Sam's Club Analysis Based on the SWOT, PEST and the Porter's Five Force Model

Yue Zhang*

Micheal Smurfit Graduate Business School, University College Dublin, Dublin, Ireland

*Corresponding author: 15030140337@xs.hnit.edu.cn

Abstract. This paper will describe the business analysis of Sam's Club in China. Due to the impact of COVID-19, China has a large sales market and is an indispensable resource for Sam's Club. With the general economic downturn in China in recent years, Sam's Club's profitability has been unstable and its revenue has fluctuated in this context. This paper will use the SWOT model and PEST model to analyze the current situation of the company from four factors. The Porter 5 force analysis was used to analyze the competitive environment of Sam's Club to understand the situation of other businesses in the same industry. This paper mainly wants to talk about how, to be a market leader and hold a position in the same industry, one must be a first mover and transition to a market segment with more room for growth, which in turn serves to revitalize the growth potential of the business and the business economy.

Keywords: Sam's Club; social media platform; e-commerce.

1. Introduction

1.1 Background

The age of big data is upon us, and home delivery is especially popular during an epidemic when people need to be isolated at home. During an epidemic, people choose not to go to crowded places to avoid large crowds, and large shopping stores like Sam's club lose customers during an epidemic. In order to change this phenomenon, Sam's club in China should also change its operation model. In addition to operating the physical store services, the enterprise should also provide online services. In order to increase the number of customers and maintain the growth of sales.

1.2 Related research

From the past paper study from the "Sam's swot analysis" by Julia Han, know that Sam's is strict in the selection of products. The core of the strategy, and its purpose, is "cheap prices and personalized service", eliminating the need for consumers to select products and saving time and money. Sam's selects products based on the needs of its members, analyses their buying behavior, and goes through a series of carefully selected quality and low prices. The challenge for Sam's is to select the best-selling items from a wide range of individual products and to examine how to maximize consumer satisfaction [1].

1.3 Objection

The aim of the study was to help Sam's club become the best-selling large membership shop in the China region. Successfully transformed to open an e-commerce model to avoid being affected by the epidemic and causing huge financial losses. Analysis of internal environmental factors and macro environmental factors of Sam's club by using SWOT and PEST framework models. Analysis of competition with rivals. Describe how to use online operations to enhance the value of one's business, use social software for online marketing, select different social software for promotion, and set up an IT department, train the CIO/CISO marketing to manage the operation of the online account and make adjustments to the business. Achieve the goal of Sam's club succeeding in becoming the upper hand in the Chinese region with the number one profitable large membership shop as the subject of the study [2].

Through researching news and newspapers. Sam's club has been investigated and analyzed by searching the stock data on the website to see how profitable it is, as well as by conducting site visits and interviewing customers to find out more about the prospects and potential of the market for Sam's club to evolve into an e-commerce business. With the expansion of the extremely promising online shopping market, Sam's should join the online marketplace and expand its team to market online to boost overall merchandise sales and attract customer support for offline shop purchases. This will enable the company to remain profitable during the epidemic and continue to raise the profile of Sam's club and have the opportunity to beat more rival companies by thinking ahead of the other large supermarkets, pre-empting them and achieving market expansion [3].

2. Basic Descriptions of Sam Club

Sam's club is part of the Walmart brand, a brand owned by Walmart, a Fortune 500 company. Sam's Club is Walmart's premium positioning brand line of membership shops. In addition, Sam's club has three rules as beliefs (1) "The customer is God" (2) Respect for every employee" (3) The pursuit of excellence every day. Provides users with over 4,500 SKUs to enhance the long-term price advantage and highlight the value of Sam's membership through a single item-driven strategy. Minimizing the time and effort spent on user selection. And continue to enhance product differentiation, price advantages and membership benefits to give customers what they want [4].

With China becoming a developed country, the rapid economic development has led to the rapid expansion of Sam's club in China. Sam's Club will also improve on the suburban model, with the new Sam's shops being referred to internally as 'city center shops' to differentiate them from the previous shop model, which was designed to be closer to people's lives. In 2020, CEO of Walmart China plans to expand Sam's Club to 100 shops in China over the next eight years. Sam's club has opened 34 shops in China by 2021. Sam's Club has also developed an online shopping platform and mobile app "Sam's Member Store", which is part of the Jingdong online shopping platform and serves as Sam's Club Jingdong flagship shop to provide members with more online purchasing channels. Sam's club company's value proposition is based on three core elements: a people sustainability strategy and corporate social responsibility, as well as building corporate culture, which are the core values of Sam's corporate culture. At the end of 2021, Sam's membership had exceeded 4 million people in China.

3. Marketing

As shown in Fig. 1, Walmart China net sales grew 6.9% in 2022 the third quarter, with comparable sales up 5.6%. Notably, Walmart's Sam's Club and China e-commerce businesses performed well, with e-commerce net sales accounting for 41% of Walmart China's total net sales in the third quarter, which grew at 63% and 159% on a two-year cumulative basis. [5] As shown in Figure 2 Walmart while most companies and superstores have seen a gradual decline in earnings during the outbreak, Walmart's share price still showed no signs of a significant trend downward during the outbreak, and Walmart has a good record of dividend payments in 2020, and at last report, it still had a stock buyback authorization of approximately $12.6 billion. [6] The impact of COVID-19 on Walmart's financial position and operating performance is unpredictable in many ways, and the company may lose its stable revenue growth rate in the future. COVID-19 had a widespread and lasting impact on the global economy and on businesses from the top down, international employees, suppliers and companies that do business with Walmart, offline shops and more. The epidemic leads to accelerated e-commerce growth [7].

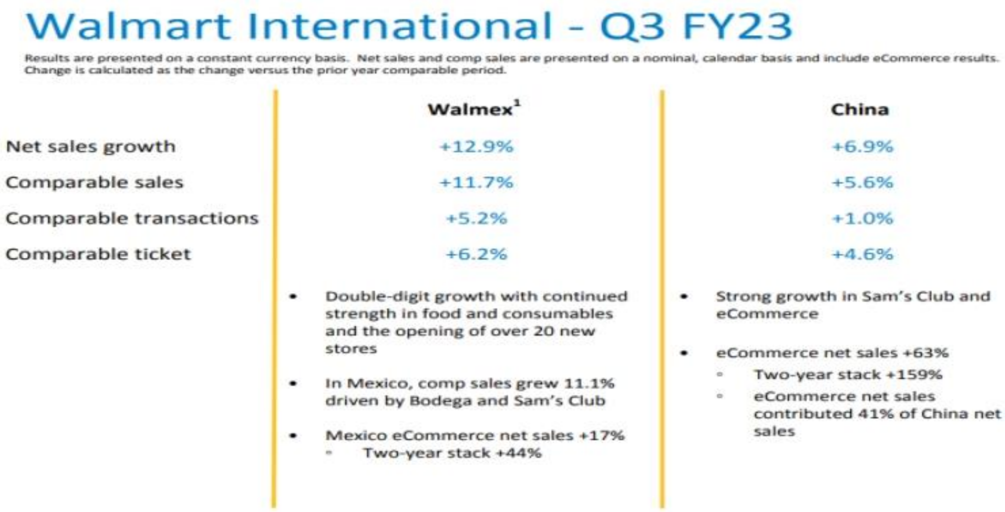

Fig. 1 Walmart Third Quarter Fiscal 2023 Financial Results.

(Source: Walmart website)

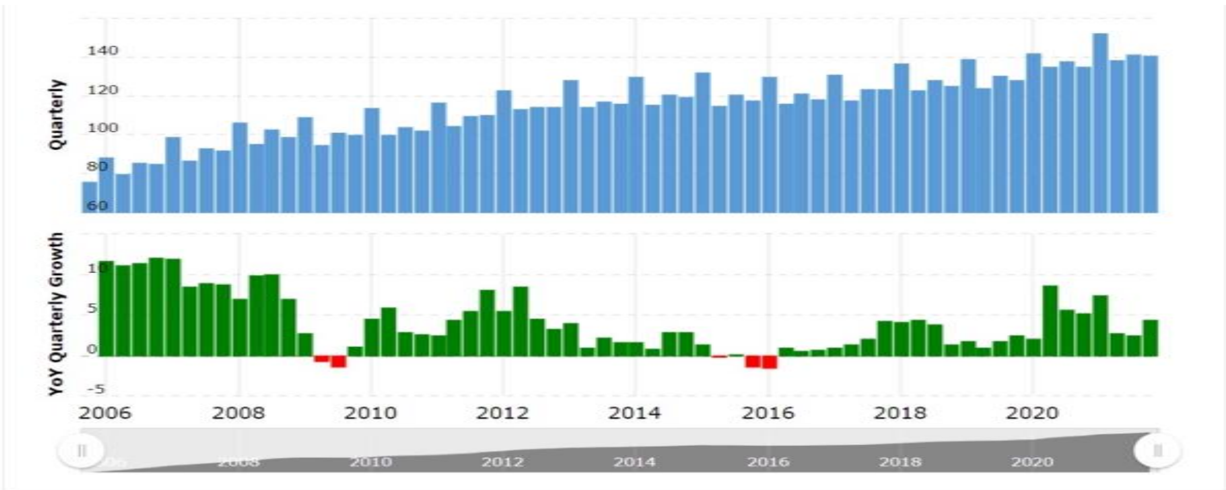

Fig. 2 Walmart's Share Repurchase Mandate Report 2006-2020.

(Source: seekingalpha.com)

Sam's club turnover is outstanding in terms of current developments. The year 2022 is recognized as a cold winter for superstores under the impact of the epidemic: in the first half of the year, six of China's 10 major listed superstores lost money and 16 major superstores had the lowest number of new shop openings in three years. [8] Traditional supermarkets have gone downhill, and Sam's warehouse member shop model is the hope for the retail industry right now. As shown in Fig. 3, Sam's Club contributes a significant portion of Walmart's 2020 and 2021 earnings and remains a trusted brand in the minds of consumers [9]. There is also a general consensus within the retail industry that fierce competition has led the giants to speed up the pace of shop openings: if Sam's Club is slow in opening shops, Sam's Club market could be given to rivals for nothing. As shown in Fig. 4, Sam's Club company 's competitiveness against China's leading mall brands is illustrated by the fact that RT-Mart and China Resources Vanguard are strong competitors to Sam's Club [10]. Carrefour is slowly becoming a strong competitor in China as it transforms into a membership shop [11]. After 2020, traditional retailers, such as Yonghui and Carrefour, and new retailers, such as Freshippo have also squeezed into the membership shop circuit. For the time being, there is still considerable room for incremental growth and growth in the membership supermarket market. But with more and more new players wanting a piece of the pie, it is a full degree of competition in terms of shop locations, suppliers, marketing channels and other aspects. For the time being, the future of this track seems to be full of variables [12].

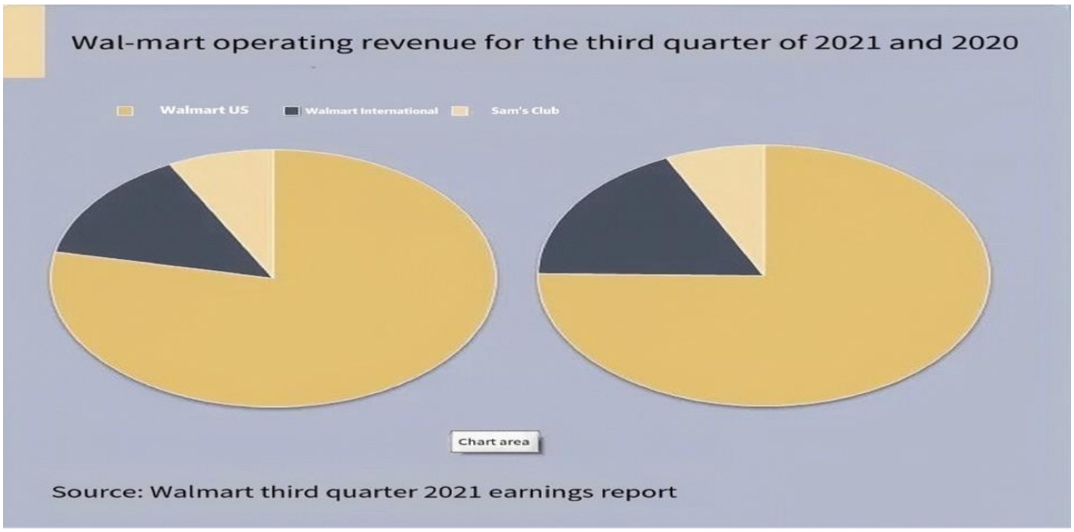

Fig. 3 Source: Walmart third quarter 2021 earnings report

(Source: Walmart website)

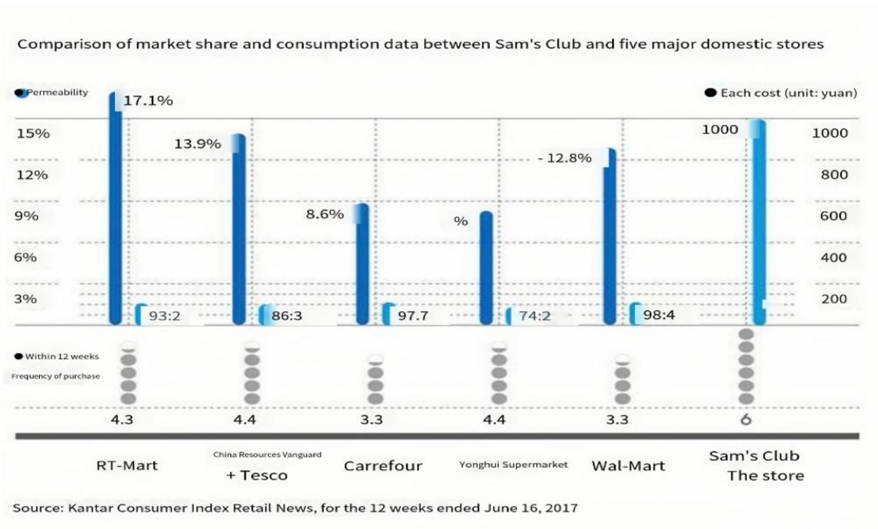

Fig. 4 Walmart Comparison of market share and spending data between Sam's Club shops and the top five domestic brands

(Source: Kantar Consumer Index Retail News, for the 12 weeks ended June 16, 2017)

3.1 SWOT

SWOT analysis as known as strengths and weaknesses analysis can be used to identify Sam's Club company's competitive strengths, weaknesses, opportunities, and threats. By analyzing the company's internal resources and external environment, the company's strategic management can be effectively based on SWOT. A comprehensive, systematic, and accurate analysis of the scenario in which the subject “Sam's club” -of the study is situated can be carried out.

3.1.1 Strengths

Membership shops are competing for supply chain resources. In fact, the supply chain of a membership shop is completely different from the supply chain of a traditional outlet.

Sam's merchandise does manage to be exclusive. Sam will ensure the quality and price of exclusive products in three ways: firstly, Sam ensures exclusive supply from suppliers through buyouts and exclusive distribution to provide differentiated products for members; secondly, Sam produces exclusive products through exclusive customization of its own brands; and thirdly, for standard products, Sam will leverage on the purchasing scale advantage of selected SKUs to achieve prices below the average market price. The strength of the supply chain is the core competitiveness of the two overseas membership shop giants, which are able to maintain high renewal rates[13].

The parent company, Walmart, is the number one retailer in the world, and as long as Sam's Club has the right products for its members, the sales of individual items will be huge, so Sam's Club can get discounts on purchases from suppliers, get better prices and quality of products, and create brand value to attract more potential customers to become Sam's Club members. In turn, Walmart's reputation with its suppliers grows and it gets more offers from suppliers to buy at lower prices and with better quality. The result is a mutually beneficial win-win situation with suppliers.

At the same time, the low prices are being satisfied by customers. A relatively high-quality item at a low price to meet the needs of the customer.

3.1.2 Weaknesses

Weaknesses refer to internal initiatives where Sam's club is underperforming. Raising internal weaknesses is the starting point for improving the business. 1. Getting an annual card is a hassle and the annual membership fee is a hindrance. Most consumers still do not recognize the concept of paying to get in. And the card service is cumbersome without the staff at the door to guide you in advance on how to do it, while membership cards must be required to enter the mall, which in turn dissuades most of the convertible customer base passing by. The membership requirement is only acceptable to some middle and upper-income earners, and a membership fee of $150 may be enough to cover the cost of several trips to the supermarket for some families. This is why it is currently only viable in the more developed cities of China. This is why Sam's club can only survive in the more developed cities of China, and one city cannot accommodate too many Sam's clubs at the same time.

2. Disadvantages of location: Sam's Club is a demanding site, with enough area and an affordable enough land price. But opening in the suburbs is also a disadvantage. Customers have to drive to get there, and while shopping by car will make consumers more inclined to buy in bulk, with the vast majority of families of three and limited daily consumption, the disadvantage of Sam's is that there are too many boxes and boxes of portions that are too large and have to be shared among several families. Most families will choose another supermarket near them.

3.1.3 Opportunities

As more and more traditional shops look to go the way of the large membership shop, the location of Sam's Clubs will have to compete with other commercial centers to gain an advantage. The location of Sam's Clubs will also have to compete with other commercial centers with high footfall in order to take advantage of the increased profitability.

Sam's club which chooses to locate in remote suburban areas also moving into city center projects, essentially converting former hypermarket projects directly into membership shops. At the same time, commercial property developers are also looking for brand partnerships in order to increase popularity and business, with plans to attract big brands at low prices. International brands such as Sam's Club will be recognized. The commercial property will be given to big international brands like Sam's Club at special bargain land prices. The aim is to attract more branded shops with big brands and to revitalize the business of the area. That is the Sam’s club brand opportunity of the location to open a store.

With social media's market share and potential for growth, Sam's Club should adopt social media applications such as TikTok, register an official account to operate, post videos about Sam's Club's physical shops at regular intervals, interview members about their experiences, and introduce exclusive products and offers on selected items. Therefore organize the activity on social media platforms so users can have a discount to sign up for the year card campaign. That can increase the member's total number. Publish a variety of content to share marketing with videos and images to increase the visibility and reputation of Sam's Club. Conduct live sales of memberships and products to promote new and existing customers with live offers for card subscriptions.

3.1.4 Threats

The current competitors in the Chinese market with the track are Costco and METRO, Freshippo. With the opening of Costco's first shop in China, Freshippo has only gradually taken on Costco and Sam's member shops to open three Boxmaster warehouse-style member shops and a supermarket. Brands such as FUDI, Metro and Beijing Hualian supermarkets have followed imitation with the opening of member shops.

4. PEST

The PEST model is used to analyze Sam's Club and the company's strategy is based on the macro-environment, which is a four-factor approach that allows us to understand the trends in the macro-environment and whether the current environment is conducive to the company's growth.

4.1 Political

Political refers to China's political system for foreign brand companies like Sam's Club and whether the laws are conducive to the long-term development of Sam's Club in China. In order to continue to stimulate the vitality of market players, a new combination of tax support policies has been implemented. Therefore, the 2022 Government Work Report proposes the policy of tax reduction and tax rebate in parallel. Preferential tax policies for foreign-invested enterprises: (1) Restricted areas and industrial projects with reduced tax rates. For example, for projects with foreign investment of US$30 million or more and a long recovery time, the enterprise income tax shall be levied at a reduced rate of 15% after reporting to the State Administration of Taxation for approval. (2) Restricted industries and projects with regular tax reductions and exemptions. (3) Tax refund for reinvestment. Tax rebates are granted to foreign investors for reinvestment of profits made from foreign-invested enterprises, which is a tax incentive to encourage capital investment. Suitable for foreign companies such as Sam's club which choose to set up shops in areas with low taxes. That can reduce a lot of costs.

4.2 Economic

The economic environment refers to the country's GPA and economic strength and whether it is worthwhile to locate in that country. The economic environment is also the key to the profitability of the company in the future.

In the early days, the Chinese market was like a "clean slate", with China's abundant energy reserves and demographic advantages prompting foreign companies to flock to the country. From 2020 onwards, China will become a developed country in the eyes of the US. The rising cost of labor in China is squeezing the profit margins of companies. More and more foreign companies are leaving the country.

The reason for this is the problem of "localization" of foreign companies, which often ignore the experience of Chinese users when formulating product planning and marketing strategies, resulting in the problem of "unconventionality". Many foreign companies are unable to implement their strategies due to the lack of decentralization from the top headquarters in Europe and the US so local plans and proposals cannot be applied, and failure to implement them means that they lose their competitiveness, become unprofitable and exit the Chinese market.

What needs to be done is to confront the increased incomes of the workers. To make the transition to automated and mechanized production. To develop and change the path of physical shops and expand to online shops. Carry out online promotion training CIO and membership cards to open online business services. Facilitate allowing users to shop on TikTok for Sam's club items after opening their membership.

4.3 Social

The external environment, the social factor, is the influence of the country's cultural traditions and values on the business, as it is necessary to select products according to the local population of the country in order to achieve huge sales and a high level of business and thus profitability, with the focus on meeting the needs of the customer and the need to cater for the needs of the public based on national preferences, cultural traditions and customs. The Sam's Club company should prepare a special selection of traditional Chinese folklore, food and snacks that meet the tastes of the Chinese people, as well as the most popular daily necessities. It is important to have a selection that is both affordable and pleasing to the customer's preferences for Chinese members. In addition to global products, Sam's selection is more localized than Costco's. After all, Sam's has been in China for nearly 30 years and is more familiar with Chinese consumption habits and taste preferences. Sam's has been in China for nearly 30 years and is familiar with the consumption habits and taste preferences of the Chinese people. Chinese snacks such as sashimi and chestnuts are very Chinese in nature.

4.4 Technological

The technological environment is a factor relating to the level of technology in the country in which the company operates. The importance of the potential and trends in the development of technology for the business to apply. Whether the application of technology can be effective for the expansion of Sam's club's business. Selling goods on the internet in China is very popular and it is very beneficial to adopt the advantages of social media to promote a company's products through big data analysis.

5. Porter 5 Force analysis

Michael Porter created the 5 forces analysis. This is a model for the analysis of a company's competitive strategy and can be used to effectively analyze a company's competitive environment. The 5 forces are an analysis of the potential competitors, buyers, suppliers, and substitutes, which are 4 objectives. These are the bargaining power of suppliers, the bargaining power of buyers, potential competitors' ability to enter, the substitution power of substitutes, and the current competitive power of competitors in the industry. These five forces regarding competitiveness will affect the profit potential of Sam's club.

The bargaining Power of Suppliers is weak. Sam’s Club and Costco's main business income comes from membership fees. By promoting more membership, mass consumers are provided with collective bargaining power as a service. The more members, the greater the sales, the greater its bargaining power and the better value for money it offers, the more members it can attract again, with China's middle class providing Sam's Club as a strong buying anchor. The larger the volume of individual products, the better the price and quality of the products Sam's Club can purchase from suppliers, creating brand value for Sam's Club. Many countries are looking at the huge potential of the Chinese market and are making concessions on pricing, and the diversity of accommodation products is also a factor in supply-side pricing.

The bargaining power of purchasers is weak. 1. For a major international brand such as Sam's Club, which seeks high-quality products and carefully selects them for its customers. Consumers have a general idea of what to expect and the price of the products is transparent, so there is no space for big bargains. 2. The availability of alternative products is low for consumers. Customers choose Sam's Club because they want companies to help with the selection of purchases. Members don't know about offshore products, so there is no way to talk about turning to alternative products to improve the bargaining power of members. 3. Members have little incentive to bargain, using the price to attract consumers, and generally, the offer is not very high, and coupled with the product features, consumers have little incentive to bargain.

The threat of new entrants to Sam's Clubs is low. The extent of the threat depends on the barriers to entry and the extent to which Sam's Club fights back. Retail is an industry with relatively low barriers to entry, so when other companies want to enter the market, the barriers to entry are quite low. The cost of the item is an important point, as Wal-Mart adopts a central purchasing system and tries to implement a uniform purchase of goods. To obtain a lower cost of goods, it is necessary to buy in large quantities and sell in large quantities to obtain volume discounts, thus taking advantage of the scale effect of modern big business. In international high visibility goods, Sam's Club generally will a year of sales of goods in a one-time purchase contract, a huge number, to sell at the lowest price in the market, more favorable prices make its profits and sales far higher than peers [15].

The threat of substitutes is low. Sam’s Club is irreplaceable as an international brand selling mainly imported goods. It has a high status in the customer's mind. The majority of Sam's Club's products are everyday consumables of excellent quality and variety at low prices, with little threat of substitution. Whatever private label products are produced directly by the manufacturers without intermediate links in order to benefit customers. For Costco, which is gradually developing in China, there is not enough understanding of the Chinese people with culture and the lack of localization of products. It is not enough to pose a threat to Sam's Club.

Competition from competitors in the same industry is low. Due to Wal-Mart's efforts in cost control, it has a tremendous competitive advantage in terms of cost. In the membership shop industry, competitors often use price wars, advertising campaigns, product introductions, and increased service and warranties for consumers. Sam's Club, on the other hand, delivers on its promise of being the cheapest by "helping customers save every penny". And the service is such that if you are not satisfied with your purchase, you can take it back to the shop within one month for a full refund. The biggest competitor is Carrefour. But Carrefour takes to charging suppliers for shelving, consultancy services, and even barcode fees, without making long-term plans to maintain relationships with suppliers or even to reduce prices on items.

6. Recommendation

Over the years of competition and development, the retail market has gradually realized that "the user is king". In order to improve the user experience and compete in the stock market. Many shopping centers have made changes to provide a better service experience for consumers. But before passers-by are inaccessible if they are not members at Sam's Club, Sam's Club warehouse-style paid membership shops to increase the loyalty of members to the brand by setting a membership fee threshold. But passers-by want to join the membership and are not allowed to enter the mall, a treatment sensation that is very poor. What needs to be improved is the idea that passers-by can also enter Sam's Club to shop, but set a different price to that of members, at a slightly higher price, to force customers to choose the membership method again for the sake of value for money. This would be humane and would not cause the customer the hassle of trying to get a refund on their annual membership fee because they can only come once a year.

With the rise of China's online shopping platform, online shopping occupies the majority of the market share in the bulk sales market and has the upper hand over the brick and mortar economy, and should be chosen to expand online sales as the focus to bulk goods to members, and non-member customers. To be the first among peers to implement operations and promotions in social networks, thus achieving a certain position in the huge market share of online shopping. Sam’s Club company should train for CIO, and CISO online operations, plus recruit to take on more IT talent and establish an online operations department training for the customer service center. For the CIO/CISO to post regular videos and pictures, promote them, hold a live stream after each blog, and as a continuity also arrange for staff to live stream once a week, specializing in selling membership cards and Sam's Club branded merchandise. Inclusion in the platform shop and addition of all Sam's Club merchandise and food items to the shop section of the social software. As a configuration of the membership card, customers who do not buy the membership card will pay a higher price for their purchase than the group of users who are already VIPs. The main push is for customers to actively become members. To start from the inbound social media marketing promotion to help Sam's Club's online sales business. The specific marketing plan can be shown in Table 1.

Table 1. Inbound social media platform marketing distribution

Social Platforms	Content type	Content Scheduling	Monitoring Performance
1.TikTok	1. First video tagged #Sam's Club # High-quality goods#Shopping a short video to introduce Sam's Club Mall, content has to interview some member customers. 2. Post the second video of information to become VIP to enter Sam's Club VIP would like retention and subscriptions, etc. labeled #Cheap high-quality products are about Sam's Club preparing the goods reality process to service the member customers. 3. The third video is post-interview footage about internal management. Objective is to show users the attitude and purpose of Sam's Club in serving VIP customers.	1.6/11/2022 2.7/12/2022 3.1/1/2023	Post videos in a timely manner, look back at posts and comments at the end of each month, put the videos with the most likes on top, do comment control in the comments and remove uncivil comments. Respond to customer comments and liven up the comments section. Meet VIPs to make comments and check the comments section and feedback.
2. Little Red Book	1. Place the Sam's Club official link in the introductions of all social pages including a link to Tiktok's Sam's Club account and a link to the official homepage in all videos. Post the video content same with TikTok at the same time. Focus on quality of life at a good price in the description of the work. 2. Post a video to recommend the purchase of the product and how it feels to use it from a VIP perspective. And the experience of being in the mall.	1. 6/11/2022 2. Consistent with the event start-7/12/2022 3.6/1/2023	Monitor video comments, views, user engagement, and opinions every weekday for timely responses. Use of Little Red Book Big Data to analyze statistics on user age gender and other hobby information. Use big data to analyze information on traffic sources, subscriber retention rates, number of subscriptions, etc.

7. Conclusion

In addition to the competition between member brick-and-mortar malls for the selection of products, the competition between Sam's Club in order to reach absolute dominance must be the first mover to attack new market segments. In order to avoid the disadvantage of the epidemic physical shops do not come to customers, using the income from online sales business can, reduce losses, and increase brand awareness, reputation and influence.

This paper has shown that Sam's Club in China should move towards social media to develop online services in order to become a true merchandising leader in the future. Use social media to understand the customer's feelings and adjust the service in real-time with reference to the real situation shared by the customer, in order to get the satisfaction of the members and meet the customer's needs in time. Respond to customer needs to stock and select products to achieve a win-win situation.

References

[1] Cheng Qiyun, Sun Caixin, Zhang Xiaoxing, et al. Short-Term load forecasting model and method for power system based on complementation of neural network and fuzzy logic. Transactions of China Electrotechnical Society, 2004, 19(10): 53-58.

[2] Fangfang. Research on power load forecasting based on Improved BP neural network. Harbin Institute of Technology, 2011.

[3] Amjady N. Short-term hourly load forecasting using time series modeling with peak load estimation capability. IEEE Transactions on Power Systems, 2001, 16(4): 798-805.

[4] Ma Kunlong. Short term distributed load forecasting method based on big data. Changsha: Hunan University, 2014.

[5] SHI Biao, LI Yu Xia, YU Xhua, YAN Wang. Short-term load forecasting based on modified particle swarm optimizer and fuzzy neural network model. Systems Engineering-Theory and Practice, 2010, 30(1): 158-160.

[6] Fangfang. Research on power load forecasting based on Improved BP neural network. Harbin Institute of Technology, 2011.

[7] Amjady N. Short-term hourly load forecasting using time series modeling with peak load estimation capability. IEEE Transactions on Power Systems, 2001, 16(4): 798-805.

[8] Ma Kunlong. Short term distributed load forecasting method based on big data. Changsha: Hunan University, 2014.

[9] SHI Biao, LI Yu Xia, YU Xhua, YAN Wang. Short-term load forecasting based on modified particle swarm optimizer and fuzzy neural network model. Systems Engineering-Theory and Practice, 2010, 30(1): 158-160.

[10] Fangfang. Research on power load forecasting based on Improved BP neural network. Harbin Institute of Technology, 2011.

[11] Amjady N. Short-term hourly load forecasting using time series modeling with peak load estimation capability. IEEE Transactions on Power Systems, 2001, 16(4): 798-805.

[12] Ma Kunlong. Short term distributed load forecasting method based on big data. Changsha: Hunan University, 2014.

[13] SHI Biao, LI Yu Xia, YU Xhua, YAN Wang. Short-term load forecasting based on modified particle swarm optimizer and fuzzy neural network model. Systems Engineering-Theory and Practice, 2010, 30(1): 158-160.