

Michael A. Roberto

Costco Wholesale Club: The Gas Station Strategy

“When employees are happy, they are your very best ambassadors.”
— Costco Co-founder Jim Sinegal

In the spring of 2026, Costco planned to open its first standalone gas station in Mission Viejo, California. Compared to the national average, retail gasoline prices tended to be high in the state. The average price per gallon of regular in California was \$4.20 in January 2026, though prices varied quite a bit by region and community.¹ At that time the national average was under \$3.

The new fueling center would not be located outside one of its warehouse clubs, unlike all other gas stations currently operated by the company. Costco intended to install 40 gas pumps at this site south of Los Angeles, with no adjacent retail space or convenience store.

The company operated a warehouse club with its own fueling center approximately two miles away.² In January 2026, that center sold gas for \$4.09 per gallon.³

Costco’s move seemed to defy the conventional wisdom in the industry. About 80% of gas stations in the United States operated a convenience store on site, and food and beverages accounted for much of the profit at those locations.⁴ Would this unconventional move significantly help Costco maintain its business momentum and soaring stock price?

Costco had purchased the site for \$14.4 million, with plans to raze the existing building that once housed a Bed, Bath & Beyond store.⁵ Installing fuel tanks and pumps would be costly. In Midland, Texas, the company had built a slightly smaller fueling center for \$3.8 million. Tom Kloza, chief market analyst for energy consulting firm Turner, Mason & Company, estimated that the station would sell roughly 20 million gallons of gas per year.⁶ Given that the average Costco customer purchased 12 gallons per visit, Costco might expect more than 1.6 million trips per year to this gas station by its members.⁷

Published by WDI Publishing, a division of the William Davidson Institute (WDI) at the University of Michigan.

©2026 Michael A. Roberto. This case was written by Michael A. Roberto, Trustee Professor of Management at Bryant University. The case was developed using public sources and was prepared as the basis for class discussion rather than to illustrate either effective or ineffective handling of a situation. The case should not be considered criticism or endorsement and should not be used as a source of primary data.
