

Analysis of the Membership and New Retail Model in the New Media Time Sam's Club as an Example

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Abstract. Nowadays, retail tends to decline. However, Sam's Club is exploding in China. The number of Sam's Club is increasing. More and more Chinese people like to shop at Sam's Club. Sam's Club is considered the most successful supermarket in China. To provide a new development path for the retail industry, this paper will research the following aspects of how Sam's Club lets Chinese consumers who are used to membership and maintenance overestimate stickiness. As well as how Sam's Club is marketing on the Internet in Chinese. This paper will show how Sam's Club uses new retail to increase competitiveness. Therefore, this paper collects information which is related to. Suggestions for the future development of Sam's Club were discussed. As a result, the paper shows high customer stickiness and a combination of membership and new retail are the critical points. This paper provides a new way of thinking about the retail industry.

Keywords: Sam's Club; High customer stickiness; Membership; New retail.

1. Introduction

In the new media time, the retail industry is changing. There are challenges to the traditional retail model. With the new rise of e-commerce and live-streaming with consumer shopping styles, the demands of consumers are increasingly diversified. Consumers would like to choose from a wide range of products on the Internet instead of settling for a limited selection at the supermarket. At the same time, online shopping offers great deals, protects consumers, and meets the needs of today's customers. The traditional retail industry is under increasing pressure. Traditional supermarkets are closing in many places. At present, the concept of new retail which emphasizes the integration of online and offline, the transformation of traditional B2C into B2C+O2O, and the rational use of data to improve consumer experience, the concept has opened up new opportunities for the development of the retail industry. At the same time, China's economic level is growing rapidly, the income of the people is becoming higher, people are starting to seek high quality and high standard of living, and people's demands for products are getting higher. Against this background, the new retail model of membership is gradually rapidly as an important means for enterprises to acquire loyal customers and enhance competitiveness. Sam's Club, as a globally renowned membership retailer, has responded to people's demand for quality of life in the changing times by creating the mid-to-high-end Sam's brand, Sam's Club transformed the online business into a new retail model. Sam's Club's successful operation in the Chinese market has provided valuable experience in the practice of the new membership-based retail model. In recent years, Sam's Club has grown from one store in Shanghai to 24 cities and 48 stores in China, marking it the most successful membership-based supermarket in the Chinese market. This paper takes Sam's Club as an example to analyze how it achieves sustainable growth in the new media era through the new retail model of membership. How Sam's Club opens up the membership market in China so that the majority of consumers can get used to a new form of retailing membership. This paper takes Sam's Club as an example, this paper analyses how it achieves sustainable growth in the new media era through the new retail model of membership. This paper search the reason that Sam's Club opens up the membership market in China so that the majority of consumers can get used to a new form of retailing membership. This paper also explore the cause of Sam's Club can increase the stickiness of its members. This paper studies the effect of Sam's Club's marketing strategy helps Sam's Club to achieve high customer stickiness. Finally, this paper studies the advantage of Sam's Club combines the traditional membership retail industry with the Internet to

build Sam's Club new retail model. This paper will explore Sam's Club successful factors and provide a reference for transformation and upgrading to the retail industry.

2. Spending Habits of Members

Since entering the Chinese market in 1996, Sam's Club has successfully introduced and promoted the membership-based retail model. Sam's Club gradually cultivating Chinese consumers' acceptance of this new retail format. Sam's Club appeals to mid-to-high-end consumers looking for value and quality service by offering high-quality, choiceness merchandise and unique membership benefits. Sam's Club membership fees are relatively low, compared to competitor Costco's ordinary membership fee. Sam's club membership fee of ¥260 is more in line with the current needs of most of the Chinese customer market. At the same time, Sam's Club also has a senior membership (that is membership fee is ¥680) to enjoy services and discounts more than ordinary members. Also, Sam's Club ¥260 basic membership fee is set per the application of Buchanan's club Economy Theory, which states that when more people share a facility of a given size, the amount of benefit to the individual first rises and then falls as the differential coefficient of total cost and differential coefficient of total benefit functions are equalized, while the cost curve shows the opposite trend. The cost of membership dues is justified when the cost of membership is less than the benefit received from the distribution of common items in a club arrangement. This gives the club principle of cost-sharing among members: as economies of scale are realized, the cost per unit of service decreases as the number of members increases [1][2]. Sam's Club offers affordable memberships to accommodate customers of all spending levels, At the same time, memberships are kept within a profitable range. In the meantime, the high-quality services, merchandise discounts, and personalized service that Sam's Club provides to its members make customers believe that the cost of membership is less than the benefits that members receive and customers psychologically identify with the existence of membership fees.

3. Sam's Club's High Customer Stickiness

According to Walmart's financial statements for the first three quarters of 2024. Sam's Club had comparable growth of 18.6% and 6.6% in the third and fourth quarters which shows that Sam's Club sales continue to grow. Customer loyalty is defined as the fact that customers buy products or services from the same company over a long period. According to a business study, a 25% increase in customer loyalty is accompanied by a 25-85% increase in corporate profits [3]. Sam's Club's high customer stickiness is one of the reasons why Sam's Club's earning continues to increase. Sam's Club has extremely high customer stickiness compared to other retailers or membership-based supermarkets. This paper analyzes Sam's Club's high customer stickiness in terms of switching costs and psychological effects.

3.1. Impact of Switching Costs on Customer Stickiness

According to the study by Chou Hou and Ya-xuanchen, a simple random sample was used to survey 450 randomly selected Sam's Club customers to answer survey questions, which included the Average amount [2]. As shown in Table 1, 26.67% of customers tend to spend ¥350 per visit and 26.67% of customers choose to spend ¥750 per visit. Define the amount of money that a customer spends per visit to Sam's Club as X_i and the proportion as P_i . The formula based on the expected value draws a conclusion: an expected value is ¥621.61 which is called program conversion cost, is a part of the switching cost. The expected value of the average number of shopping trips is 3.91 per month or 46.92 per year. Dividing the membership fee by ¥46.92 gives the approximate cost per visit to Sam's Club. This comparable cost is ¥5.54, which is considered the relationship switching cost. The conclusion supposes the customer has only two choices for buying goods. One is Sam's Club and the other is the C-store, and the total switching cost per visit is ¥627.15. Explain that if the

customer goes to the C-store instead of Sam’s Club, the customer’s switching cost is ¥627.15[2]. This shows that if customers want to use the new membership store, the switching cost is really high, higher than the customer’s own membership fees. The switching cost can increase the level of customer stickiness.

Table 1. Average amount spent by customers

Aspect	Less than ¥300	¥300-¥500:	¥500-¥1000:	¥500-¥1000
Amount of consumption	23.33%	26.67%	36.67%	10.00%

3.2. The Impact of Utility Psychological on High Customer Stickiness

Psychological effects also have a great impact on customer stickiness, in which hedonism and perceived utilitarianism play a certain influence factor. When customers feel a certain sense of superiority and pleasure in the shopping process, it is conducive to increasing the consumer’s shopping stickiness. According to Chen Xiaomin’s research, 398 people were collected online for regression analysis of consumer psychology’s influence on consumer loyalty. As shown in Table 2[4].

Table 2. The impact of utility psychological on customer stickiness

Model	Hypothesis	Mediator Variable	Standardized Coefficient	SE	t	R	F
1	H1a	Perceived Utilitarian Value	0.528	0.037	12.383	0.279	153.339
2	H2b	Perceived Hedonic Value	0.548	0.038	13.042	0.3	170.081

4. Little Red Book Marketing

First of all, Sam’s Club through the Little Red Book-style marketing. In the Little Red Book platform through the good recommendation as well as the endorsement of the Sam’s Club’s various food products, the KOC marketing content through the professional and non-professional points to promote, through the Daren and Sam’s Club officials stationed in the Little Red Book account for marketing. In Little Red Book, the explosive graphic content or video does not follow the principle of content first, Little Red Book recommendations mainly rely on labels and search recommendations. Many people will use the eyeball effect, in the title of the notes or the first image to add some elements to attract the attention of users. This title party behavior increases the possibility that the key information in the notes will be captured by the system [5]. Through trial, the Daren Group has created many pop-up formats that have been proven in the market [6]. Among them, the official of Sam’s Club or the KOC Daren writes the most attractive text on Little Red Book to attract users’ attention to achieve the marketing effect. On the other hand, many individual self-media bloggers help Sam’s Club to share Sam’s Club tips or goodies to earn page views, transforming Sam’s Club from a store to a trendy Internet celebrity spot. Sam’s Club’s empty venue and minimalist space design also make Sam’s Club a photo shooting spot on the Internet, which enhances Sam’s Club’s popularity.

5. Sam’s Club’s Private Labeling

A private label, a brand owned by a retailer, wholesaler, or distributor, is typically used to identify merchandise produced by a third-party manufacturer but sold exclusively by a third-party manufacturer. Unlike a manufacturer’s brand, a private label is managed, priced, and marketed by a company that has a distribution channel for the brand. Private label marketing can also be interpreted as a tool for retailers to solve the problem of double marginalization in the distribution of well-known manufacturer brands [7]. Private labeling gives Sam’s Club higher popularity with the product packaging is printed with Sam’s Club own logo. Sam’s Club’s own brand, pushing the envelope, from bakery products to health care products, has been Sam’s Club’s own production of their sales. While supported by Walmart’s mature supply chain to ensure that the transportation and sale of goods. As well as Walmart’s brand reputation accumulated in the early stage, so that consumers can reduce the risk of purchases. Customers who want to buy the product can think only of Sam’s Club and not

another state or national brand. This increases customer loyalty allows greater profitability from the vertical structure shared with the brand manufacturer. The net effect of private label marketing is to improve channel performance.

6. Sam's Club's Unique Brand Value

The emotional value provided by a brand reflects the value it delivers to consumers and helps the brand gain significant market share in the form of customer equity [8]. When a brand combines the functional aspects of its business operations with the social aspects, it can create the unique value that customers expect [9]. In Chinese society, where the economic situation is gradually improving, people's growing need for a better life is getting higher and higher, which is the high quality and healthy life that Sam's Club promotes. The high quality of life promoted by Sam's Club and the psychological needs of customers form are complementary. Not only in the material to meet the needs of customers but also in the psychological level to meet the needs of customers. This unique value is also one of Sam's Club's marketing tools.

7. Sam's Club's New Retail Business Model

The concept of new retail, first proposed by Alibaba founder Jack Ma in 2016, refers to the upgrading and transformation of the traditional retail model by focusing on the consumer experience through the deep integration of online and offline (O2O) and combining technological means such as big data and artificial intelligence. The key point of new retail is to break down the boundaries between online and offline and provide consumers with a more convenient, personalized, and efficient shopping experience through technology and data. Sam's Club mainly realizes new retail transformation through channel contact reconstruction, swift supply chain, technology and data empowerment, and ecosystem cooperation.

7.1. Sam's Club's Channel Contact Reconstruction

Sam's Club enhances and transforms through channel contact reconfiguration or cross-channel integration. Cross-channel integration refers to the extent to which a firm coordinates the objectives, design, and deployment of its channels to create synergies for the firm and provide specific benefits to consumers [10]. Cai and Li's study identified several mechanisms through which cross-channel integration affects company sales growth, including: increased trust, increased customer loyalty, increased consumer conversion, and increased cross-selling opportunities [10]. Sam's Club has realized the integration of online and offline (O2O) to improve the possibility of multi-channel touch points. Sam's Club uses the official website, APP, small programs, and cooperative e-commerce platforms to build online channels. Sam's Club provides members with 24-hour shopping services so that customers can realize online shopping delivery to their homes and expand the business of Sam's Club member stores. Customers who do not have a Sam's Club member offline store in the region can also join Sam's Club members through online shopping. In addition, Sam's Club offline stores have become experience centers and pick-up points for members. Sam's Club increases member stickiness through high-quality shopping environments and on-site services. Sam's Club also improves the shopping experience for customers by optimizing logistics contacts. Sam's Club cooperates with platforms such as Jingdong daojia and Dada to build a highly efficient last three-kilometer delivery network. Sam's Club also achieves one-hour delivery. These good shopping experiences have perfectly realized the benefits of cross-channel integration for the company's sales growth which allows Sam's Club to increase its sales year after year.

7.2. Swift Supply Chain

Sam's Club's supply chain is designed with consumer demand at its key point. Sam's Club uses big data analysis to predict demand for merchandise and optimize inventory management to respond

quickly to market changes. The swift supply chain for rapid response and integration of upstream and downstream resources. Sam's Club focuses on integrating upstream and downstream resources in its supply chain extension, creating an efficient chain from sourcing to distribution. In the imported goods supply chain, Sam's Club's own international logistics network delivers goods directly from overseas production sites to regional distribution centers in China. Sam's Club is also establishing deep collaboration with suppliers. Sam's Club uses vendor-managed inventory (VMI), in which suppliers proactively adjust their supply based on Sam's Club's real-time sales data. With the VMI system, suppliers can directly accept consumer demand data. The VMI system can improve the entire supply chain to improve the profitability of the supply chain, while the VMI program can also effectively reduce the inventory costs of the entire buyer-supplier channel system [11]. In the actual situation of Sam's Club layout of the front warehouse, the use of the VMI system to ensure that the supply is sufficient to avoid the loss caused by stock-outs and directly face the "last three kilometers" demand to cut down the distribution time. Sam's Club has set up several regional distribution centers in the Chinese market (e.g., East China Distribution Center and South China Distribution Center) to improve logistics coverage and distribution efficiency. The distribution centers provide next-day replenishment services to nearby stores and take some B2C distribution needs to cut down the time from warehouse to store.

7.3. Technology and Data Empowerment

Operational CRM types deal with the automation of customer processes including marketing automation, sales automation, and service automation. Operational CRM deals with automating and simplification of front office workflows including collecting data, processing transactions, and controlling workflows for sales, marketing, and service [12]. Sam's Club can collect different customers' information based on basic product sales as well as membership cards. Through the membership hierarchy management of the CRM system, Sam's Club can use the data to understand various aspects of customer behavior which include profitability, competitor response, churn management, customer loyalty, risk management, and reasons for betrayal. The data from individual customers are grouped into subdivide to analyze those customers with similar characteristics and need to establish similar relationships with suppliers. Finally, data from different channels are combined to create a personalized CRM system [13]. Sam's Club uses its CRM system to manage its members hierarchically. Categorizing them according to consumption behavior, frequency, amount, and product preference, such as high-value members and potentially active members. Example: For high-value members, exclusive discounts and new product previews (e.g., high-quality red wine and imported fresh food) are offered. For low-frequency consumption members, Sam's Club adopts automated marketing. The system will automatically trigger reminder emails or messages to recommend relevant discount information. So as to stimulate them to return to the store to spend. Based on members' shopping records, browsing preferences, purchase frequency and seasonal needs, the system automatically generates personalized product recommendations. For family-oriented members who frequently buy baby products. Sam's Club push diapers, milk powder, and related promotional information. For members who frequently consume during holidays. Sam's Club recommends gift-boxed products or holiday-themed packages.

7.4. Ecosystem Cooperation

From the customer's perspective, including and expanding services in the product portfolio adds extra value, especially value-added services. The value-added extends the organization's ability to compete beyond the traditional product-driven manufacturing approach and improves competitiveness [14]. Sam's Club provides more value-added services to its members by partnering with third-party service companies. Sam's Club gives members free car wash coupons and provides convenient services in cooperation with local DMV service providers. Sam's Club provides high-quality experiences such as on-site food sampling and bakery workshops to let consumers feel the unique member value. As well as the cooperation between Sam's Club and China Minsheng Bank.

There is a unique consumption rebate mechanism, which broadens the scope of customer acquisition, enhances user stickiness and the number of Premier members has increased significantly.

8. Suggestions for the Future of Sam's Club

Sam's Club can develop more kinds of products to appropriately increase the number of SKUs in Sam's Club to provide customers with more choices in the future. Sam's Club may sell more affordable products to attract customers, but large quantities can only be applied to a larger number of large families or small businesses. Sam's Club can add some products with smaller portions to attract potential customers who are single or have smaller families in the future. At the same time, Sam's Club can also use AI technology in the future to further optimize personalized member service and intelligent store management. In conclusion, Sam's Club can provide personalized service for each member to increase customer stickiness to cope with the changes in consumer shopping habits.

9. Conclusion

In the time of new media, the membership-based new retail model has become an important direction for the transformation and upgrading of the retail industry with its unique Consumer centralization features and the advantages of online-offline integration. This paper takes Sam's Club as an example and analyses its successful practice in depth. Sam's Club has not only promoted the concept of membership among Chinese consumers but also successfully established a new retail model centered on consumer experience through precise market positioning, selected high-quality products, innovative operation of paid membership, and effective use of digital technology. The success of Sam's Club cannot be separated from the construction of Omni-channel retailing and the support of big data which enables it to respond quickly to market demand and achieve individual service and efficient supply chain management. At the same time, Sam's Club's continuous efforts in a high level of membership rights and online platform construction have enabled Sam's Club to occupy an important position in the highly competitive Chinese retail market. The exploration of the new membership-based retail model has not only created considerable economic benefits for Sam's Club but also provided examples and references for the retail industry. In the future, with the development of technology and the continuous upgrading of consumer demand, the membership-based new retail model will play a more valuable role in the retail industry and drive the industry towards a more intelligent and individual direction.

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