

# Impact of environmental factors on marketing decisions of costco essay sample

[Business](#), [Company](#)



Environmental factors consist of all the factors and activities which have a considerable impact on the running of the business. Environmental factors have a powerful impact on the normal functioning of the any business, especially in the marketing decisions (Pagell & Halperin, 2000). These factors pose challenges and threats to the success of any business. In order to deal with such environmental factors a firm should enhance its core competencies and make sound strategies (Staff, 2009). There are various factors which would have deep impact on these new services offered by the firm. The firm should make a strategy after considering these factors.

David Jobber describes in his book that with the help of this analysis, the company becomes more competitive and effective to implement the various strategies (Jobber, 2001).

Costco Wholesale Corporation is one of the biggest organizations in the retail industry, which operates at the global level. The company was founded by James Sinegal and Jeffrey Brotman (Costco Wholesale Corporation, 2009). On the basis of the sales volume, the company is considered among the world's largest membership warehouses (Costco: About Company, 2009). The company has taken the position of the five largest companies in the United States in retail Industry. The Headquarter of the company is situated at Issaquah (Washington) in the United States (Costco Wholesale Corporation Reports January Sales Results and Comments on Earnings Outlook for Its Fiscal 2009 Second Quarter, 2009). The company runs its operations at the international level within different segments and covers about 60-70 billion US dollars as revenue (Costco: About Company, 2009).

The economic segment of the external environment has a great interaction with the scope of the company's business prospects and business strategies of the companies to handle the marketing environment (Chidrawar, Hatch & Kramer. 2009). These factors are essential to evaluate the marketing mix strategies of the company at the global level. These factors usually cannot be controlled by the businessmen and therefore, a careful analysis of the environment is essential to discover the problems and find their possible solutions.

The economic condition of Costco Wholesale Corporation mainly remains consistent, as the growth rate of the sales of the company is consistent. This is because; on the yearly basis, the growth of the warehouses of the company is moderate and the growth of the membership of the company also runs on the proper track (Taking Stock in Costco Wholesale Corp. (COST), 2008).

The economic factors on which the performance of Costco is based are the systems of tax payment, investment and allowances, sophistication of moving and raising capital, prices of the commodities, fiscal and monetary policies and rates of exchange, etc. (Staff, 2009).

Trade practices and agreements occupy an important place whenever we talk about international business or international operations. Moving of goods and services across borders needs to be controlled through some practices or agreements. Hence, they need to be followed for peaceful operations (Pagell & Halperin, 2000). Costco has been successfully operating

overseas by adhering to the various trade practices. Through this, it has been able to improve its customer relations, effectively evaluate and manage the risks, improve its reputation and avoid legal proceeding cost (Chidrawar, Hatch & Kramer. 2009).

Demographic environment segment is the most important segment of the general environmental analysis of the company. The important demographic bases for demographic segmentation are age structure, gender, income distribution, family size, occupation, education, social class, religion, race, nationality, etc. (Staff, 2009).

In international operations, the problem of diversity arises and this is because in every country, there are people of different nations and languages. Doing business at a global level requires a careful analysis and study of the population of those countries where the business has to perform its operations (Hirji, 1999). Costco Wholesale Corporation's population size is very large. The company has its locations in all the major countries of the world with large population mass. The countries, in which the company operates has millions of people who demand for the company's products in bulk. Thus, due to its expanded business in the most populous countries, the company has large volume of sales (Pagell & Halperin, 2000).

Costco Wholesale Corporation is running its business in both developing and developed countries. The population growth rate of both the developed and developing countries is quite increasing, which provide an opportunity to the company to expand its product line, as well as, its sales volume (Staff, 2009).

The income level of families of both developed and developing countries in which the company operates is different. This difference in the income level of the families of host countries affects the business process of the company at a great level (Hirji, 1999).

When a business operates on an international level, it has to cope-up with people of different nationalities and languages. Therefore, working in an atmosphere of enormous cultural diversity is a challenge to any business (Herbst, 2005). In Costco Wholesale Corporation, cultural diversity is given the top priority and it has a multicultural workforce at all levels. The best example of cultural diversity in the company is the presence of women employees at a large scale. It was found that more than 50% of its associates and its management staff are women and the company also supports various organizations committed to women (Pagell & Halperin, 2000). Recognition was also provided to the Wal-Mart executives for their commitment towards diversity.

Business operates not only with the sole aim of generating profit but also with the aim of providing benefits to all those who are directly or indirectly connected with it (Hirji, 1999). Therefore, every organization has some social responsibilities that it is bound to fulfill and if it does so, then it excels in other areas as well. Costco Wholesale Corporation is an excellent example which has a firm determination to be a leader in this field (Staff, 2009).

The company has also established the policies and regulations of equal employment opportunity and to stop the discrimination and follow the ethical

responsibilities (Grant, 2005). The company also follows some legislation to fulfill its legal obligations towards the society as well as employees (Pagell & Halperin, 2000). These legislations may be related to the minimum wage given to the workers, their working time, food stuffs provided, industrial or occupational training and so on. These legislations are very important to be followed by the organizations so that they can function effectively. Costco has always been consistent in coping up with all its legal obligations. That is the reason behind its successful operation right from the time of its incorporation (Kristen, 2004).

The political environment of the host countries of Costco Wholesale Corporations also affects the business process of the company. The wage rate of the employees of the company is very high, as the company has raised the bar of the union contracts and set newer standards for the employees despite the political policies of the Government (Herbst, 2005). The company pays higher wages to its union and non-union both employees. Due to its effective wage policies, it is enjoying high performance of the employees for greater productivity (Herbst, 2005).

The company operates in varied political systems as it operates globally and establishes good relations with other organizations and countries. But mainly the company follows the rules and regulations of the United States political parties. The company forms its industrial policy, foreign capital and technological policy, fiscal policy and the export import policy according to the business regulations of the United States (Gilad, 2003). Sometimes the

company has to face several risks due to the political policies of the native country.

Foreign Corrupt Practices Act also influences the organizations marketing decision to start a new business or introduce a new product in the international environment. This act protects both the home and host countries from various illegal and unethical practices or corruptions (Norton & Myers, 2004). As Costco operates in a number of countries around the world, this Act is very important for its smooth and successful operation.

The domestic and international environments possess different legislations. The management of Costco always considers the legal practices of different countries before starting their operations (Pagell & Halperin, 2000).

The technology segment of the external environment of the Costco Wholesale Corporation is also very strong. Recently, the retail pharmacies of the Costco have made an agreement with McKessonHBOC, in order to have online pharmacy. It provided the automation technology to Costco in order to create accurate, good and efficient workstations of pharmacy (Grant, 2005). In addition to improve environmental safety, the company is establishing solar panels and skylights at its distant warehouses club positions mainly in Hawaii and California. This technology is adopted by the company to reduce the energy consumption of the manufacturing and other business operations and to reduce the carbon content of its operations.

The company also has a great implementation of the information technology. In the year 2006, the company adopted virtualization technology through

which the company expanded its IT investments and IT flexibility became able to operate its virtualized server assets in more effective manner (Costco Uses Virtualization to Save Space, Reduce Costs, and Increase IT Agility, 2008). This technology has also helped the company to increase the gracefulness of the information technology (Costco Uses Virtualization to Save Space, Reduce Costs, and Increase IT Agility, 2008).

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