Costco has its own core competencies that give it a competitive advantage against its competition. However, competitors will search for ways to erode a company’s strengths by identifying weaknesses in relation to market trends or technological advances.

How has Costco managed to maintain its position of strength in the marketplace?

Costco has defined its business model as a very low-cost provider with quality goods and services. Based on this model, Costco management has designed, developed and implemented different strategies that they allow to Costco to have a very important growth rate in market share, sales, members, balances, etc.

The most important strategies that Costco do focus to maintain its position of strength in the market are pricing (e.g.: supported by a high turnover, concentration, cash flow), product selection (e.g.: low stock, concentration), low operating cost (e.g.: labour, warehouse design and operation, low cost merchandise handling), membership (e.g.: loyalty, income from memberships), expansion (e.g.: opening new warehouses), workforce (e.g.: employee motivation, the employee are both sides part of the business)

Do you think it can continue to do so in the economic times of summer 2010”?

The wholesale club and warehouse segment market have at least three main forces driving it, competition, growth, and recession time.

Growth market has an annual increase rate of around 20%. This represents the natural expansion of the market due to different strategies, and favourable regional and global environments. Costco expansion in the last years seems to go with this trend, increasing and relocating warehouses, improving efficiency and gaining in experience and knowledge.

The competition in this market has a huge concentration where Costco market share is 53% and Sam’s Club 43%. The strategy for both companies is different in some points (e.g.: Sam’s Club has more warehouses, different employment policies) and pretty similar in others (e.g.: concentration, membership). Based on financial numbers and general trends, Costco strategy looks to be more effective in the long term than Sam’s Club strategy.

Recession time has two very opposite views; it could represent a serious threat for the business or a tremendous opportunity. Looking the financial numbers for Costco, the optimization in its strategy for expansion and relocation, etc, we could infer that in some regions Costco has faced a difficult situation while in other areas Costco has known how to take the advantage of the opportunity. The quick Costco reaction allows it to optimize resources and to be better prepared for coming opportunities.

As conclusion, we could expect for Costco in 2010 a continue growth to the rhythm of the market or even better.