

A SWOT Analysis of Sam Club in the Chinese Market: A Strategic Study Based on Retail Model

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Abstract. The Chinese retail market is facing rapid transformation with the development of electronic business and changes in consumer shopping habits. The membership-based retail model is becoming increasingly popular, where customers pay membership fees to enjoy low prices and exclusive services. Sam's Club (owned by Walmart) is one of the major membership-based retailers in China. This study uses SWOT analysis to explore the strategic position of Sam's Club in the Chinese market. Leveraging company disclosures, market intelligence, and sector-specific literature, the investigation utilizes SWOT methodology to dissect the influential factors—strengths, weaknesses, opportunities, and threats—pertinent to Sam's Club. The research findings indicate that Sam's Club has a strong brand influence, an efficient supply chain, and a stable membership loyalty. However, it also faces high operating costs, limited stores, and fierce competition from local retailers and e-commerce platforms. At the same time, Sam's Club still has significant opportunities to expand to second- and third-tier cities and enhance digital services. The study concludes that Sam's Club must balance physical expansion and online innovation to achieve long-term development in the highly competitive Chinese retail environment.

Keywords: Membership-based retail, SWOT analysis, Sam Club

1. Introduction

The Chinese retail market is undergoing rapid transformation, mainly driven by the development of online retail, changes in consumer lifestyles, and the increasing demand for high-quality goods and services [1]. Of these emergent patterns, the subscription-based retail paradigm is attracting heightened interest. This framework requires patrons to remit an annual membership charge, which in turn grants access to reduced-price goods, specialized amenities, and an elevated consumer journey, thereby establishing it as a noteworthy substitute for traditional grocery outlets. Although there has been extensive research on membership-based retail in Western markets, studies in China remain limited, and the unique consumer behavior and highly digitalized retail ecosystem in China make its development path distinctive.

Sam's Club (owned by Walmart) is one of the earliest international retailers to introduce the membership-based retail model in China. With the intensifying competition from local chains and online platforms, studying the strategic position of Sam's Club is of great significance. This research assesses Sam's Club's strengths, weaknesses, opportunities, and threats in the Chinese retail

environment. Specific research questions include: What advantages does the membership system bring to Sam's Club? How do internal challenges affect its competitiveness? How do external opportunities and threats impact its growth in China?

In this investigation, I employ a qualitative case study methodology, drawing upon data from corporate reports, sector-specific statistics, and scholarly inquiries. [2]. SWOT analysis is used as the main tool to evaluate internal and external factors. The significance of this research lies in providing a reference for the development of membership-based retail in China. An analysis of Sam's Club's experiences may yield insights for international retailers seeking to adapt to the Chinese market, as well as offer actionable recommendations for the advancement of membership-based and digital retail paradigms.

2. Internal analysis

2.1. Strengths

As a membership-based retail enterprise under Walmart, Sam's Club has demonstrated significant advantages in the Chinese market. Firstly, its strong membership system has brought the company stable income and high customer loyalty. In 2025, Sam's Club in China reported a membership exceeding 8.6 million, generating roughly 2.2 billion RMB in annual membership fees. The first quarter of 2025 exhibited a notable growth rate of 9.6% in membership fee revenue [3]. This indicates that its membership system is highly effective in attracting and retaining customers. Empirical evidence indicates that retail models predicated on membership can substantially augment customer retention and brand allegiance through the provision of bespoke services, tailored promotional campaigns, and premium consumer environments. This assertion is corroborated by findings in both global and domestic retail sectors [1]. Moreover, the membership system provides a stable revenue source independent of product sales. It enables the company to continuously invest in high-quality products, innovative services, and marketing activities, further strengthening its member value and competitive advantage.

Secondly, Sam's Club has been continuously expanding its store network. As of 2025, the company has opened 55 stores in China and plans to add 6 more in the coming year. This expansion increases geographical coverage and enhances brand influence in major urban centers. Empirical evidence suggests that the spatial distribution of brick-and-mortar establishments is paramount in cultivating consumer confidence and bolstering brand salience, particularly within the Chinese market, where a significant proportion of consumers exhibit a predilection for tangible, in-situ evaluations prior to purchase [4]. Additionally, the company strategically selects locations in high-income areas and emerging cities, which aligns well with its target consumer group - the middle-to-high-income class, maximizing sales potential and reinforcing brand positioning.

Thirdly, the company focuses on high-quality products, mainly imported goods and fresh food, to meet the demands of China's middle class for high-end, safe, and reliable products. As consumers' attention to food safety and quality increases, providing high-standard products has become an important competitive advantage. Sam's Club also offers a diverse range of products, including household items, electronic products, and brand products, further expanding its appeal to different consumer groups.

Furthermore, Sam's Club has established an integrated online and offline shopping model, such as providing one-hour delivery services. This omnichannel strategy aligns with Chinese consumers' growing convenience, speed, and digitalization demands. By connecting physical stores with digital platforms, the company enhances shopping convenience and collects consumer data to achieve

precise marketing and inventory optimization. Research shows retail enterprises implementing an omnichannel strategy can improve customer engagement, operational efficiency, and overall competitiveness [1].

Bolstered by Walmart's robust global supply chain architecture, Sam's Club has strategically deployed over 300 distribution hubs throughout China. This expansive network ensures frictionless logistics, punctual delivery of goods, and streamlined inventory protocols. The dependability of these supply chain dynamics preserves product integrity, curtails stock depletion, and diminishes operational expenditures, thereby amplifying its competitive advantage in the marketplace. In summary, the core advantages of Sam's Club in the Chinese market include an efficient membership system, strategic store expansion, high-quality products, integrated online and offline operations, and efficient supply chain management. These advantages have collectively enhanced customer loyalty, operational efficiency, and brand influence, laying a solid foundation for its sustainable growth in China's fiercely competitive retail market. They also provide valuable experience for other membership-based retail models.

2.2. Weaknesses

Although Sam's Club has advantages in terms of brand and product quality, some disadvantages in the Chinese market hinder its development. Firstly, its store network is relatively limited. As of 2025, the company operates only 55 stores in China and plans to add 6 more. In contrast, local retail giants such as Wal-Mart and Carrefour have hundreds of stores, more exhaustive coverage, and greater brand influence. The limited physical store network restricts its market penetration in second- and third-tier cities, which are growing consumer markets. Deng posited that the restricted retail footprint curtails avenues for customer procurement and diminishes the firm's market salience within fiercely contested locales [4].

Secondly, Sam's Club's high-end positioning and annual fee system may limit the participation of price-sensitive consumers. The company mainly sells imported and high-end fresh products, attracting high-income groups. At the same time, middle and low-income consumers may not be willing to join or renew, thus affecting overall revenue growth. Shi posited that the premium pricing model in China might constrain adoption among a wider demographic; consequently, the organization should recalibrate pricing or membership frameworks in response to prevailing market dynamics to augment market penetration [5].

Thirdly, although Sam's Club offers online shopping and delivery services, its digital and e-commerce channels still have a lower market share than major platforms such as Tmall, JD, and Pinduoduo, limiting its coverage in mobile-first and online-first consumer groups. In the context of the rapid development of digital retail, this disadvantage is particularly evident. Finally, the company is highly dependent on imported goods and exceptionally high-quality food, which exposes it to supply chain risks. International logistics disruptions, customs delays, or fluctuations in transportation costs can affect product supply and prices. Additionally, some regions have low-end delivery efficiency issues, which may also affect operational efficiency and customer satisfaction.

3. External analysis

3.1. Opportunities

With the rapid economic development of China and the increase in residents' income levels, the size of the middle class has continued to expand, and the consumption structure has also been upgraded.

Research indicates a growing demand among the middle class for premium goods and superior services, with evolving consumption patterns increasingly favoring imported foodstuffs, fresh agricultural products, and luxury lifestyle commodities [1]. This trend provides a huge market opportunity for Sam's Club because its membership model and high-quality products can meet the middle class's demand for a unique shopping experience. Additionally, the development of digital retail has provided new growth space for Sam's Club. The escalating dependence of Chinese consumers on online retail and mobile payment solutions, coupled with the proliferation of e-commerce platforms and advancements in logistical infrastructure, has positioned the convergence of online and brick-and-mortar retail as a critical trajectory for retail corporations [4]. Sam's Club has expanded its membership numbers through cooperation with local e-commerce platforms and provided "1-hour delivery" and other efficient services, enhancing the convenience of consumers' shopping and expanding the potential customer base.

At the same time, the membership retail model is gradually being accepted by consumers in China and shows a continuous growth trend. Scholars point out that the membership system can enhance customer loyalty and repeat purchase rates, create a stable income source for enterprises, and provide feedback channels for product and service innovation (Shi, 2024)[5]. Sam's Club continuously expands its membership numbers in the Chinese market, optimizes membership benefits, and improves customer satisfaction through personalized services and high-quality products, enabling it to maintain a certain advantage in the highly competitive retail market. Furthermore, tailoring product and service innovations to specific locales presents additional avenues for advancement. Empirical evidence suggests that retail entities can substantially bolster their competitive edge by modulating product architectures to resonate with the palates and cultural inclinations of indigenous consumers [6]. Sam's Club has successfully enhanced the brand's affinity and customer loyalty by launching food products that suit Chinese consumers' tastes, increasing local specialty products, and optimizing in-store services.

Finally, the sustainable development and environmental protection trend brings new market opportunities for Sam's Club. Heightened environmental consciousness among consumers is driving a persistent surge in the demand for eco-friendly consumption patterns and sustainably sourced products [7]. Sam's Club actively introduces green products, promotes the concept of low-carbon consumption, and implements sustainable strategies in supply chain management, which meet market demands and help enhance the enterprise's brand image and social responsibility. In summary, the rise of the Chinese middle class, the development of digital retail, the popularization of the membership model, local innovation, and the trend of sustainable development provide multi-dimensional growth opportunities for Sam's Club in the Chinese market. By seizing these opportunities, Sam's Club can expand its market share, enhance its brand influence, and achieve long-term sustainable development.

3.2. Threat

Sam's Club faces multiple threats in the Chinese retail market that could affect its growth, profitability, and long-term competitiveness. One of the most significant threats comes from the rising cost of raw materials and inflation. The prices of imported goods, fresh food, and bulk products have been increasingly volatile due to global market fluctuations and transportation costs. As a membership-based retailer focusing on high-quality products, Sam's Club must manage these costs carefully to maintain competitive pricing while protecting profit margins. If this is not adhered to, the attractiveness of its offerings to consumers with high price elasticity may diminish, thereby compromising the fundamental value proposition of the subscription-based paradigm [8]. In

addition, inflation affects not only product costs but also operational expenses such as labor, utilities, and logistics, which could further pressure the company's financial performance.

Another major threat is the growing substitution of e-commerce for traditional retail. Consumers increasingly prefer online shopping for convenience, competitive pricing, and fast delivery. Platforms such as JD.com, Tmall, Pinduoduo, and Amazon Prime provide similar products to Sam's Club, including imported and bulk items, often with promotions that attract cost-conscious customers. This shift in consumer behavior reduces foot traffic to physical stores and may diminish the perceived value of membership benefits that rely on in-store experiences. The trend is particularly pronounced among younger, tech-savvy consumers who prefer mobile shopping and home delivery over visiting brick-and-mortar stores. As e-commerce grows, Sam's Club must invest in online platforms and integrate delivery services to remain competitive in this changing environment [8].

Price competition is another serious challenge. Rivals such as Costco and local wholesale merchants may provide comparable products at more competitive prices, especially for imported or bulk goods. Chinese consumers are frequently highly price-sensitive, and any perception that Sam's Club is overpriced could lead to members opting for alternative options. This is especially relevant in regions where Costco has already established brand awareness, making it easier for consumers to compare prices. To retain membership and mitigate attrition to competing warehouse clubs, Sam's Club must vigilantly observe competitor pricing strategies and promotional activities, while simultaneously optimizing product quality [9].

Economic fluctuations present a significant risk. During downturns, consumers may shift their focus toward essential goods rather than premium products, potentially diminishing sales of Sam's Club's high-quality offerings. The company's strategy depends largely on attracting middle-class consumers willing to pay a premium for imported and fresh goods. A decline in disposable income or consumer confidence could negatively impact membership retention and new subscription. This can have a cascading effect on revenue and long-term growth prospects, especially in an environment where retail competition is intense and alternatives are readily available [9].

Regulatory and policy changes in China also present external risks. Adjustments in import tariffs, changes in labor laws, or stricter food safety regulations could increase operational costs or complicate supply chain management. For example, higher tariffs on imported goods would raise prices, potentially making Sam's Club products less attractive than local alternatives. Furthermore, non-adherence to regional statutes may jeopardize the firm's standing and the confidence of its members, both of which are indispensable to the membership-driven paradigm [8].

Finally, cultural and local consumer behavior differences are an ongoing challenge for international retailers like Sam's Club. While the membership-based retail model is well established in Western markets, Chinese consumers may have unique expectations regarding discounts, promotions, and shopping convenience. Misalignment between the company's offerings and local preferences could reduce membership satisfaction and hinder market expansion. Therefore, understanding local trends, consumer habits, and regional preferences is essential to maintain competitiveness and membership growth [9].

4. Conclusion

Sam's Club has successfully established a significant influence in the Chinese retail market through its membership model. Its core advantages include a stable membership base, high-quality imported and fresh products, an online-offline integrated shopping model, and efficient supply chain management. These advantages enable Sam's Club to attract middle and high-income groups and

maintain a competitive brand image. By combining physical stores with digital services, Sam's Club meets the growing demands of Chinese consumers for convenient, efficient, and high-quality shopping experiences. Nevertheless, Sam's Club still faces some challenges that limit its development. The relatively limited store network restricts its coverage in second and third-tier cities, and the high membership fees may also hinder the participation of price-sensitive consumers. Intense competition from local retailers and e-commerce platforms also poses a threat. Rising raw material costs, inflation, and potential policy changes also increase the risks to profitability and operation. Additionally, the company's reliance on imported goods makes it vulnerable to disruptions in international supply chains, affecting product availability and prices.

Sam's Club benefits from China's expanding middle class and demand for quality products, alongside digital retail's reach and personalized services. Consumer interest in sustainability offers branding opportunities. Localized product innovation can boost loyalty. Sam's Club's strengths support its China growth, but addressing weaknesses and threats is crucial. Balancing expansion with digital innovation, leveraging its membership model, and adapting to market trends will ensure competitiveness. Prioritizing accessibility, digital integration, and sustainability will maximize opportunities and minimize risks in China's evolving retail landscape [10].

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