

Costco vs. sam's club vs. bj's wholesale

Education



SWOT Analysis Costco vs. Sam's Club & BJ's Wholesale

Strengths

1. Costco sells top-quality merchandise at prices consistently below what other wholesalers or retailers charge
 2. Substantially lower operating and costs than most retailers because they purchase full truckloads of merchandise directly from manufacturers and display items on pallets or inexpensive shelving/kept extra inventory on high shelving directly on the sales floor rather than in central warehouses.
 3. Comparatively low costs for store decor and fixtures as well as labor costs since they are open fewer hours than conventional retailers, and therefore require fewer people to operate relative to the sales volume that a store generates
 4. Costco caps the margins on brand-name merchandise at 14% and their private-label items at 15%, about 20% below comparable name-brand items
- Weaknesses 1. Memberships are more expensive (\$50 vs. \$35 at Sam's and \$45 at BJ's)

Weaknesses

1. Costco has fewer stores in the United States and worldwide than Sam's Club, making their name less known
2. Without revenues from membership fees, Costco's profits would be miniscule due to its strategy of capping the margins on branded goods
3. Criticized for going all out to please customers at the expense of charging prices that would increase profits for shareholders

Opportunities

1. Implement aisle markers, express checkout lanes, self-checkout lanes, and low-cost video-based sales aids as BJ's does
2. Differentiate products in price categories – good, deluxe, and luxury (BJ's method)
3. Begin accepting manufacturer's coupons (BJ's method)
4. Stock a broader product assortment to appeal to larger clientele

Threats

1. BJ's Wholesale Club locations are clustered in order to benefit from greater name recognition and maximize the efficiencies of management support, distribution, and marketing activities; therefore, it is harder for Costco to market itself in areas where BJ's locations are predominant (especially New England, where it was started)
2. Extended store hours offered by Sam's Club and BJ's are hard to compete with
3. BJ's uses one-day passes to introduce non-members to its club and in the spring/fall runs free trial membership promotions to draw new customer base – takes away from Costco's
4. Detailed POS data enables BJ's managers and buying staff to track changes in members' buying behavior so they can target markets and keep customers loyal to their warehouse only.