Costco Company SWOT Analysis

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Environmental analysis is important as it helps to understand a company and its industry as this aids in solving the problems facing the firm. This analysis is done in several ways, and one of the best ways is through carrying out a SWOT analysis. This paper, therefore, seeks to analyze a SWOT analysis of Costco Company.

Costco wholesale is regarded as one of the largest retailers in the world in the contemporary society. SWOT analysis of Costco wholesale is, therefore, an evaluation of the strengths, weaknesses, opportunities, and threats which face the company. Considering the changing marketing trends in the retail industry, it is paramount for a firm to continually undertake SWOT analysis to determine weaknesses of the company and come up with ways of addressing the weaknesses as well as noting the opportunities which exist to exploit to enhance the company.

**Strength**

Costco, as a retailer company has many strengths. For example, the company pricing authority is such that it offers its consumers quality goods at a competitive price. Ideally, Costco does not emphasize on getting maximum profit in the short term like other retail companies. This has helped the firm in that customers are confident of acquiring products of high quality from the company. Another strength of the company is that it has established a brand loyalty (Pan & Gao, 2012). This has been created over the years because of its focus on offering great value and quality products to the customers. Another strength is its high sales volume. The high sales volume has led to an increased revenue which means that the firm can make good revenue even after selling its products at a lower price than other retail companies.

**Weaknesses**

Despite the above strengths of the company, it still faces some weaknesses. For instance, the firm business model has become a source of its weakness. This is because according to the model, only the members are allowed to use the warehouses (Dalavagas, 2015). This promotes sales from members but at the same time pushes away non-members who feel that they do not belong there hence unwelcomed. Another weakness of the Costco warehouse company is that its stores lack an assortment of various goods and services which customers may need. As a result, some customers opt to make purchases from other retail companies with a good assortment of goods and services.

**Opportunities**

The increasing number of millennials is one of the opportunities which the company can exploit. Besides, there is a paradigm shift in the way people make purchases in the contemporary society. As such, the company can tap the new use of E-commerce which has become common today. Through tapping into this new market, it can increase the firm’s sales and attract more customers.

**Threats**

Among the threats, Costco is facing is competition from other retail firms such as BJ’s Wholesale Club and Sam’s Club. Another threat is natural catastrophes such as hurricanes and earthquakes. These affects financial operations performance and operations of the firm.

With Costco facing the problem of competition, aging customer base and leadership base that is weakening, it is important to exploit the opportunities available to address the problems. For example, the firm needs to start using social sites to attract young people who can make a good customer base. In addition, offering a variety of goods can help the firm to avoid losing customers to other retail companies. Using new technology is also paramount as it can help in addressing the stiff competition the firm is facing (Dalavagas, 2015). The problems named above impacts on Costco negatively. For example, the stiff competition together with diminishing customer leads to reduced revenue. Lack of recruits also leads to poor management because of the aging leaders. Without young generation leadership, the company is likely to face some challenges in the new era of technology which can lead to it being less competitive in the market.

References

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