

Analyses the Strategies for Sustained Membership Growth in Post-COVID-19 China

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Abstract: China's domestic retail industry has been adversely affected by the recent coronavirus pandemic for the past two years. Nevertheless, following the containment of the outbreak, the general condition has ameliorated. The objective of this paper was to examine the factors contributing to the growth of Sam's Club stores in China following the conclusion of the COVID-19 pandemic. Additionally, the paper aims to propose systematic strategies to enhance customer turnout at Sam's Club and other retail establishments in China. This study employed a case study methodology to examine the aspects that could potentially contribute to the expected growth of Sam's Club between 2022 and 2023. The conclusion section of this article analyzes the determinants that impact the sustainable development of Sam's Club. The study included suggestions on how Sam's Club and the Chinese retail industry may adapt in order to sustain the growth of their membership numbers in the near future.

Keywords: Membership Growth, Retail Industry Trends, Consumer Behavior Post-COVID-19, Recommendations for Retail Expansion

1. Introduction

In the third decade of the twenty-first century, the world economy faces unprecedented challenges and opportunities. In particular, during the period from 2022 to 2023, the impact of the New Crown epidemic is gradually fading, and the economies of the world are beginning to recover, but at the same time they are facing problems such as supply chain disruptions and rising inflation [1]. Against this global backdrop, China's economy has demonstrated a strong recovery but is not immune to changes in the external environment. During this period, China's retail sector, in particular, showed strong vitality and innovation. China's domestic retail industry has been in an overall downturn for the past two years due to the impact of COVID-19. As can be seen from Figure 1 and Figure 2, the China Chain Store Management Association (CCMA) conducted a survey that indicates a downward trend in China's overall retail industry from 2022 to 2023 [2, 3].

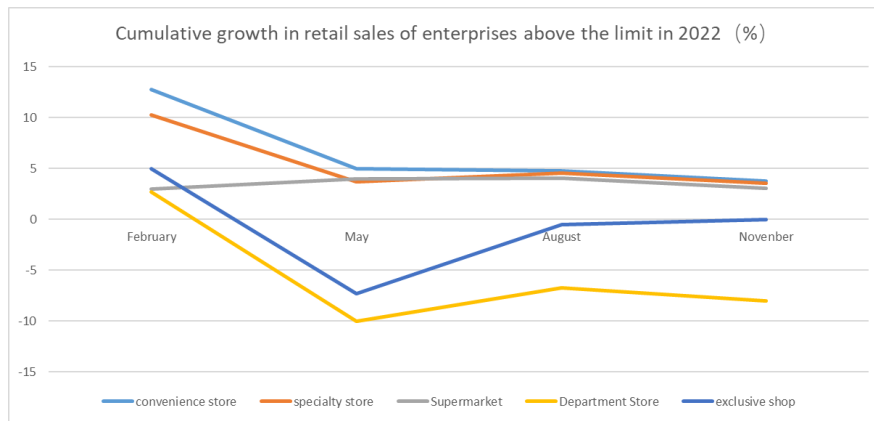


Figure 1: Cumulative growth in retail sales of enterprises above the limit in 2022 (%) [2, 3]
(Original Figure; Data source: <http://www.ccfa.org.cn>)

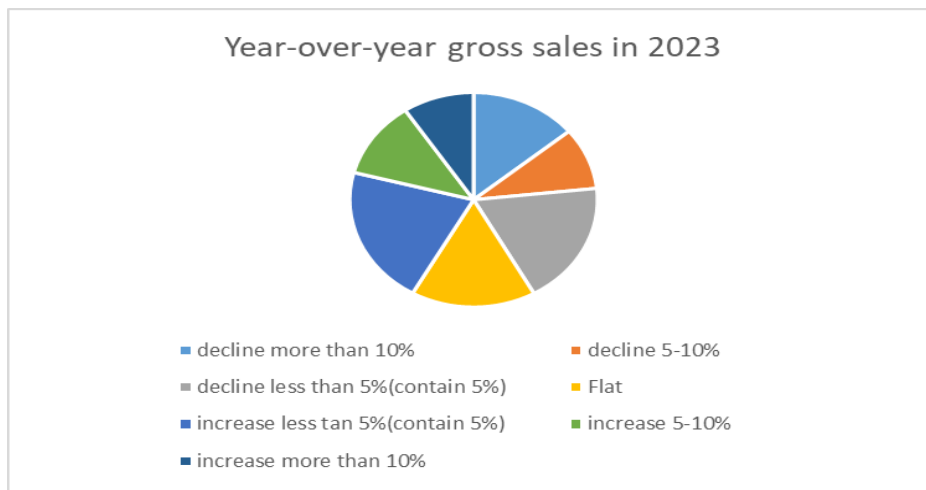


Figure 2: Year-over-year gross sales in 2023 [2, 3]
(Original Figure; Data source: <http://www.ccfa.org.cn>)

On the one hand, the epidemic has prompted many citizens to stockpile goods and prioritize the consumption of healthy and safe food [1]. In terms of the market, online shopping, no-touch delivery, and other consumer models have developed rapidly, and membership retail shops, especially companies like Sam's Club, have found new opportunities for growth in this shift. Walmart owns Sam's Club, a membership supermarket. Sam's Club originated in the United States in 1983, ventured into the international market during the 1990s, and made its debut in China in 1996. Currently, Sam's Club has more than 800 shops around the world, 37 of which are in China. It is one of the largest membership supermarkets in the world [4]. However, it is worth noting that Sam's Club shops operate in a different format. According to a Statista survey, the percentage of shoppers at Sam's Club rose from 13 percent to 20 percent between 2022 and 2023 [5].

Sam's Club membership supermarket is not a rare subject and has been studied by previous researchers. For example, Chen takes a Chinese membership supermarket as the research object, mainly comparing Costco and Freshippo to explore the methodology that can be learned from the localization of the membership supermarket in the Chinese market [6]. Cohe studied the research object of supermarket business model influencing factors, the establishment of non-linear equations to analyze the consumer's personal behavior, and the supermarket's alternative and complementary

factors as important factors affecting the choice of supermarket business model [7]. Li conducted a study on the rise of membership supermarkets in China, using data from the year 2019 [8]. Mamun et al. studied Sam's Club as a research object and exploited SWOT analysis to investigate the problems of the online operation of Sam's Club shops in 2017 [9].

The aforementioned papers examined the present state of membership supermarkets in China and the avenues for enhancement. They explored the correlation between consumers and retailers in the business model of the retail supermarket industry, as well as the progress of the domestic membership supermarket market in China in 2019. Additionally, they addressed the issues faced by Sam's Club in its online operations during the 2020 period, providing solutions and analysis in the relevant domains. However, the analysis only utilizes data from prior to 2020. While the report includes examples of membership supermarkets like Costco and Freshippo, it does not provide a comprehensive understanding of Sam's Club's growth in China. Additionally, it fails to address the reasons behind the projected increase in Sam's Club membership in the Chinese region from 2022 to 2023. This article will utilize the study mentioned above to examine the reasons behind the projected increase in Sam's Club memberships throughout the period of 2022–2023. This research paper examines the effectiveness of Sam's membership supermarkets in China, highlighting their success in attracting Chinese consumers and providing valuable insights for other domestic retail industry supermarkets to enhance the growth of China's retail industry.

Next, this paper will give a brief introduction to the Chinese retail industry market, followed by an analysis of Sam's Club. Furthermore, this paper will highlight the reasons why Sam's Club has been able to make a profit, as well as provide recommendations for Sam's Club to maintain its membership growth in the future.

2. Case Description

Walmart, a Fortune 500 corporation, established Sam's Club, a membership-based supermarket, in the United States in 1983, and then expanded into the Chinese market during the 1990s. Sam's China has a historical duration of over 30 years. As of 2023, there are a total of 37 shops in China. As of November 2021, Walmart's official website reports that there are over 40 million members in China, with a renewal rate above 80% [10]. According to Statista's study in 2023 (Figure 3), Sam's Club ranks seventh among retail supermarkets in China in terms of the proportion of domestic shoppers. It is the second-largest membership shop and is only surpassed by Boxmart in the membership supermarket segment [4].

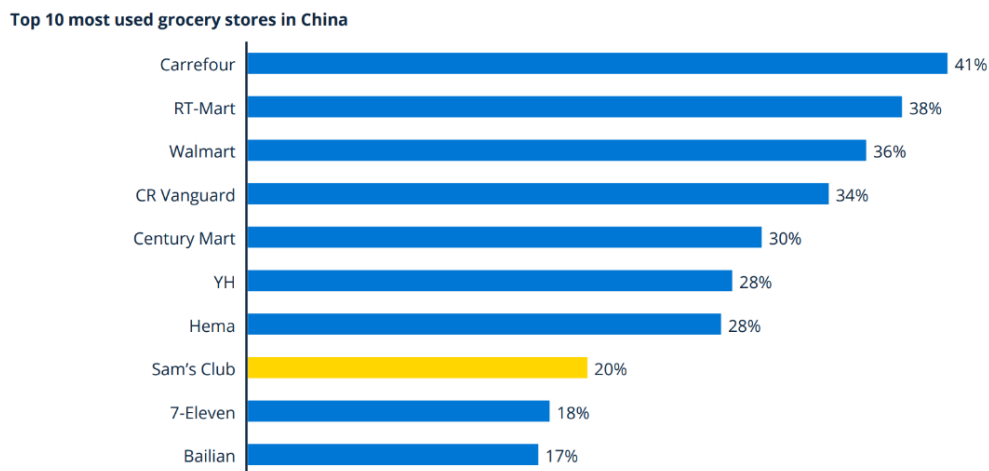


Figure 3: Top 10 most used grocery stores in China [10]
(Source: <https://www.statista.com>)

Sam's Club, the earliest membership supermarket in China, occupies a relatively large market share while having most of the loyal members, and these data undoubtedly show that Sam's Club's operation in China is successful. According to Statista's survey, Sam's Club's proportion of shoppers increased from 13% to 20% between 2022 and 2023 [4]. Secondly, Sam's Club is also very good at integrating e-commerce and offline operations well, which is one of the current trends in the retail industry. In this regard, Sam's Club has also added home delivery service to its own app and is now applying it as a major sales model. Therefore, for the above reasons, this paper considers Sam's Club as a typical and representative research object for membership supermarkets in the Chinese market during the period from 2022 to 2023.

It is worth mentioning that in the period from 2022 to 2023, when COVID-19 has just ended, China's retail industry has suffered a big blow, with many retail supermarkets facing losses. But in reality, China's retail sector has a lot of upsides. According to Kantar's research, China's retail industry is still growing. In China's urban retail market, the sales value of fast-moving consumer goods (FMCG) increased from 925.5 billion dollars in 2012 to 1447 billion dollars in 2022. Mordor Intelligence predicts a rise in the supermarket industry's market share from \$0.98 trillion in 2024 to \$1.16 trillion in 2029 [11, 12].

According to the comprehensive research and data above, the current downturn in China's retail industry is only temporary; the future of China's retail supermarket market will rise, but enterprises must adjust the state as soon as possible to improve the profitability of the most important task at the moment. This paper is deeply concerned about the ongoing growth in the number of Sam's Club members. In the upcoming article, we will analyze and describe the reasons for this phenomenon, providing pertinent analyses and explanations. Subsequently, the paper will provide insights gleaned from other membership retail shops and ordinary supermarkets. The paper will summarize the successful development of the retail industry from 2022 to 2023 and provide some business recommendations for the future.

3. Analysis on Problems

3.1. The Changes in Consumer Shopping Style

COVID-19 has had a significant impact on Chinese consumers, and this paper will focus on how the change in shopping habits affects the number of Sam's Club members. Under the influence of the epidemic, more and more Chinese people started to exploit the internet for their daily shopping, which includes shopping at supermarkets, food markets, and takeaway delivery shops [13].

There are many famous e-commerce and delivery companies in China, such as Alibaba, Meituan, etc. These companies rely on providing online sales and delivery services to make high profits in China, and Sam's Club is also very good at meeting consumer needs in this area. Sam's Club has added a contactless shopping service to its app, allowing customers to simply place an order on the app and have it delivered to their doorstep. It is worth noting that Sam's Club does not rely on other platforms or companies to complete online delivery shopping, and the establishment of a dedicated shopping platform for members prevents them from viewing advertisements from other companies, which not only provides customers with a good online shopping environment but also helps to reduce customer turnover. In the long run, this digital transformation provides Sam's Club consumers with convenient services and is an attempt to combine future digital information development with the current retail industry.

3.2. Consumer Changes in Product Quality

In addition to altering consumer shopping habits, COVID-19 has also heightened individuals' inclination towards adopting healthier eating practices. Medoro et al. found that consumers exhibit a greater propensity to select nutritious food options following the COVID-19 pandemic [14].

Sam's Club appears to possess an inherent advantage in this particular domain. Sam's Club will offer exclusive brands and regulate the assortment of each category of products to ensure that the merchandise in the store is of the highest quality. Simultaneously, it promotes its food products as being of superior quality and sourced from around the world, with the intention of establishing consumer confidence. Furthermore, in China, a country plagued by frequent food safety issues, the demand for safe and high-quality food is unquestionably intense in the market [15]. This study contends that Sam's Club's membership is experiencing a sustained increase following the conclusion of the COVID-19 pandemic, specifically during the timeframe of 2022–2023.

3.3. Sam's Club's Price Strategy

Sam's Club's ability to sustain membership growth over the past two years is not solely dependent on changes in customer purchasing perceptions. The sustained increase in Sam's Club's membership over the 2022–2023 era can be linked to the competitive pricing of its items. This benefit is derived from the operational framework of Sam's Club. This research ascribes certain aspects of Sam's operational paradigm to the following two factors: The wholesale buying paradigm enables consumers to get things at reduced prices. Sam's Club frequently rotates specific product assortments to ensure frequent refreshment of its offerings [15].

Firstly, consumers can purchase goods at a price close to the wholesale price by purchasing many of the same products in a single purchase. Although consumers need to pay more at one time, they actually get a cheaper price at Sam's Club than at other supermarkets or retail shops. This approach not only encourages customers to choose to spend at Sam's Club frequently but also creates a certain economic scale, which is conducive to Sam's Club's better negotiation with suppliers. According to Huang's research, Sam's Club leverages economies of scale, using its annual sales volume as negotiating leverage to negotiate lower prices with its suppliers [15]. This means that under this economic model, Sam's member shops can buy goods at a lower price than the usual market price of goods [15]. This is undoubtedly a win-win sales model for both consumers and retailers [15].

Second, Sam's Club protects the supplier's goods from price imbalances by not selling them for a long time. This is why Sam's Club is able to acquire stock at a lower price than the general cost of stocking. According to Courtemanche's investigation, Sam's Club's price anomalies have not impacted other retailers in the market, unlike other membership supermarkets such as Costco [16]. The long-term marginal curves of Costco, Sam's Club, and Wal-Mart Supermarkets reveal that Sam's Club has a flatter editing curve [16]. As a result, in the long run, Sam's Club is still looking for growth.

4. Suggestions

4.1. Suggestion on Personalized Service

Sam's Club primarily targets those with higher incomes, making it crucial to increase the number of consumers who can purchase there. To do this, Sam's Club should focus on enhancing its online shopping platform and improving personalized services, while also maintaining its current benefits. Pappas's research indicates that individualized online purchasing can improve the customer's experience, ultimately leading to the goal of gaining loyal consumers [17]. Establishing a high-quality and professional ambiance during the entire shopping experience enables users to perceive the service

they receive as worth the cost, encouraging them to maintain their membership. It depends on the objective of consistently increasing the number of members.

4.2. Suggestions for Expansion in China

Sam's Club's own brand is very successful, and with "global selection" and other promotional slogans, Sam's Club should continue to develop this aspect of the service to further improve their own brand. Furthermore, it is very necessary for Sam's Club to further expand its market in China. According to the official Sam's Club website, the southeastern coast and the big cities of the Yangtze River Basin are home to all 37 Sam's Clubs in mainland China. However, it is clear that Sam's Club has very little distribution in the provinces—only one in most provinces—and there is no distribution in China's Shandong Province.

This paper argues that if Sam's Club wants to further expand its market in China and capture a larger share of the market, it should open more shops in the more economically developed regions of China in the long term, and in the short term, it can start in Shandong Province, which is the third most economically developed province in China according to the Shandong Provincial Bureau of Statistics and has the metropolitan cities of Jinan and Qingdao [18]. Combined with the government's work report, this paper argues that these two cities have strong consumption capacity [18].

4.3. Suggestions for Other Brands in the Industry

Other supermarkets and convenience stores in the retail industry cater to a broader range of customers, including not only high-income individuals but also ordinary and low-income individuals. Hence, if they are unable to match the pricing of membership supermarkets such as Sam's Club, they should allocate more resources to enhancing product quality and improving the overall shopping experience. To begin with, regular supermarkets can achieve this objective by implementing self-branding strategies. Engaging in self-branding ensures both product excellence and the ability to attract and maintain a loyal consumer base.

Even if they have insufficient capital or technology, they should have a supply chain of goods that is unique to their own company in order to improve their ability to adapt to the market. Secondly, they should strive to provide users with a comprehensive shopping experience, which can be achieved by developing and enhancing their online shopping platform and offering home delivery services to broaden their range of services. In cases where their own funds or technology cannot reach the situation, they can seek cooperation. For example, China's largest takeaway delivery platforms are "Meituan" and "Hungry." Through cooperation to establish Sam's Club delivery and online shopping services that are not inferior to Sam's Club.

5. Conclusion

This paper has been written in the context of COVID-19 and has just ended. China's domestic retail industry is in a rebound stage; the consumer's mindset has changed and the restriction has been opened up to the citizens after the end of COVID-19. China's retail market will continue to grow in the coming years. This paper then examines the phenomenon of "why Sam's Club membership can keep growing during 2022-2023." Using a case study approach, the reasons for the growth of Sam's Club membership in China are analyzed in terms of consumers as well as the price and quality of Sam's Club products.

There are some points summarized in this paper as to why Sam's Club will maintain its growth between 2022 and 2023. Firstly, consumers are more inclined to shop online and buy healthy food due to the influence of COVID-19. Sam's Club provides correspondingly better service in these areas. Secondly, Sam's Club guarantees the quality and price of goods, relying on a large number of private

brands to realize good value for money. Finally, Sam's Club adopts bundled consumption, which means that consumers must buy a large number of goods at once in order to receive goods below market price. Combining these several reasons, Sam's Club has maintained membership growth in mainland China between 2022 and 2023. This paper then gives the measures that can be taken to ensure the future growth of membership based on the current situation of Sam's Club and also provides relevant suggestions for other companies in the same retail industry.

This paper fills a gap in the research as to why Sam's Clubs have been able to maintain their membership growth after the end of the epidemic. At the same time, this paper also has some poorly researched areas. Most of the retail industry in China is composed of ordinary supermarkets and convenience stores, not membership supermarkets, so in future research, further research can be done on China's retail industry, which is not a membership company's related to the strategy and countermeasures.

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