

Introduction in 1993,
operating under the
name of

[Business](#), [Industries](#)



Introduction /Problem / Aims and Objectives of the Report
Costco Wholesale Corporation is one of the biggest retailers in the United States and the world. This company started as " Price Club" in San Diego, California in 1976. Originally serving only small businesses, the company discovered that it could achieve greater purchasing power serving a select audience of members outside the company. It was this change that produced the growth in the industry of the retail discount clubs. However, it was not until 1983 that Costco Wholesale debuted in Seattle, Washington. This company made history, becoming the first company that reached a growth from zero to 3 billion 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 to Costco, since then, the company has expanded around the world. Nowadays, Costco is 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 membership of its customers. Their mission is " to continually provide our members with quality goods and services at the lowest possible prices".

In its mission, the company aims to contribute to the improvement of the quality of life of people and small and medium businesses through the reduction of costs, as well as the resale and personal use of quality products with the best prices in the industry. In order to achieve this, the company runs the business following their code of ethics; obeying the law, caring for members, protecting the workforce, respecting suppliers and rewarding

shareholders. The vision of the organization is focused on increasing the base of partners and stores around the world.

Costco aims to provide: the perfect products, the appropriate location, unbeatable conditions and the best price. The objective of this report is to identify how Costco Wholesale Corporation is incorporating the old marketing DNA into the organisation's marketing operations. The greatest peculiarities of this corporation are providing an excellent service to its members through the best market prices and high quality products and the success they have achieved despite their absence of advertising.

Zineldin (2000) said in Understanding the New Marketing DNA, that nowadays it's impossible to do marketing without the use of technology. Costco is a company that has struggled integrating marketing in their company and in this report we'll explore how even though this company has stuck with the Old Marketing DNA it is one of the biggest retailer companies in the world. In addition, it will identify key marketing tools used by Costco and assess their usefulness and effectiveness. Simultaneously, practical recommendations for Costco as to adopting the new marketing DNA will be made in this report. STP Strategy Costco Wholesale Corporation aims to attract the most affluent customers in the retail discount club industry.

The CNBC reports state that the average Costco member is college educated, owns a home and earns about \$100,000 USD per year. This company stands out for its particular operation based system of members that pay an annual fee for being able to buy their varied catalog products. They offer two types of membership - Trade and Individual, both with the option of upgrading to

the Executive Membership that has better benefits. It can be implied that Costco uses a one-to-one segmentation strategy since they have unique 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-middle class families looking for good quality essential products. Although Costco has traditionally focused its efforts on attracting older customers and areas located in the suburbs of large cities, the fact is that these days, this organization is strategically working to attract partners from a demographic that represents a younger age. In fact, this company is developing a strategy of attraction for new and young customers, as a consequence, of greater competitiveness in a large digitalised environment. In the retail industry, and particularly in the retail discount clubs segment, there are three major competitors: Costco Wholesale, Sam's Club (a branch of Wal-Mart) and BJ's Wholesale Club.

Costco is the conglomerate targeting customers with greater purchasing power. These retail discount companies are not really a type of warehouse; rather they represent an innovative business model. The competition between these discount clubs is based on factors such as: price, quality of merchandise and selection, customer service and the distribution of their stores. The membership club industry has grown noticeably around the world. Companies that adopt this style of membership that consists of "pay to buy" achieve two important advantages: differentiation of the competition and the return of customers.

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

Regarding the three discount retailers, Costco is the company that raises the highest annual revenues and it's growing at a higher rate than the competition. Nevertheless, there are certain elements that could put the Costco Wholesale leadership at risk. For example, the annual membership of competitors is notoriously lower giving them considerable competitive advantage and their digital presence is more 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 own brand "Kirkland Signature". This label was introduced in 1995 and, its name, is due to Costco's corporate headquarters, which is located in Kirkland, Washington. According to Ashley Lutz from Business Insider, Costco has a simple strategy for being one of the biggest retailers in the world; they just concentrate on driving sales, meaning they sell a limited number of items that increases sales volume and helps the company drive discounts.

Meanwhile their competitors focus on advertising and pouring money into marketing techniques, Costco adopts a no-frills approach and they do not advertise their brand.