

Competition among the north american warehouse clubs



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What is competition like in North American wholesale club industry?

Competition among the North American wholesale club industry is pretty high. Everyone tries to achieve lower prices by reducing the cost in displayed items on pallets or inexpensive shelving. They also have very low costs for store decor and fixtures and comparatively low labor cost because they use fewer personnel to operate their facilities. Which of the five competitive forces is strongest and why? The five competitive forces among the industry are very important.

However, rivalry among competing sellers, buyers and suppliers are the most important. Since the case discusses major wholesale clubs, the possibility of these being affected by potential new entrants is pretty low. Industries offering substitute products are not important factor because in this case we are talking about large quantities. Supermarkets offer the same types of products but the target market is completely different. On the other hand, the pressure of buyers is very important. Customers always look for better prices and the demand in the industry is pretty high.

Rivalry among competing sellers plays in important factor. The ability to provide better prices depends on the company's relation with suppliers. Which of the three rivals - Costco, Sam's, or BJ's Wholesale - has the best strategy? Why? The three of them have managed to succeed in the whole industry. However, Costco has managed to stand up and acquired a better market share. Costco has managed to establish a good relationship with their suppliers in order to provide better prices. They have a low-cost strategy that has been successful among the years.

In addition, they also have a good strategy to recruit future clients. You always see them trying to engage future customers in activities and offering them coupons so that they get them to enroll in a membership. Costco focuses on the ability of increasing the membership base and to employ well executed merchandising techniques to induce members to shop more often. One of the advantages that BJ's has that could be a weak point on the strategies of the other two, is that it is the only major warehouse operator to accept manufacture's coupons, which rovided added value for members.

I believe that Costco is the one that has been able to achieve all the requirements to succeed. Better prices, large member base, good selection of products and a well trained work force. Which of the three rivals has been the best performer? Five years from now, will Costco's standing as industry leader be stronger or weaker? Are the other two rivals likely to gain or lose ground on Costco? Why? What recommendations would you make to Jim Sinegal to sustain Costco's growth to improve the company's financial performance?