Costco in Iceland: Still going strong?

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Abstract

In May 2017, the American wholesale corporation Costco opened a retail store in Iceland. The objective of this research is to examine the effects this event had on the positioning of other retail and grocery stores in the Icelandic market. The research question is as follows: What are the long-term and short-term effect of the opening of Costco on the image of grocery stores in Iceland?

The research is based on surveys that were conducted in the autumn of 2017 (n = 2,708), 2018 (n = 3,078), 2019 (n = 2,682), 2020 (n = 2,680) and 2021 (n = 1,701) using the method of perceptual mapping. This study uses a convenience sample, and the data was collected via both web- and paper-based surveys. The data was weighted by gender and age of the population. A comparison is made between the results from the surveys, and they are evaluated to determine whether the effects that appeared are short- or long-term in nature.

The results indicate the existence of a short-term effect that is inherent in that the 2017 survey showed that Costco had a strong, positive, and unique placement according to the respondents, but this effect has minimized in the survey of 2018, 2019, 2020 and 2021. In terms of long-term effects, Costco seems to primarily have had a significant impact on a single retail chain, Hagkaup, while the impact on other retail stores seems to have been insignificant. The results indicate the importance of strategic marketing action when a new and strong competitor enters a certain market, while the theoretical contribution concerns the emphasis on the connection between awareness and image.

One limitation of this research is that it is based on a convenience samples, which can be subject to statistical errors. Furthermore, no consideration is given to whether the effect is solely associated with the marketing efforts of Costco or the marketing efforts of other retail stores during the same time period.

Keywords: Brand image, grocery stores, perceptual mapping

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1. Introduction and literature review

In May 2017, Costco opened its first, and thus far only, superstore in Iceland. Costco is estimated to be the third largest retailer in the world, with a revenue of US$166,761 million in 2020 (Deloitte, 2022). According to Deloitte, the largest retailer is Walmart, with a revenue of US$559,151 million, with the second largest being Amazon.com, with a revenue of US$213,573 million. Due to Costco's size, the opening of the Iceland store was expected to have a major impact on the country's grocery market, as the major players on the market before Costco's entry were the grocery chains Bónus, Krónan, and Samkaup. In 2018, it was estimated that Costco had an 8% market share, while Bónus had 27%, Krónan 19%, and Nettó (the largest chain in Samkaup) had 8% (Meniga, 2018). When asked "Which grocery store do you visit most often?" 40.3% of respondents mentioned Bónus in 2018, 43.8% in 2019, 43.2% in 2020, and 42.8% in 2021. Concerning Krónan, 38.7% of respondents mentioned having visited one of these stores in 2018, 37% in 2019, 38.8% in 2020, and 37.3% in 2021. It is therefore estimated that Bónus and Krónan might have a combined market share of 60–70% based on consumer visits. This figure is in line with data from 2014, based on which it was estimated that the combined market share of Bónus and Krónan was 55% (althingi.is)

Previous researchers have investigated Costco and its impact on markets. Costco is commonly described as the "anti-Wal-Mart" (Greenhouse, 2005). Greenhouse (2005) argues that it would be preferable to be an employee or a customer rather than a shareholder of Costco since its prices are lower than those offered by its competitors, and the company's average pay is 42% higher than that offered by its fiercest competitor, Sam's Club. Berman (2011) discusses several factors that affected the retail sector following the recession in 2008 and argues that the most troubling indicator is data showing stagnant or declining sales among a broad spectrum of retailers, including Target, Sears, Best Buy, Home Depot, and Macy's. It has been argued that unlike in previous recessions, when consumers welcomed the return of financial stability by going on buying sprees, following the 2008 recession, they continued to buy simpler offerings characterized by high value for money. Therefore, certain discount stores gained popularity among consumers due to their relatively low prices and high value, resulting in a retail environment characterized by increased competition. Cascio (2006a) argues that Costco offers low prices and that its business model is based on ethical principles and core beliefs and values. Cascio also states (2006b) that a high proportion of American workers have voluntarily quit their jobs and that this phenomenon should be a serious concern for companies with many workers, such as Walmart. It has been argued that Costco members are not drawn by attractive window displays or the presence of Santa Clauses or piano players; rather, they shop at Costco because the company offers excellent value at reasonable prices (Greenhouse 2005). Based on data connected to this research and as illustrated in Figure 1, Costco seems to have a relatively strong position based on high quality and low price.

FIGURE 1: PERCEPTUAL MAP FOR HIGH/LOW PRICE AND QUALITY
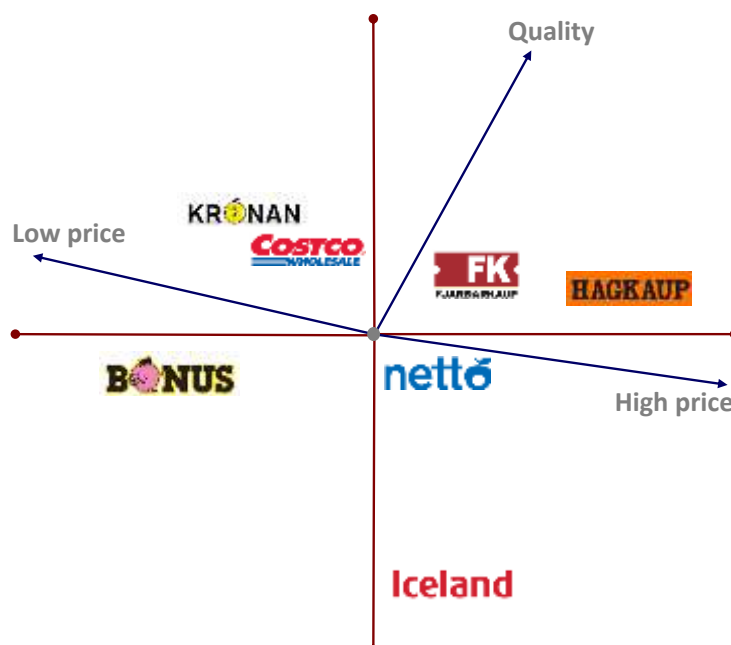
As indicated in the figure above, Krónan and Costco are more strongly related to low price and quality than the other brands. Fjarðarkaup and Hagkaup are strongly related to quality and high prices, while Bónus is strongly related to low prices but has a weak relation to quality.

Hu and Chuang (2009) claim that many successful companies have strong corporate brands and invest in creating, promoting, and building loyalty to their brand names. Apple, Google, Microsoft, Coca-Cola, and Amazon, which are among the most valuable brands in the world, all focus on a strong company or corporate brand. In contrast, certain retailers, such as Walmart, CVS Pharmacy, and Costco, develop private brands, with each company's products featuring its name. Minahan et al. (2012) investigated the market entry of Costco as an international retailer. The case was the opening of a Costco in Melbourne in 2009; within 12 months, this store had become one of Costco's top five stores globally. The authors argued that a retailer's successful entrance into a new market depends local shoppers accepting that retailer's business model (see also Papadopoulos et al., 2011). Minahan et al. (2012) discuss the success story of Costco, noting that shopping at Costco requires membership and an annual fee and that Costco is extremely successful at membership retention, with renewal rates of 87%. The membership fee, which allows Costco to charge lower prices, accounts for about 75% of the company's net profit. Calboli (2013) investigated the first sale rule in intellectual property law in the context of international trade. The fact that Costco is in several cases a part of discussions and issues considered law and legal disputes is important, as the company is one of the largest retailers in the world and has significant bargaining power (see also Yedor, 2012).

Brand knowledge can be divided into brand recognition and brand recall (Keller, 2008). Brand recognition refers to consumers' familiarity with a particular brand or their tendency to associate a brand with the needs that the products linked to a brand might fulfill. Brand recall refers to consumers' ability to associate a brand with product categories and various needs and buying intentions. Generally, for cases in which impulsive buying behavior is dominant, recognition is more important, whereas, for products regarding which buying behavior is more thoughtful, brand recall is more important (see Bettman, 1979; Rossiter and Percy, 1987). A strong connection between brand awareness and "top-of-mind" observations often exists, and it is therefore possible to measure brand awareness based on such observations (Gruber, 1969; Romaniuk and Sharp, 2004). However, certain caveats should be taken into consideration when using the results of such measurements as an indicator of brand awareness (see Buil, Chernatony and Martínez, 2013; Homburg, Klarmann and Schmitt, 2010; Huang and Sarigöllu, 2012). Marked differences also exist between sectors such as the tourist industry (e.g., Fung So, King, Sparks and Wang; 2013; Huang and Cai, 2015), the automobile industry (Fetscherin and Baker, 2009), the various retail and service industries (Nyadzayo, Matanda and Ewing, 2011, Tsai, Lo and Cheung, 2013), and the retail banking industry (Al-Hawari and Ward, 2006; Aziz and Yasin, 2010) when respondents identified certain brands as being top of mind.

Brand awareness can also be divided into familiarity and image (see, e.g., Davis, 2002; Keller, 2008; Trout, 2000). Familiarity is related to several factors, such as whether a brand comes to mind when the product category to which it belongs is mentioned and whether consumers associate a particular brand with certain conditions or uses (Rossiter and Perci, 1987). Brand image has long been considered important in marketing literature (Levy and Dennis, 2012); there are thus many definitions of image and therefore multiple ways of measuring this concept. Branding literature describe the role of brand image as ensuring that a brand has a strong, positive, and unique position in the minds of its target consumers (Keller, 2008).

Having a strong position is partly associated with awareness, but it is also important that a brand is associated with specific image attributes (Keller, 2008). A comprehensive discussion of this topic can be found in Keller's white paper (2001), in which he presents the so-called customer-based brand equity (CBBE) model. The focus of this model is on both awareness and the connection between image attributes and performance. It is important to note that a strong connection alone is not sufficient; a brand also needs to be associated with attributes that customers consider important or positive (Bettman, 1979, Keller, 2001, Rossiter and Percy, 1987). Some image attributes are positive, while others are negative, and it is important that a brand has a position that is both strong and positive in the minds of its target consumers. In addition, it is important that a brand is regarded as unique by its target group, that is, consumers should be able to distinguish it from other brands in the market (Keller, 2001; Trout and Rivkin, 2008).

Gudlaugsson (2018) evaluated the effect of Costco's entry into the Icelandic market on the images of grocery stores a few months after Costco opened its store in Iceland. The study was based on fundamental brand management theory related to concepts such as brand knowledge, brand awareness, and image and whether brands have strong, positive, and unique positions in the minds of their respective target groups or segments. Based on the findings, the author concluded that Costco's opening had had a minimal impact on the images of Bónus, Nettó,

or Fjarðarkaup, while the most affected store was Hagkaup. Prior to the opening, Hagkaup was strongly associated with positive attributes such as *freshness*, *product range*, *fun*, and *different*, but, following the opening of the Costco store, Hagkaup was viewed as the store with the highest prices. Krónan seemed to have a stronger image than before the opening of Costco and was still associated with *low price*, but it had also become more strongly associated with the positive image attributes *different*, *freshness*, and *product range*. Costco occupied a strong position on the perceptual map, being associated with the attributes *low price*, *different*, *freshness*, *product range*, *fun*, and *quality*. Therefore, Costco occupied a position similar to that which the company's chief officer argued it had in 2005; that is, Costco delivers quality at lower prices than its rivals (Cascio, 2006a). Gudlaugsson (2019) evaluated Costco's image and determined whether Costco had managed to maintain its strong image position 18 months after the opening of its first store in Iceland. The findings showed similar top-of-mind scores for all stores, with the exceptions of Costco and Krónan. In 2017, after the first Costco store had been in operation for six months, Costco's score was 9.9%, but, in 2018, after 18 months in operation, it had declined to only 2%. Krónan had a top-of-mind score of 18.6% in 2017, but, in 2018, it was 34.1%. The findings of perceptual mapping show that the positions for most of the stores were similar in 2017 and 2018. Nettó was near the center of the map, with an unclear position. Iceland was considered *boring* with relatively *high prices*, and Bónus offered *low prices* but was also considered *boring*. Hagkaup was considered to have the *highest price*. Costco, Krónan, and Fjarðarkaup had similar positions in both years, with strong associations with the positive attributes *quality*, *product range*, *fun*, and *freshness*.

The focus of this paper is on the short- and long-term effects of the opening of the Costco store on the image of grocery stores in Iceland. The findings are based on the results of five similar surveys, which were conducted each autumn during the period of 2017–2021, with a total of 12,849 individuals completing the surveys. The following sections of this paper outline the methodology employed and the results obtained. Finally, the paper discusses the study's findings and contributions to theory and practice, the limitations of the study, and further research that could be conducted in this area.

2. Methodology and data analysis

This section provides an overview of how the research was planned, how the data were processed, and the sample of people who participated in the study.

2.1 Research design

The findings are based on five surveys that were conducted each autumn in the period of 2017–2021. Ten to 13 independent research groups gathered data, all using roughly the same questionnaire and the same web- and paper-based forms. The members of the research groups were all students at the University of Iceland who were participating in a third-year course in marketing research. The web-based version was executed using the software QuestionPro, and the survey was open for two weeks. After 10 days, the paper-based part was executed; the purpose of this part was to correct possible biases, such as those related to gender and age, on the part of the survey participants. The author of this paper supervised the data collection and estimated whether there was a difference in the responses obtained using those two methods. There was a difference between methods only in a very limited number of cases, and in all cases where a difference was observed, the eta-squared was low (between 0.005 and 0.007), meaning that only a small proportion of the variance could be attributed to the different data-gathering methods employed. The author also estimated whether there were any differences among the research groups and between years; in all cases where differences were observed, the eta-squared was low. Therefore, all data were merged into a single dataset, which contained 12,849 valid answers. able 1 below provides a summary of the responses to the survey.

TABLE 1: SUMMARY OF SURVEYS

	Survey 1	Survey 2	Survey 3	Survey 4	Survey 5
Year	2017	2018	2019	2020	2021
Responses	2,708	3,078	2,682	2,680	1,701
Stores	8	7	7	7	7
Attributes	9	9	9	9	9
Questions	21	23	25	25	25

As can be seen in Table 1, the number of questions differed between years; this difference is due to the fact that the NPS questions were added to the last three surveys. In survey 2, two questions were added, namely *"What store or chain do you visit most often?"* and "*When you do not visit the store you visit most often, which store do you visit?"*

The questionnaire was divided into four parts. The first part consisted of seven questions concerning consumer behavior and which factors consumers considered important when choosing a grocery store. The first question was an open-ended top-of-mind question asking which store or chain was at the top of the respondent's mind. This question was followed by four questions inquiring as to which store the respondents visited most often, which store they visited when they did not visit their most visited store, and how likely they would be to recommend their most visited store to family or friends. These questions were followed by statements concerning the importance of location, low price, and quality when choosing a grocery store. The second part included nine questions concerning the images of stores. The image attributes used were *freshness*, *low price*, *product range*, *boring*, *different*, *high price*, *quality*, *opening hours*, and *fun*. Some of these image factors have been used in previous research and were included for comparative purposes. The third part featured only one question, which concerned how often the respondents visited the grocery stores named in the survey, which were Fjarðarkaup, Nettó, Hagkaup, (Víðir), Bónus, Iceland, Costco, and Krónan. In 2018, the store Víðir went bankrupt; it was therefore not included in this study.

2.2. Sample
The population of interest in this research are those who visit grocery stores. Table 2 below presents a summary of the sample with regard to gender and age.

TABLE 2: GENDER AND AGE OF THE SAMPLE

Gender	
Male	39%
Female	61%
Age in years	
< 31 years old	47%
31 to 50 years old	29%
51 or >	23%

As can be seen in Table 2, the proportion of female participants was higher than that of male participants; in addition, the proportion of respondents who were younger than 31 years old was greater than that of older individuals. Therefore, it was considered necessary to weight all data based on the gender and age of the population. The proportion of the population, the sample, and the weighting coefficient can be seen in Table 3.

TABLE 3: POPULATION, SAMPLE, AND THE WEIGHTING COEFFICIENT

	Population		*Sample*		*Coefficient*	
	Male (1)	**Female (2)**	**Male (1)**	**Female (2)**	**Male (1)**	**Female (2)**
18-30 years old (1)	14.8%	13.5%	19.9%	26.8%	0.75	0.50
31-50 years old (2)	20.6%	18.7%	11.0%	18.4%	1.87	1.02
51-70 years old (3)	16.3%	16.1%	7.9%	15.9%	2.06	1.01

This approach ensured that one sample group, such as young female respondents, could not skew the results when compared to the attitudes of the population as a whole.

The trend in terms of top-of-mind scores is used to evaluate Costco's position almost five years after it opened its store in Iceland. A perceptual mapping methodology employing the nine abovementioned image attributes was used to examine store image.

3. Results

This chapter presents the findings. This section presents the findings of the study. First, the top-of-mind scores for all of the surveys are compared; thereafter, the perceptual mapping of the stores is compared, both between surveys as well as based on average score.

The findings regarding the top-of-mind question at the beginning of the questionnaire indicate that the store Bónus had the strongest position, or share of voice; on average, 49.1% (+/- 0.86%) of participants mentioned this store/chain. When looking at each year individually, it can be seen that the percentage of those who mentioned Bónus was stable, ranging from a low of 46.6% (+/- 1.84%) to a high of 53.8% (+/- 1.85%). The second most mentioned store was Krónan; on average, 29.9% (+/- 0.79%) of participants mentioned this store/chain. When considering each year individually, it can be seen that the percentage of those who mentioned Krónan was very variable, ranging from a low of 19.5% (+/- 1.5%) to a high of 36.7% (+/- 1.78%). Based on share of voice proportions, it can be argued that Krónan was the winner in the grocery store market, as no other store enjoyed as much growth as it did in the survey period. The findings for the other stores can be seen in Table 4 below.

TABLE 4: FINDINGS FOR TOP-OF-MIND SCORES

	Fjarðarkaup	Nettó	Hagkaup	Bónus	Iceland	Costco	Krónan	Other
Top of mind average score	1.7%	6.3%	6.1%	49.1%	0.5%	3.8%	29.9%	2.7%
95% CI	*0.22%*	*0.42%*	*0.41%*	*0.86%*	*0.12%*	*0.33%*	*0.79%*	*0.28%*
Top of mind 2017	2.0%	5.4%	8.1%	49.1%	0.2%	12.1%	19.5%	3.7%
95% CI	*0.53%*	*0.86%*	*1.03%*	*1.90%*	*0.17%*	*1.23%*	*1.50%*	*0.72%*
Top of mind 2018	1.4%	4.5%	10.1%	48.1%	1.3%	2.6%	29.8%	2.3%
95% CI	*0.44%*	*0.77%*	*1.12%*	*1.86%*	*0.42%*	*0.59%*	*1.70%*	*0.56%*
Top of mind 2019	1.8%	6.5%	1.6%	53.8%	0.4%	2.0%	31.0%	2.8%
95% CI	*0.49%*	*0.91%*	*0.47%*	*1.85%*	*0.23%*	*0.52%*	*1.72%*	*0.61%*
Top of mind 2020	1.7%	7.4%	4.7%	46.6%	0.2%	0.6%	36.7%	2.1%
95% CI	*0.45%*	*0.97%*	*0.78%*	*1.84%*	*0.17%*	*0.29%*	*1.78%*	*0.53%*
Top of mind 2021	1.5%	8.0%	6.2%	47.3%	0.2%	0.9%	33.2%	2.7%
95% CI	*0.56%*	*1.25%*	*1.11%*	*2.30%*	*0.21%*	*0.43%*	*2.17%*	*0.75%*

Concerning Costco's position in this regard, on average, only 3.8% (+/- 0.33) of participants mentioned this store. When considering each year individually, it can be seen that the percentage of those who mentioned Costco declined dramatically from 12.1% (+/- 1.23%) in 2017 to 0.9% (+/- 0.43%) in 2021. In 2018, the rate dropped particularly sharply to 2.6% (+/- 0.59%); therefore, it can be concluded that the opening itself attracted significant attention, which subsequently declined rapidly. Based on share of voice, it can be concluded that Costco has not maintained the strong position it enjoyed in 2017 when the store opened.

Table 5 presents the scores for the image attributes for each grocery store for the years 2017–2021, as well as weighted average scores for the whole dataset. As can be seen in Table 5, the scored varied between stores. When considering the weighted average score for Costco, it can be seen that Costco only received the highest score for one attribute, *different*. In 2017, Costco received the highest scores for four attributes, namely *freshness*, *different*, *quality*, and *fun*. It therefore seems that Costco lost not only its position in terms of share of voice but also its position in terms of high scores for positive image attributes. Hagkaup received the highest scores for five attributes, namely *freshness*, *product range*, *high price*, *quality,* and *opening hours*. Bónus, in contrast, received the lowest scores for two attributes, namely *freshness* and *different*, and the highest scores for *low price* and *boring*. Iceland received the lowest scores for *product range*, *quality*, and *fun*, which are all positive image attributes. Finally, Fjarðarkaup received the highest score for *fun* and the lowest scores for *boring* and *opening hours*.

TABLE 5: SCORES FOR IMAGE ATTRIBUTES 2017–2021

		Fjarðarkaup	Nettó	Hagkaup	Bónus	Iceland	Costco	Krónan
Freshness	2017	6.19	5.55	6.68	4.97	3.85	6.65	6.25
	2018	6.47	5.99	6.99	5.39	4.51	6.43	6.73
	2019	6.90	6.20	7.02	5.45	4.36	6.31	6.74
	2020	7.24	6.42	7.23	5.70	4.41	6.39	7.18
	2021	6.85	6.29	7.21	5.80	4.31	6.15	7.17
	Average	**6.70**	**6.07**	**7.01**	**5.44**	**4.28**	**6.41**	**6.79**
Low price	2017	4.06	4.79	3.03	7.33	3.97	6.90	6.35
	2018	4.33	5.09	3.15	7.66	4.26	6.38	6.82
	2019	4.64	5.26	3.05	7.67	3.96	5.99	6.76
	2020	4.75	5.31	3.05	7.85	3.72	5.98	6.81
	2021	4.54	5.16	3.17	7.83	3.73	5.80	6.68
	Average	**4.45**	**5.12**	**3.08**	**7.66**	**3.95**	**6.25**	**6.69**
Product range	2017	6.27	5.85	7.21	5.53	4.27	6.50	6.43
	2018	6.59	6.19	7.46	5.72	4.87	6.66	6.74
	2019	7.01	6.44	7.51	5.67	4.71	6.57	6.72
	2020	7.39	6.73	7.72	5.93	4.76	6.59	7.14
	2021	7.16	6.55	7.72	5.75	4.58	6.73	7.08
	Average	**6.84**	**6.34**	**7.51**	**5.72**	**4.64**	**6.60**	**6.80**
Boring	2017	3.17	4.36	3.42	5.07	4.49	3.67	3.99
	2018	3.66	4.49	3.54	5.05	4.85	4.04	3.95
	2019	3.56	4.40	3.67	5.14	5.26	4.35	4.03
	2020	3.23	4.27	3.49	4.97	5.27	4.24	3.74
	2021	3.49	4.37	3.46	4.91	5.37	4.18	3.78
	Average	**3.42**	**4.38**	**3.52**	**5.04**	**5.01**	**4.09**	**3.91**
Different	2017	5.71	4.24	4.96	3.35	3.93	7.05	4.26
	2018	6.09	4.62	5.32	3.36	4.52	7.14	4.37
	2019	6.53	4.90	5.47	3.44	4.42	7.15	4.60
	2020	6.88	4.88	5.57	3.49	4.50	7.31	4.81
	2021	6.69	4.76	5.65	3.49	4.52	7.29	4.85
	Average	**6.34**	**4.67**	**5.37**	**3.42**	**4.36**	**7.18**	**4.55**
High price	2017	5.40	5.05	7.21	2.94	4.87	3.02	3.76
	2018	5.74	5.25	7.39	2.85	5.79	4.02	3.65
	2019	5.95	5.30	7.64	2.99	6.33	4.67	3.93
	2020	5.90	5.37	7.69	2.87	6.61	4.66	3.94
	2021	6.10	5.47	7.59	2.89	6.63	4.80	4.10
	Average	**5.79**	**5.27**	**7.50**	**2.91**	**5.97**	**4.18**	**3.86**
Quality	2017	6.16	5.23	6.54	4.57	3.88	6.48	5.71
	2018	6.42	5.55	6.78	4.90	4.42	6.24	6.06
	2019	6.92	5.89	6.90	4.99	4.31	6.33	6.24
	2020	7.26	6.04	7.10	5.14	4.38	6.45	6.62
	2021	6.91	5.89	7.09	5.26	4.37	6.34	6.66
	Average	**6.70**	**5.71**	**6.86**	**4.95**	**4.26**	**6.37**	**6.23**
Opening hours	2017	4.00	6.59	7.81	4.84	6.04	5.77	6.15
	2018	4.31	6.99	8.03	4.78	7.39	5.70	6.31
	2019	4.53	7.23	8.12	5.12	7.36	5.98	6.58
	2020	4.64	7.37	8.26	5.33	7.46	6.12	6.81
	2021	4.59	7.29	8.25	5.18	7.40	6.05	6.71
	Average	**4.39**	**7.08**	**8.08**	**5.04**	**7.09**	**5.91**	**6.50**
Fun	2017	5.66	4.55	5.78	3.79	3.54	6.00	5.06
	2018	5.77	4.78	6.06	4.00	4.19	5.89	5.30
	2019	6.29	5.14	6.10	4.12	3.97	5.98	5.48
	2020	6.60	5.11	6.25	4.13	3.93	6.10	5.74
	2021	6.60	5.11	6.25	4.13	3.93	6.10	5.74
	Average	**6.11**	**4.91**	**6.08**	**4.05**	**3.92**	**6.03**	**5.45**

Figure 2 displays the position map of the grocery stores in 2017 (*n* = 2,708). The map indicates that the findings were robust, as the attributes *boring* and *fun* had opposite directions, as did *low price* and *high price*. Attributes that had features in common were also grouped together, such as *freshness*, *quality*, and *product range*. As can be seen in the figure, Bónus had a strong association with the attribute *low price* but was also considering *boring*, findings similar to those of previous studies (Gudlaugsson, 2018, 2005). Therefore, it can be concluded that the opening of Costco had a minor effect on Bónus's image. Nettó also occupied a similar position on the map as in former studies as well as Fjarðarkaup. Hagkaup was now most closely associated with the attribute *high price* and had shifted away from the positive attributes *freshness*, *product range*, *fun*, and *quality* (Gudlaugsson, 2005). Krónan was associated not only with the attribute *low price* but also with the positive attributes *different*, *freshness*, *product range*, *fun*, and *quality*. Given that Krónan's position is near the center of the map, its situation could not be considered strong (see Lilien et al., 2017).

FIGURE 2: PERCEPTUAL MAP OF THE GROCERY MARKET IN ICELAND 2017
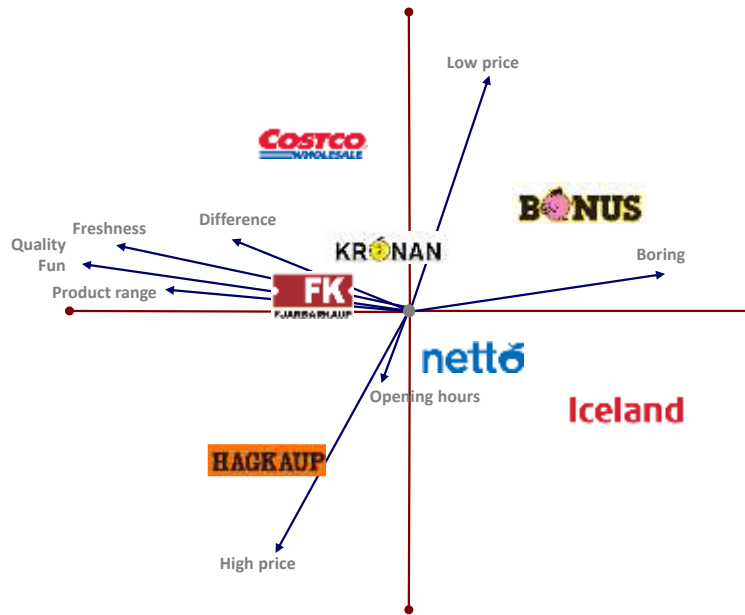
Costco had a strong position on the map, being strongly associated not only with *low price* but also with the positive attributes *different*, *freshness*, *product range*, *fun*, and *quality*. The entry of Costco seems to have caused Hagkaup to decline in terms of positive attributes, with the consequence being that Hagkaup came to be strongly associated with the attribute *high price*. Therefore, Hagkaup did have a relatively weaker image compared to that which it had prior to the opening of the Costco store.

Figure 3 displays the position map of the grocery stores in 2019 (*n* = 3,078). The positions indicate that the findings were robust, as the attributes *boring* and *fun* had opposite directions, as did *low price* and *high price*. Attributes that had features in common were also grouped together, such as *freshness*, *quality*, *product range*, and *fun*.

FIGURE 3: PERCEPTUAL MAP OF THE GROCERY MARKET IN ICELAND 2019
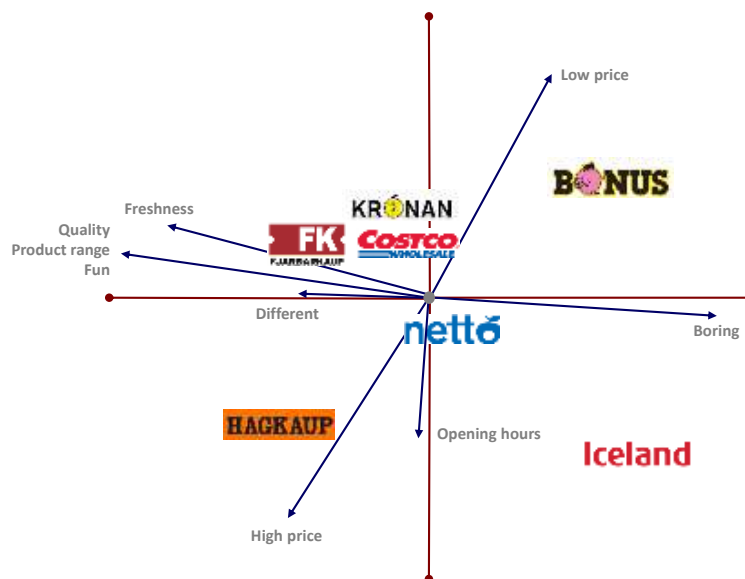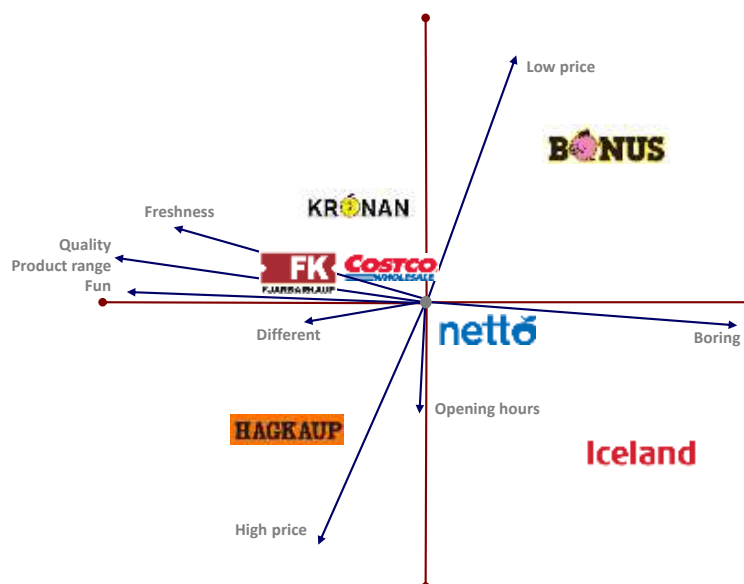

As can be seen in Figure 3, Bónus, as in 2017, had a strong association with the attributes *low price* and *boring*. Nettó, Krónan, Fjarðarkaup, and Hagkaup had a similar position as in 2017; this was also the case for Iceland, which was strongly associated with the attributes *boring*, *opening hours*, and *high price*. Costco had a weaker

position than in 2017 but was still associated with the same attributes. Since Costco is nearer the center of the map, its position was weaker than it was the first month after the opening.

Figure 4 displays the position map of the positions of the grocery stores in 2021 (*n* = 1,701). The representation indicates that the findings were robust, as the attributes *boring* and *fun* had opposite direction, as did *low price* and *high price*. Attributes that had features in common were also grouped together, such as *freshness*, *quality*, *product range*, and *fun*.

FIGURE 4: PERCEPTUAL MAP OF THE GROCERY MARKET IN ICELAND 2021

As can be seen in Figure 4, the map is similar to those for 2018 (see Gudlaugsson, 2019) and 2019. Bónus had a strong association with the attributes *low price*, Hagkaup with *high price*, and Iceland with *boring*. Krónan, Fjarðarkaup, and Costco are grouped together at the most favorable part of the map, which is associated with various quality attributes as well as *low price*. Of these three stores, however, Costco is nearest the center of the map, which indicate that it has weaker position than Krónan and Fjarðarkaup with regard to the position statement *offering high quality at a reasonable price*.

4. Discussion

The focus of this paper was on determining whether Costco was able to maintain the strong image it enjoyed a few months after its opening in Iceland in 2017. The research question was as follows:

> **What are the short- and long-term effects of the opening of Costco on the image of grocery stores in Iceland?**

The findings were based on surveys that were conducted in the autumn of 2017–2021, five in total, with total answers of 12,849. The population of interest consisted of individuals between the ages of 18 and 70 who visited grocery stores to purchase groceries for their homes. The proportion of female and younger participants was higher in the sample than in the overall Icelandic population, and therefore all data were weighted based on the age and gender of the population.

The findings for the top-of-mind question indicate that the store Bónus had the strongest share of voice, as 46.6% to 53.8% of the respondents mentioned this store/chain when asked which store or chain was top of their mind at at the time of the survey. The second most mentioned store was Krónan, as 19.5% to 36.7% of the respondents mentioned this store/chain. The other stores were mentioned less frequently.

The findings based on perceptual mapping show that the positions for most of the stores were similar in 2017, 2019, and 2021. Nettó was near the center of the map, meaning that it had an unclear position. Iceland was mostly

considered *boring* and had the weakest position of the investigated stores. Bónus offered *low price* but was also considered *boring*, and it seems that the opening of Costco did not change the image of that store. Hagkaup was primarily associated with the attribute *high price* and, by 2017 had shifted away from the positive attributes *freshness*, *product range*, *fun*, and *quality*; however, prior to the opening of Costco, Hagkaup was strongly associated with these attributes. In 2017, Costco had a strong position on the map and was strongly associated with *low price* as well as with *different*, *freshness*, *product range*, *fun*, and *quality*. In that year, Krónan and Fjarðarkaup were also associated with those attributes; however, since their locations were near the center of the map, their positions were not strong. In 2018 and thereafter, Krónan, Fjarðarkaup, and Costco were grouped together at the most favorable part of the map, which is associated with various quality attributes as well as *low price*. After 2017, of these three stores, Costco was nearest to the center of the map, which indicates that it had a weaker position than Krónan and Fjarðarkaup with regard to offering high quality at reasonable prices. However, bearing Figure 1 in mind, it can be concluded that based on quality and price, Costco still has a strong position on the market.

Overall, the data indicate that Costco does have a strong position on the Icelandic retail market. Its petrol service is popular and was number one in its category for the fourth year in a row in the Icelandic Customer Satisfaction Index for 2021. The image of the company is strong, although it has declined since the year the store was opened. In all five years covered by the data, Costco was associated with positive image attributes such as *quality*, *product range*, *fun*, *freshness*, *different*, and *low price*, but these attributes create a perception similar to that shared by Sinegal, the chief executive of Costco, in 2005, when he argued that Costco first and foremost delivers quality at lower prices than its rivals. The results indicate the existence of a short-term effect in that in the 2017 survey, Costco had a strong, positive, and unique placement according to the respondents, but this effect had declined by the 2018, 2019, 2020, and 2021 surveys. In terms of long-term effects, Costco seems to primarily have had a significant impact on a single retail chain, Hagkaup, while its impact on other retail stores seems to have been insignificant.

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