

# THE 3 E's

## **COSTCO**



### **EXCITE**

#### **Excite Members**

Bring new, exclusive, or unexpected products to members



### **ELEVATE**

#### **Elevate Product Experience**

Produce better quality products at exceptional value



### **EXPAND**

#### **Expand Category Sales**

Lift category sales by driving trial and incremental consumption



# The 3 E's to Building a Successful Business at Costco

By Matt Duffy

Costco is unlike any other retailer. It's not just about low prices or bulk sizes — it's about delivering extraordinary value in a way that surprises and delights its fiercely loyal membership base. Brands that thrive at Costco understand how to tailor their strategy to Costco's unique ecosystem. Success doesn't come from simply being on the shelf; it comes from fully engaging with the warehouse model through what I call the "Three E's":

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## 1. Excite Members

The heart of Costco's success lies in its members — millions of shoppers who pay to access an exclusive, curated selection of products. To win at Costco, a brand must **create moments of discovery** that spark excitement and justify that membership fee.

Exciting members means bringing something *new, exclusive, or unexpected* — whether it's a bold new flavor, a smart bundle, or a cleaner, more elevated version of a classic. This doesn't just apply to food or seasonal items; it applies across every department. What's key is delivering a **"treasure hunt" moment** — something that makes a shopper stop the cart and say, *"Wow, I didn't expect to find this here."*

Success metric: Strong initial velocities and organic member buzz (social posts, reviews, and return trips).

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## 2. Elevate Product Experience

Costco isn't a discount store — it's a **value store**. That distinction matters. Members are willing to pay for higher-quality products if they clearly see the value equation. Winning brands take what's familiar and make it better — **better ingredients, better portions, better performance, better taste** — all without compromising Costco's commitment to price-per-unit value.

This is where thoughtful packaging, clean labels, and quality storytelling matter. The in-warehouse demo program can also play a critical role in reinforcing this elevated experience. It's not just about sampling — it's about **demonstrating why this product is worth the space in a member's cart**.

Success metric: Higher repeat purchases and growing member trust in the brand.

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## 3. Expand Category Sales

The best-performing items at Costco don't just succeed individually — they **lift the entire category**. They bring in new users, open up new occasions, or upgrade trade-up behavior. Costco merchants are laser-focused on finding SKUs that grow the pie, not just slice it differently.

This means thinking strategically about how your product can **unlock incremental sales**:

- Can it bring health-conscious shoppers back to pasta?
- Can it serve new dayparts like quick lunches or post-workout meals?
- Can it help Costco gain share in a fast-growing consumer trend?

A brand that demonstrates its ability to expand the category — especially with data to back it up — becomes a true long-term partner to Costco.

Success metric: Category growth driven by the SKU's presence, not just brand-level performance.

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### **Final Thought**

Costco success is earned — not given. The brands that win consistently are those that understand the mindset of the Costco member and align closely with the merchant's mission. By focusing on the **Three E's — Excite, Elevate, Expand** — you're not just building a Costco item. You're building a Costco business.

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*Matt Duffy is a strategic advisor and brand builder with deep experience helping emerging and established brands succeed at Costco.*