

Costco case essay



**ASSIGN
BUSTER**

1. Are Costco's prices too low? Why or why not? Costco's prices are not too low because one of their business strategy is built on low pricing. In order for Costco to continue to be in the business of wholesale and warehouse club, they need to have a strategy and sustainable competitive advantage. Every business understands that customer's needs and wants for goods have a cordial relationship to price. In line with Costco's philosophy, in order to keep members coming in to shop, they need to keep wowing them with low prices.

We should not forget that there are other competitions in warehouse club business and in order for Costco to stay above them and remain competitive; they need to import one of the most important element of marketing mix, price, which will ultimately lead to more success in their organization. This low pricing has made the company experience high sales volume and rapid inventory turnover. The advantage of this is that rather than the company maintaining a huge working or operating capital, they could invest the capital in another area to grow the company. Maintaining a large operating capital can tie up a company's financial resources, which can affect the growth of a company.

2. Does Costco pay its employees too much? Does it make sense for Costco to compensate its employees so much better than the employees at Wal-Mart/Sam's Club? Why or why not? Costco does not pay its employee too much. It does make sense for Costco to compensate its employee so much better than Wal-Mart/Sam's Club. Good compensation for employees is another business strategy that Costco has employed in order to be set apart from their rivals and also to be able to win a sustainable competitive advantage.

It makes business sense that the company will get better productivity from the employees. Also bonuses and benefit packages are also the reasons why people chose the places they work at. A work place that has good health and dental plans will always be the choice of potential employees. This also is one of the reasons why Costco has that many employees. What employees get from the company they are working for is what they will give back in return. This will ultimately reflect in the company's high sales volume and rapidly inventory turnover.

3. What recommendations would you make to Jim Sinegal regarding the actions that Costco management needs to take to sustain the company's growth and improve its financial performance? Due to the fact that the business environment is constantly experiencing changes to meet the prevailing market demands, I will recommend to Jim Sinegal that the management should consider introducing their product to more geographical areas. This they can do by expanding the stores to areas that presently don't have any around them. There is still a lot of market out there that have not been saturated with retail business.

Costco needs to take advantage of this strategy and open as many stores as possible both at home and abroad. If they intensify their marketing strategy, they will increase their financial performance quickly. Another way for Costco's Management to improve its financial performance is to introduce new product line and services. Introduction of new line of product and services will always ensure that there will always be something that will keep bringing people into the store. The idea is to make Costco's warehouse store a one stop shopping experience for its customers. If almost everything that

one needs is found in one store, there wouldn't be need to want to go somewhere else moreso, if one is getting it at a bargain.