Costco mini case study

[Business](#)

What Is Cost's business model? Is the company's business model appealing? Why or why not? Generating high sales volume and rapid Inventory turnover by offering fee-paying members low prices on nationally branded and private-label products. Yes, It Is appealing because the fees paid by members allowed for sufficient supplemental revenues while the turnover rates allowed Cost to receive cash for inventory before it had to pay many of its merchandise vendors. 2.

What are the chief elements of Cost's strategy? How good is the strategy? Pricing, product election, treasure hunt merchandising, low cost emphasis, and growth are the chief elements of Cost's strategy. It is a very good strategy because they offer the lowest prices no matter what. 3. Do you think Jim Senegal has been an effective CEO? What grades would you give him in leading the process of crafting and executing Cost's strategy? What support can you offer for these grades? Refer to Figure 2. In Chapter 2 in developing your answers.

Yes, I do think Jim Senegal has been an effective CEO. I would give him an A In crafting and executing Cost's strategy because he has been excellent In developing a strategic vision of a no-frills and low-cost store, mission, and core values, along with setting objectives of fast Inventory turnover and offering the lowest prices at Cost. He has also done a good Job of crafting the strategy by finding out what works best while in charge of his first store, Price Club.

He executes and monitors the strategy to achieve the objectives and vision by visiting his own stores and making sure that operations are running in the most smooth and cost efficient way possible for both businesses and individual members. 4. What core ales or business principles has Jim Senegal stressed at Cost? Signal's five core values include: Obey the law, take care of our members, take care of our employees, respect our suppliers, and reward our shareholders.

5.

What is competition like in the North American wholesale club industry? Which of the five competitive forces Is strongest and why? Use the Information In Figures 3. 4, 3. 5, 3. 6, 3.

7, and 3. 8 (and the related discussions In Chapter 3) to do a complete five-forces analysis of competition In the North American wholesale club Industry. Competition In the North American wholesale club industry is growing 15-20 percent faster than retailing as a whole. The three main competitors are Cost, Cam's, and BBS Wholesale.

Firms in other industries offering substitute products is the strongest of the five competitive forces because companies like Wall-Mart or internet retailers are not in the retail wholesale industry but put increased pressure on Cost by selling many of the same types of merchandise at very low prices as well.

All wholesale clubs (Cost, Cam's Club, and Bi's Wholesale) offer low prices to attract members and provide them with inconsiderable cost savings enough cover or exceed membership fees. It is easy for a consumer to switch their membership from wholesaler to wholesaler, thus Increasing rivalry, which Is a strong force in this Industry.

The window to enter the warehouse club Industry Is relatively small, unless an outsider decided to acquire Bi's Wholesale Club, Intending to expand Into places where there are no Bi's stores. The barriers for a newcomer are high: therefore the threat of new entrants is weak. While a big percentage AT nutcrackers Tort tense retailers or Electrocutes are large, teeny aren't always in a strong bargaining position that could allow them to dictate the terms or conditions by which they would supply their products to their respective warehouse clubs, thus making bargaining power of the suppliers weak.

The bargaining power of the buyer is also weak because of the small influence that an individual buyer has in relation to the wholesaler's total sales.

The threat of substitutes is very high in this industry. There are many places that one could go to purchase the same item. The buyer is also often times more familiar with a substitute retailer. 6. How well is Cost performing from a financial perspective? They are doing very well from a financial perspective. Some of the numbers do not look good to the traditional investor, but that is because Cost is not a traditional company.

The current ratio shows that Cost can meet all current liabilities, while liquidity is also high (which means the company can quickly convert assets into cash). Profit is also constantly increased by not having to store inventory. 7. Based on the data in case Exhibits 1, 5, and 6, is Cost's financial performance superior to that at Cam’s Club and Bi’s Wholesale? Cost is turning in much higher numbers for total revenue than Bi’s and higher sales than Cam’s. Cost holds 57 percent of the market share while Bi’s has 8 and Cam’s has 35 percent.

8.

How well is Cost performing from a strategic perspective? Does Cost enjoy a competitive advantage over Cam’s Club? Over Bi’s Wholesale? If so, what is the nature of its competitive advantage? Does Cost have a winning strategy? Why or why not? They are performing very well from a strategic perspective. No, Cost does not enjoy a clear competitive advantage over Cam’s. It goes however enjoy a competitive advantage over Bi’s. The nature of this competitive advantage includes the fact that Bi’s has too many products, which makes rapid turnover harder to achieve.

I think that Cost has a winning strategy because they are selective with the products they choose to sell, they treat their workers well (which in turn creates higher productivity), and they are able to sell a big volume of products, keeping prices down, along with expenses and overhead costs.

9. Are Cost’s prices too low? Why or why not? Many would argue that their prices are too low, with only 14% markup. I do not believe that they are. If the prices weren’t so drastically low, the company would not attract so many interested buyers.

These prices are what set the company apart from many other competitors, and are therefore necessary for the company’s success.

10. What do you think of Cost's compensation practices? Does it surprise you that Cost employees apparently are rather well-compensated? Better compensated than employees at Cam's Club or Bi's? I think that Cost's compensation practices are once again, smart. When employees are happy, they are productive. When they are productive, they get more done.

When they get more done, it eliminates the need for excess employees to do what could be done by productive employees in the workplace. It would slightly surprise me that they are so well compensated (better compensated than Cam's Club of Bi's) before reading the entirety of this case because of the " no-frills" policy that Cost has obviously adopted, but it also makes sense after reading this case study that the employees are so well cared for.

It saves and earns Cost excess money in the long run through rising productivity and encouraging positive word-of-mouth. 1. What recommendations would you make to Cost top executives regarding now Test to sustain ten company's growth improve its financial performance? I would tell Cost's top executives to try and acquire Bi's wholesale, thus acquiring their 8 percent market share. I would also encourage the implementation of self- checkout in stores for ease and convenience of the individual consumer. Other than that, I think that Cost has a strong business strategy and is implementing strategies currently to sustain the company's growth and improve financial performance.