco to the University of South Florida

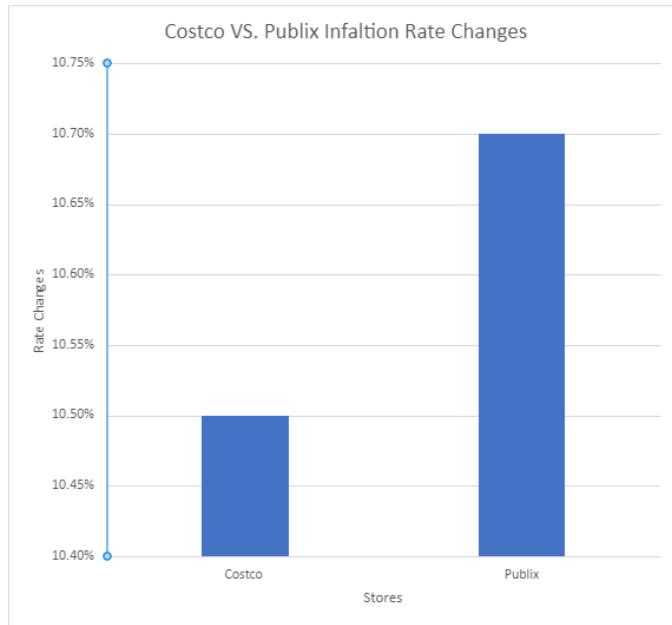


Figure 2 Backman, Maurie USA Today. "Is Inflation Coming for the \$1.50 Hot Dog?" The Motley Fool, 1 Nov. 2022

Costco Breakdown

Location

The project is recommended to be located between USF Orange Dr. and Sycamore Dr. According to the USF campus master plan updated from 2015-2025, this location is open to any new developments for the university. The space combined is 7.5 acres large. On average a Costco building is about 3.5 acres; because the Costco is going to be on-campus and carry items that suit

the average university student's needs, the recommended size for this Costco can consist of 1.8 acres. According to Costco's standards, parking spaces should be 5 spaces for every 1,000 square feet, equating to a minimum of 400 parking spots (Latham). This will make the parking lot approximately 3 acres, leaving enough room for a fueling center and a maintenance shop. In addition to the warehouse, the Costco fueling station is estimated to have a 10,000 square-foot canopy that will hold 14 fuel pumps taking up 1 acre of the site (Walker and Anderson).

Design development

To start building a Costco, the area would need to be leased to Costco's Wholesale Corporation with Novak Construction Company, with that being their official contractor. This new development should be updated accordingly to the 2025 master plan before any construction takes place. Although the plan does not need to be approved by the county because it will be located on campus grounds, it is highly recommended to seek advisement from the county board in support of the project. In accordance with the construction of the plan, most of the buildings designed by Novak are made mostly of metal, making it cheaper and faster during the development stage. According to new research using 60ft rafters Costco can reduce the number of joists and columns that are employed in the process of building the warehouse. This new technology has improved saving an average of 150,00 dollars per build compared to other warehouse constructions (Bouquot). Once the base and rafters are completed the roof is attached to the structure creating a waterproof seal allowing the contractor to install electrical systems and plumbing. Utilizing this process makes it more time efficient allowing for the quickest results. As far as the exterior, the building would be painted in a light beige or grey color pallet to prevent the establishment from fading, enhancing the natural materials of the structure. This way the building is eye-catching and appealing to the public. The front of the Costco would be presented facing Fowler as it is more welcoming to oncoming drivers, yet the entrance to the parking lot would be off Sycamore drive in order to keep the street from overflowing as little as possible. Hence it will not interfere with traffic on one of the main streets. As far as the development of the gas station, it would require underground storage for a vapor processing unit and 1 tank consisting of 40,000 gallons of gasoline. The total amount of time for construction would take 110 days from start to finish (Walker and Anderson).

Finances

The amount it takes to build a Costco can range, one built in 2017 Jacksonville Florida, cost about 12 million dollars to construct (Daily Record Staff). However, the building was 3.5 acres, meaning the estimated cost for the Costco on the university campus would be a little over 6.5 million dollars including the price it takes to build the fueling station. These prices are not counting the amount it would allow to clear out the land, insurance, taxes, and periodic renovations. Construction costs can be offset for USF as the land needs to be leased by Costco with prices having the possibility to reflect the on-campus Publix. USF currently has a 21-year lease, where Publix (28,000 square ft) rents out the space for \$130,000 annually for the first five years, while every five years following will increases in price by 10% (Busta). According to the USF 2017-2025 Master Plan the area leased out to Publix is about 4 acres large. If Costco and Publix were to be contracted under the same conditions, based on land size, USF would lease its land annually at about \$243,750 with a total

income of over 5.5 million dollars; canceling out the 7 million dollars it takes to build within 2 years. If the University of South Florida pays for each student's membership fee it will cost the school about half a million dollars since 6,919 currently attend as of the year 2022, with each membership fee costing \$60. This plan estimates to have an income after 2 years following the opening date of 3.5 million dollars and 5.5 million dollars each year after.

Processing time

The total time of writing contracts and approval has to be done independently through Novak Construction company and USF's FPC as construction is verified through that Department. This can take up to a week or can even a few months (Construction | USF Procurement Services.) Once that is completed the company can start making design plans for the construction of the project. Which on average will take about 4-10 weeks. While the designs are being processed The University will sort out any issues regarding land and environmental concerns by gathering consent from multiple parties. The total time it will take to get all that sorted out before construction begins is around 6 months (Drake.) Then 110 days after for the Costco to be built. The project can be completed from start to finish in 1 year.

Issues and concerns

With the additional food retailer on campus, we could expect a drop in Publix shoppers. After the 25-year lease is up with the company, the University could leave them as an investor or decide to lower the lease for the land. If Publix isn't making their average income, they could pull out of the contract and cause the school to lose money. However, this opportunity would create more space and land for future development. If the school plans to enroll more students within the next 25-50 years that space can be used for more residential housing to reduce the current and possible future housing crisis. We can also predict a conflict with investors who currently fund parts of the research park where Costco is recommended to be located. The location can also create environmental issues since it is one of the last woodlands that can be found on the campus. Because the research park is used to fund "biotechnology, life sciences research and entrepreneurship." students and faculty could see an issue with flattening the land for retail purposes (About the USF Research Park | USF Research Foundation, Inc. | Research and Innovation | USF.) But despite a big chunk of land being taken away from the park, the research facility will still have the needed space to continue its work and bring in profit.

Conclusion

The increasing inflation rate presents a challenge to the University of South Florida students. A Costco would help fix this problem. In this section, we present our conclusions based on information and research that has been found. The prices at Costco are cheaper making it more affordable for students to pay for food and supplies that are needed in school. This will create an environment that supports their students to do well and graduate with a degree without the worry of having to live paycheck to paycheck. The students will be able to see a change in their finances as they start utilizing the amenities that Costco offers. The cheaper gas station will do the same.

Off-campus students who have to commute to school every day will also see this difference. When they are required to fill up their gas tank there will be a large change in price meaning that they will be saving money. Not only that but Costco will open new employment Opportunities that will provide the students with the extra money they need to pay for groceries and gas. With the customer loyalty that will be presented with cheaper prices will help bring in profit to the school. Costco will be beneficial for the students, faculty, and the University of South Florida as a whole.

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