Unit #5 – Assignment Paper

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In chapter five of our text, Coulter introduces and discusses various approaches to internal analysis. An important function of internal analysis is to identify various strengths and weaknesses and what functional strategies the organization needs to develop a competitive advantage. An organization must maintain a comprehensive understanding of its competitive environment. Identifying the level competition an organization could possibly face can be determined by first pinpointing *who* the competitors are (Coulter 2013, p. 127). Organizations begin to gain competitive advantage when they determine which resources they have access to but they are not successfully utilizing to their advantage. Another way to gain competitive advantage is to identify the organization's distinctive capabilities. Coulter explains distinctive capabilities as, "special and unique capabilities that distinguish an organization from its competitors" (Coulter 2013, p. 95). Discovering ways to exploit organizational resources and enrich distinctive capabilities are critical functions in the process of developing strategies that increase competitive advantage.

"As organizations attempt to create a sustainable competitive advantage, they're looking for ways to set themselves apart and to compete" (Coulter 2013, p. 129). Coulter describes this as competitive strategy. There are many theories and approaches to defining competitive strategy but lets focus on one of Porter's generic competitive strategies, the cost leadership strategy. The main idea behind the cost leadership strategy, also referred to as, low-cost strategy, is to maintain the lowest costs in the industry, while producing products for an extensive customer base (Coulter 2013, p. 133). This strategy revolves around having the lowest cost not necessarily the lowest price, although, becoming the cost leader usually allows organizations to offer the lowest price in the market place while still earning a profit (Coulter 2013, p. 133).

Costco Wholesale is the perfect example of an organization that values cost leadership as its basis for strategy; this approach provides them with a significant competitive advantage (Gregory 2015). Coulter explains that everything the cost leader does needs to be aimed at keeping costs as absolutely low as possible (Coulter 2013, p. 133). Companies can achieve low costs by offering a basic product selection, marketing to the "average" customer and offering minimal product embellishments and variations (Coulter 2013, p. 134). Costco is very successful at achieving these objectives. They currently offer a simplified product selection and their lack of products frills and variations caters to their "average" customer pool. "Instead of stocking 10,000 items in a store as Wal-Mart does, Costco only stocks 4,000. Additionally, Costco may offer only up to four brands of a product while Wal-Mart could offer up to 60" (strategyattheinz.blogspot.com). One of the disadvantages to the low cost leadership strategy is that its basic and simplified structure could be easy for competitors to imitate, which could begin to weaken their cost advantage. Fortunately, Costco has developed a strong competitive advantage in the marketplace due to their dedication to maintaining low costs. They have preserved their position in the market place, as the leader in bulk warehouse membership retail, companies such as Sams Club have imitated their basic structure but have not been successful in stealing the competitive advantage. Costco remains the leader in their industry.

REFERENCES

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