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Introduction /Problem / Aims and Objectives of the ReportCostco Wholesale Corporation is one of the biggest retailers in theUnited States and the world. This company started as “ Price Club” in San Diego, California in 1976. Originally serving only small businesses, the companydiscovered that it could achieve greater purchasing power serving a selectaudience of members outside the company. It was this change that produced thegrowth in the industry of the retail discount clubs. However, it was not until1983 that Costco Wholesale debuted in Seattle, Washington. This company madehistory, becoming the first company that reached a growth from zero to 3billion in sales in less than 6 years.

Costco and Price Club merged in 1993, operating under the name of PriceCostco. In 1997 the name was summarized toCostco, since then, the company has expanded around the world. Nowadays, Costcois present in various countries including; United States, Puerto Rico, Canada, Mexico, Taiwan, Japan, United Kingdom, Australia, Spain, France and Iceland. Costco characterizes itself in being a business based on the membershipof its customers. Their mission is “ tocontinually provide our members with quality goods and services at the lowestpossible prices”.

In its mission, the company aims to contribute to theimprovement of the quality of life of people and small and medium businessesthrough the reduction of costs, as well as the resale and personal use ofquality products with the best prices in the industry. In order to achievethis, the company runs the business following their code of ethics; obeying thelaw, caring for members, protecting the workforce, respecting suppliers andrewarding shareholders. The vision of the organization is focused on increasingthe base of partners and stores around the world.

Costco aims to provide: theperfect products, the appropriate location, unbeatable conditions and the bestprice. The objective of this report is to identify how Costco WholesaleCorporation is incorporating the old marketing DNA into the organisation’smarketing operations. The greatest peculiarities of this corporation areproviding an excellent service to its members through the best market pricesand high quality products and the success they have achieved despite theirabsence of advertising.

Zineldin (2000) said in Understanding the New Marketing DNA, that nowadays it’s impossibleto do marketing without the use of technology. Costco is a company that hasstruggled integrating marketing in their company and in this report we’llexplore how even though this company has stuck with the Old Marketing DNA it isone of the biggest retailer companies in the world. In addition, it willidentify key marketing tools used by Costco and assess their usefulness andeffectiveness. Simultaneously, practical recommendations for Costco as toadopting the new marketing DNA will be made in this report. STP StrategyCostco Wholesale Corporation aims to attract the most affluent customersin the retail discount club industry.

The CNBC reports state that the averageCostco member is college educated, owns a home and earns about $100, 000 USD peryear. Thiscompany stands out for its particular operation based system of members thatpay an annual fee for being able to buy their varied catalog products. Theyoffer two types of membership – Trade and Individual, both with the option ofupgrading to the Executive Membership that has better benefits. It can beimplied that Costco uses a one-to-one segmentation strategy since they haveunique products and services for their members. Costco reaches a target market where two segments are distinguished: owners of small businesses looking to buy wholesale products and upper-middleclass families looking for good quality essential products. Although Costco hastraditionally focused its efforts on attracting older customers and areaslocated in the suburbs of large cities, the fact is that these days, thisorganization is strategically working to attract partners from a demographicthat represents a younger age. In fact, this company is developing a strategyof attraction for new and young customers, as a consequence, of greater competitivenessin a large digitalised environment. In the retail industry, and particularly in the retail discount clubssegment, there are three major competitors: Costco Wholesale, Sam’s Club (abranch of Wal-Mart) and BJ’s Wholesale Club.

Costco is the conglomeratetargeting customers with greater purchasing power. These retail discountcompanies are not really a type of warehouse; rather they represent aninnovative business model. The competition between these discount clubs isbased on factors such as: price, quality of merchandise and selection, customerservice and the distribution of their stores. The membership club industry has grown noticeably around the world. Companiesthat adopt this style of membership that consists of “ pay to buy” achievetwo important advantages: differentiation of the competition and the return ofcustomers.

One of the characteristics that represent the success of thisbusiness model is given by the high percentage of renewal of the membership. Costco Wholesale in the United States maintains over 90% renewal of its memberclients. Simultaneously, the attrition rate is only 9% (Brian Woolf).

Regardingthe three discount retailers, Costco is the company that raises the highestannual revenues and it’s growing at a higher rate than the competition. Nevertheless, there are certain elements that could put the Costco Wholesale leadership atrisk. For example, the annual membership of competitors is notoriously lowergiving them considerable competitive advantage and their digital presence ismore notable than that of Costco. Over the years, Costco has extended the variety of products it offers, this company markets; fresh products (fruits, vegetables, meat, fish, seafood, bakery, pastries, flowers), clothing, books, software, electronics, computers, appliances, solar panels, jewellery, art and decoration, tires, wines, furniture, products pharmacists, processors of photographs, gas stations, liquors, hearing and eye aid, among other products. Costco also has its ownbrand “ Kirkland Signature”. This label was introduced in 1995 and, its name, is due to Costco’s corporate headquarters, which is located inKirklan, Washington. According to Ashley Lutz from Business Insider, Costco has a simplestrategy for being one of the biggest retailers in the world; they justconcentrate on driving sales, meaning they sell a limited number of items thatincreases sales volume and helps the company drive discounts.

Meanwhile their competitorsfocus on advertising and pouring money into marketing techniques, Costco adoptsa no-frills approach and they do not advertise their brand.