



# Research on Retail Paid Membership in China and the United States

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# Introduction

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This report focuses on the applications of paid memberships in the Retail Industry. The retail category in this research mainly refers to the retail of physical goods. Having a paid membership gives the consumers an approach to priorities. The most fundamental difference between a retail paid membership and a paid membership in other industries is that, with the “two-time payment” feature, consumers make payments two times to retail enterprises. The first time is to pay for the membership; the second time is to pay for the transactional purchase of goods.

This report outlines five distinct applications by studying and summarizing the business logic of retail paid membership, the development, and history of China and US retail paid membership, as well as the retail enterprises that are implementing paid memberships. Based on their business model and development status, we analyzes eight typical retail enterprises to understand the model and characteristics of paid membership. Finally, this report analyzes the similarities and differences between Chinese and American retail paid memberships and predicts the future trends of Chinese enterprises.

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# Chapter 1

## Overview of Retail Paid Membership

The most apparent attribute of retail paid membership is that consumers need to pay for membership separately before purchasing a product. Consumers first need to pay a membership fee to companies in advance, which means they can receive a specific status or qualification within a certain time period. Only then can consumers have access to specific services and the benefits of the membership.

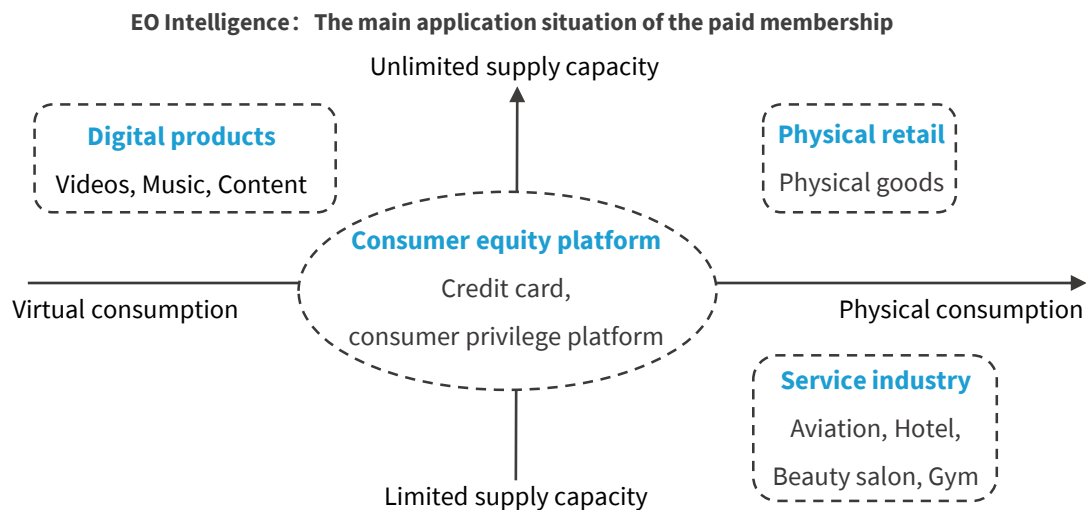
In addition, EO Intelligence also elaborated on the mechanism and design principles behind the retail paid membership. Paid membership becomes a way of monetization in the retail industry where the ability to monetize depends on the products, membership rights, customer service experience, technical means, and data feedback.



# Business logic behind paid membership

Paid membership is used in many fields of business and has multiple applications. The meaning of membership and the “paying point” that prompts consumers to pay for membership changes under different industries, enterprises, and various business models.

Based on our observations on the current applications of paid membership in the market, we find that current paid membership is concentrated in the following four areas:



Source: EO Intelligence

## 1. The logic behind retail paid membership

Every physical product that a retailer provides to a paid member is costly, and typically retailers cannot reduce the marginal cost to a large extent. **Therefore, when paid membership is applied to the retail industry, paid membership and the purchase of goods are separated.**

This results in retail paid membership having a "two-time payment" feature; that is, consumers make two separate payments to retail enterprises. The first time is to pay for a membership, and the second time is to pay for the purchase of goods.

## 2. The logic behind paid membership for digital products

For the transaction of digital products, consumers only need to make one payment. In this case, the membership and the consumption of the goods are simultaneous, that is, the cost of the goods is converted into the rights represented by the membership.

**The logic behind this is that the marginal cost of digital products is almost zero.** Enterprises can provide standardized digital products for members and sell them to members at a standard unit price. Currently, there is no limit to the scale of a company's services, and it can supply unlimited quantities of standardized products to its members.

# Business logic behind paid membership

## 3. The logic behind paid membership in the service industry

The service industry is characterized by an in-person interaction between companies and consumers, so there is a limit to the scale of services that each company can provide. The consumption capacity of every consumer is flexible, but the supply capacity of the service area of hotels, aviation, beauty salons, and gyms is relatively limited. Therefore, the purpose of implementing a paid membership in the service industry is to measure spending power relative to the membership. **The logic behind paid membership in the service industry is that the consumption power determines membership, and is highly bound to the members' rights and benefits.**

Hotels and airline members do not need consumers to spend money to buy a membership, but rather consumption behavior determines the membership level and the benefits. For example, the more nights you stay at a hotel, or the more frequently you fly, the higher the membership level you will have access to. Membership level represents consumption capacity.

Members of beauty salons and gyms typically obtain membership status once signed up for pre-paid membership cards. In this scenario, consumers do not pay for membership qualifications, but are instead paying for their consumer behavior directly. The money paid for membership is deposit for consumers, which is used to offset the cost of each purchase.

## 4. The logic behind paid membership for consumer benefit aggregation platforms

A credit card is a typical consumer benefit aggregation platform. The membership benefits provided by credit cards are equivalent to a "consumer benefits aggregation package," which includes hotel, airline benefits, etc., and can also be applied to physical goods or virtual products. This is also referred to as "coalition" loyalty schemes. **The logic behind credit card membership is that it integrates the third party's consumer benefits and passes perks on to members, which helps build a loyal and long-term relationship between banks and their members.**

In addition to credit cards, there are also consumer benefit aggregation platforms such as Blackfish and Black Magic. Only by paying to become a member first, can you enjoy the benefits offered by the platforms. They provide not only consumer privilege and service rights, but also physical goods.

Paid membership can be utilized in a wide range of industries. In most cases, users can get a membership when paying for the purchase of goods, that is, paid memberships and the purchase of the goods overlap. However, since paid membership in the retail industry has a "two-time payment" attribute, and consumers pay for membership separately, a paid membership scheme is formed in a traditional sense. Therefore, the content of this study is defined as retail paid membership.

# Definition

The retail category in this report mainly refers to the retail of physical goods. The scope of the research covers retail enterprises with a paid membership in the United States and China.

Paid membership is a relatively mature practice in the retail industry, and EO Intelligence focuses on the starting point, model, development status and operational effects of how paid membership is built by companies. From a business viewpoint, the report explores the development status of paid membership by retail enterprises in China and the United States.

## Concepts related to retail paid membership

### 1. What is the retail paid membership system?

Retail paid membership system refers to the application of paid membership in the retail industry. It is a way of customer management and a standard for companies to define members. Enterprises adopt retail paid membership to meet specific consumer and business values. Long-term, stable, and recurring cash flow is the main advantage and essential feature of a retail paid membership.

Consumers are willing to pay a premium for higher quality goods and services, and membership has led to a better overall shopping experience. From a business perspective, the widespread use of paid membership reveals a shift in the concept of retail business services. At the same time, paid members have a higher expectation of retailers' ability to provide goods and services. This has forced companies to pay more attention to the important status and perks enjoyed by consumers when shopping.

### 2. How to become a paid member?

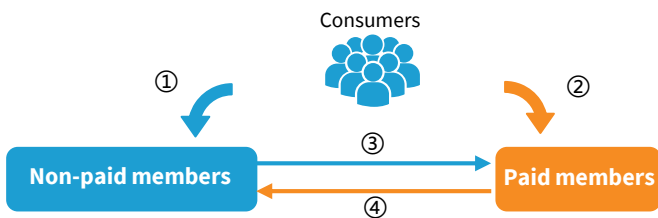
Consumers first need to pay a membership fee to a company, which allows them to get a specific status or qualification within a certain time period. After that, consumers can enjoy the right to shop and have access to specific services and benefits of the membership.

The most fundamental difference between paid membership in the retail industry and paid membership in other industries is that consumers need to pay for membership separately before purchasing products. This means that consumers have to pay twice: the first time for the membership, the second time for the goods.

**Consumer membership has four forms of existence:** **EO Intelligence: Consumer membership has four forms of existence**

1. Shop and consume as non-paid members
2. Directly pay a certain amount of the membership fee and become a paid member to spend
3. Shift from non-paying member to paid member
4. When there is a loss of paid members and there's no renewal of membership, paid members are converted back to non-paid

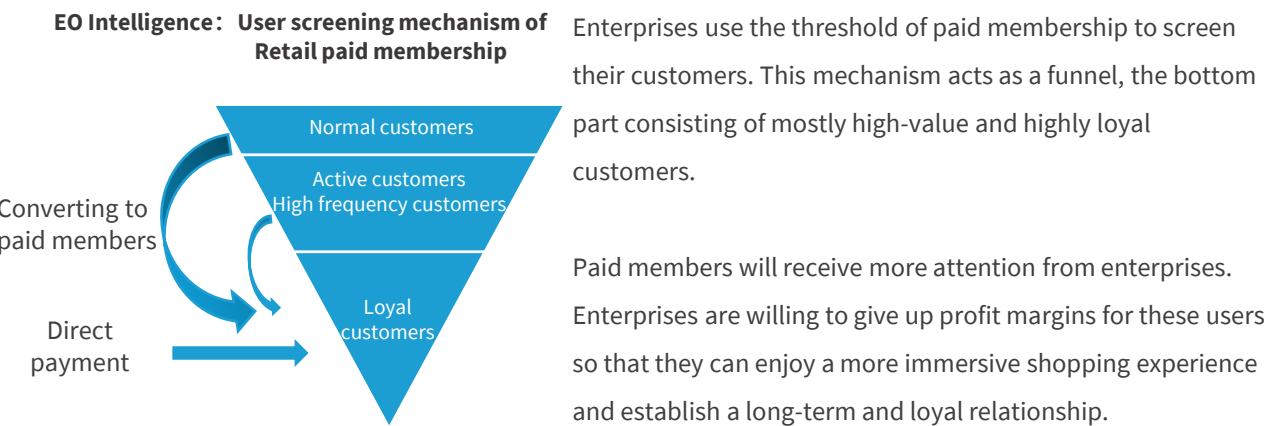
members





# The mechanism of retail paid membership

## Mechanism: Enterprises screen customers and focus high-value members



Source: EO Intelligence

### Metrics

**Ideally, retailers can consider the following three indicators to measure the effectiveness of paid memberships: Penetration, conversion, and renewal rates**

1. Penetration rate represents the proportion of all the members among the whole customer base served by an enterprise;
2. Conversion rate represents the proportion of customers who have converted from a non-paying member to a paid member after a target period of time;
3. Renewal rate is the key to determining a user's life cycle and is the main indicator for companies growing their membership program. Renewal rate represents the amount of paid members who continue to pay to renew their memberships when they're about to expire; the opposite to renewal rate is the loss rate of paid members. Under normal circumstances, companies hope to increase the renewal rate and reduce the loss rate. This means that paid members are more loyalty and the benefits and perks offered by companies are attractive to paid members.

### Concepts

At the heart of the business concept behind paid membership is a customer-oriented business model that places members at the core of business operations, rather than products or transactions. The economic effects of membership are an interdisciplinary issue that is a combination of economics, sociology, and psychology. After all, the mechanism of paid membership can function effectively depends on whether or not enterprises can accurately meet the needs of its members.



# Design principles of retail paid membership

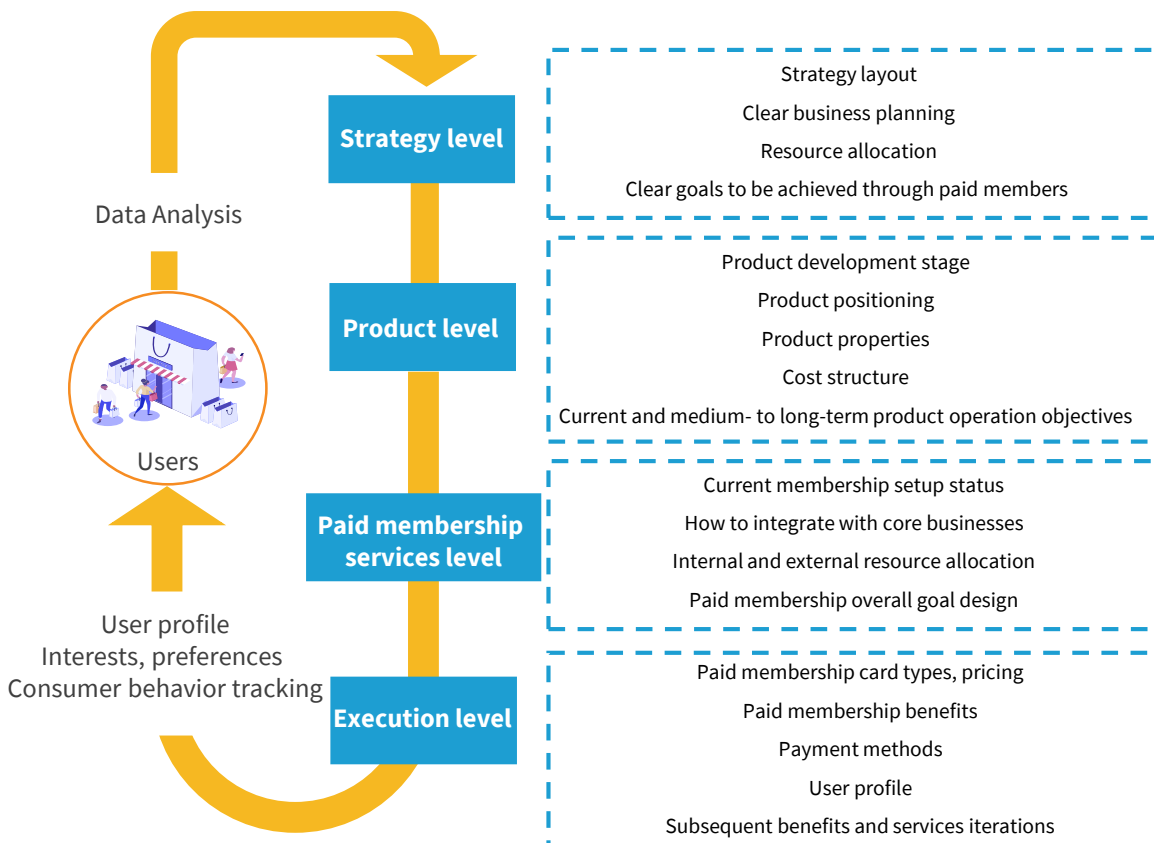
**1. Main business and enterprise strategy differentiation create benefits and perks; benefits and perks need to meet users' need; promote membership construction from top to bottom.**

**The attractiveness of products and benefits is closely related to consumers' desire to pay and the willingness to renew.** When an enterprise designs business models and products, it can then consider whether to implement a paid membership. Secondly, enterprises need to integrate core businesses to decide which benefits and perks can be provided to paid members. Enterprises can determine core businesses and benefits that the company is good at making them the primary factor when attracting paying users.

At the same time, coordinating the internal resources of enterprises and integrating core businesses with the benefits and perks can improve customers' loyalty. In addition, cross-industry cooperation may help facilitate connecting paid members, allowing cross-website traffic and brand endorsement.

The creation and realization of paid memberships require the cooperation of the organization at all levels. When promoting the construction of a membership, promotion by senior management is essential to the effective use of input resources.

EO Intelligence: Retail paid membership system design process



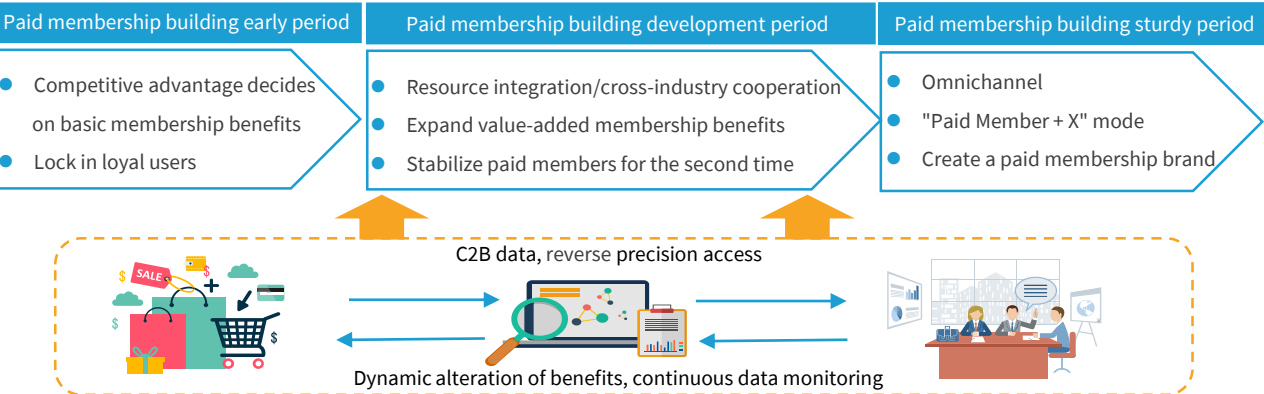
Source: EO Intelligence

# Design principles of retail paid membership

## 2. Using shopping behavior to adjust, explore, and improve membership benefits simultaneously

**The key to continually attracting consumers to pay and renew their membership is providing valuable goods and services over the long-run.** This requires companies to maintain a strong sense of service, strive to create new value for members and provide members with a "treasure-hunting" shopping experience. Benefits and perks adjustments affect the purchasing behavior of paid members, in turn affecting basic design rules for things such as payment cycles, card types, and membership fees. However, paid members are no longer only passively enjoying the benefits and perks provided by enterprises. They can also give feedback, which helps the decision-making in future. The member-oriented management method requires enterprises to keep a close eye on insights and trends in shopping behavior. This requires accurately collecting consumer preferences, then selectively adopting their suggestions to make small-scale changes to improve members' benefits overall.

**The benefits and perks system is not a static, fixed system, but a dynamic, iterative process in which analysis and improvement are carried out simultaneously.** In the development stage of paid membership, enterprises design different paid memberships to achieve the goals according to the needs of current users and business development.



Source: EO Intelligence

## 3. Cost of benefits creation and corresponding income accounting

**Both retail and paid membership is a game of cost versus benefit.** An enterprise first measures and finds a balance between the resource costs of paid membership and the values that members bring to the enterprise, and then makes a business decision. Before paying, users first consider the cost versus the benefits they can acquire after becoming a member. For both parties, when long-term returns are greater than momentary costs, they will tend to get involved in membership.

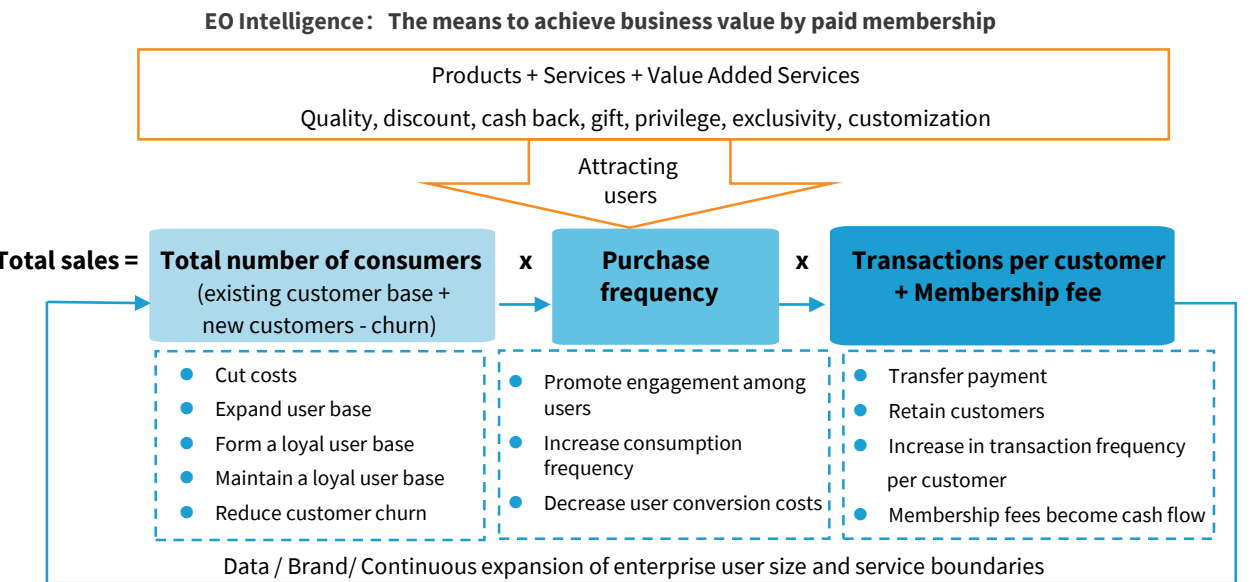


Source: EO Intelligence

# Paid membership becomes a type of monetization in the retail industry

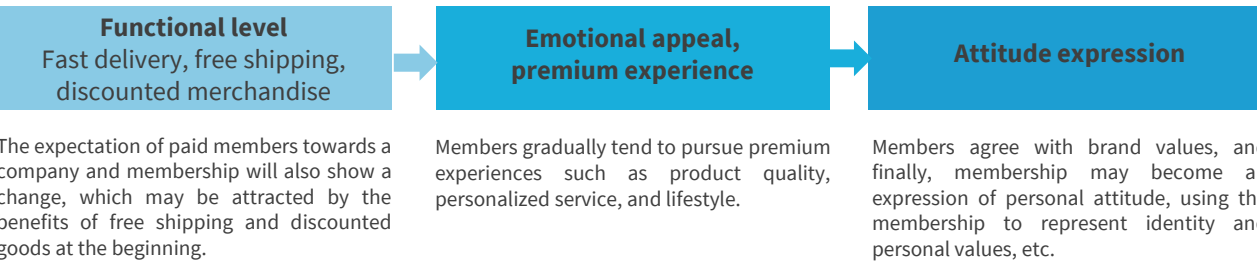
**Means of implementation:** Using membership benefits to attract users to pay for a membership, enhancing the strong connection of paid members and enterprises, and looking to increase customer value.

Enterprises attract users to become paid members through products and services provided as well as paid membership benefits and value-added services. The fundamental purpose of an enterprise is to make a profit, and sales are critical to retailers. In the process of launching paid memberships, the company tries to increase advantages, prompt larger traffic of users to purchase, convert more users into loyal users, and stimulate paid members to engage in more frequent, high-value consumption.



Source: EO Intelligence

Paid members are users who directly contribute to sales and membership fees, bringing in cash flow to enterprises. They are a medium and communication channel. The cost of word-of-mouth communication is low with a high referral rate and it is an effective channel for paid members to bring in new users. As consumers pay more attention to quality of life in addition to product prices, consumers' demand for service and shopping experience is on the rise. Personalized demand, customized services, diversified consumption structure and other consumer trends gradually have emerged.



Source: EO Intelligence

## Chapter 2

# Development and Applications of Retail Paid Membership in China and the United States

This chapter examines the development of paid membership in China and the US retail industries. The US retail paid membership model was widely used in the 1980s, and the membership-based warehouse supermarket has become the early and mature application of paid membership in retail.

Since 1996, foreign brands have introduced the concept of paid memberships and brought membership-based warehouse supermarkets into China. Since 2015, Chinese retail companies who have explored the localized paid membership model are still in their infancy.

In addition, based on the four areas that use paid memberships in the retail industry, combined with the current retail business operations using them, we have found five applications of paid membership in the retail industry.



# Development of Retail Paid Membership in China and the United States

**In the United States during the 1980s, the paid membership model was widely used in membership-based warehouse supermarkets.**

Sol Price was a pioneer in promoting the growth of the US membership-based warehouse supermarket. In 1954, he founded a membership-based warehouse supermarket named "Fedmart." His business philosophy was to treat customers as trustees, build trustful relationships with customers, operate supermarkets at a lower cost, and make money from customers as little as possible. In 1954, Jim Sinegal joined Fedmart. During his time at the company, Sol Price not only taught him his business principles and retail knowledge but also communicated the importance of building trust with customers. In 1983, Jim Sinegal left to create his own company called Costco.

**EO Intelligence: the paid membership model was widely used in membership-based warehouse supermarkets**

## The 1950s

In 1948 and after World War II, the US economy entered the 20-year golden age of capitalism, and one-stop shopping was widely accepted. The suburbanization of the US population had ushered in a new era.

## The 1970s

In 1970, the US economy experienced the Great Inflation, consumers were sensitive to prices, hoping to buy high-quality and low-priced goods, and large discount supermarkets ushered in a new era. At this time, the number of cars in the United States reached more than 100 million, providing consumers with the conditions to drive long-distances to shop at supermarkets.

## The 1980s

Costco (1983), Sam's Club (1983) and BJ's (1984) are the three largest membership-only retailers in the United States. Since the opening of the three businesses, they have operated membership-only warehouse supermarkets.

1954

Sol Price founded a membership-only warehouse supermarket, named "Fedmart," which created a membership-only + discount sales model, which saved on advertising costs and minimized the role of middlemen to achieve low-interest rates and sell low-priced products to members.

1976

Sol Price and his son Robert Price co-founded the company named Price, Co., and renamed the membership-only warehouse supermarkets under the company with "Price Club," creating a membership-only + warehouse sales model.

**In 1996, foreign brands brought membership-only warehouse supermarkets to China and introduced the concept of paid membership.**

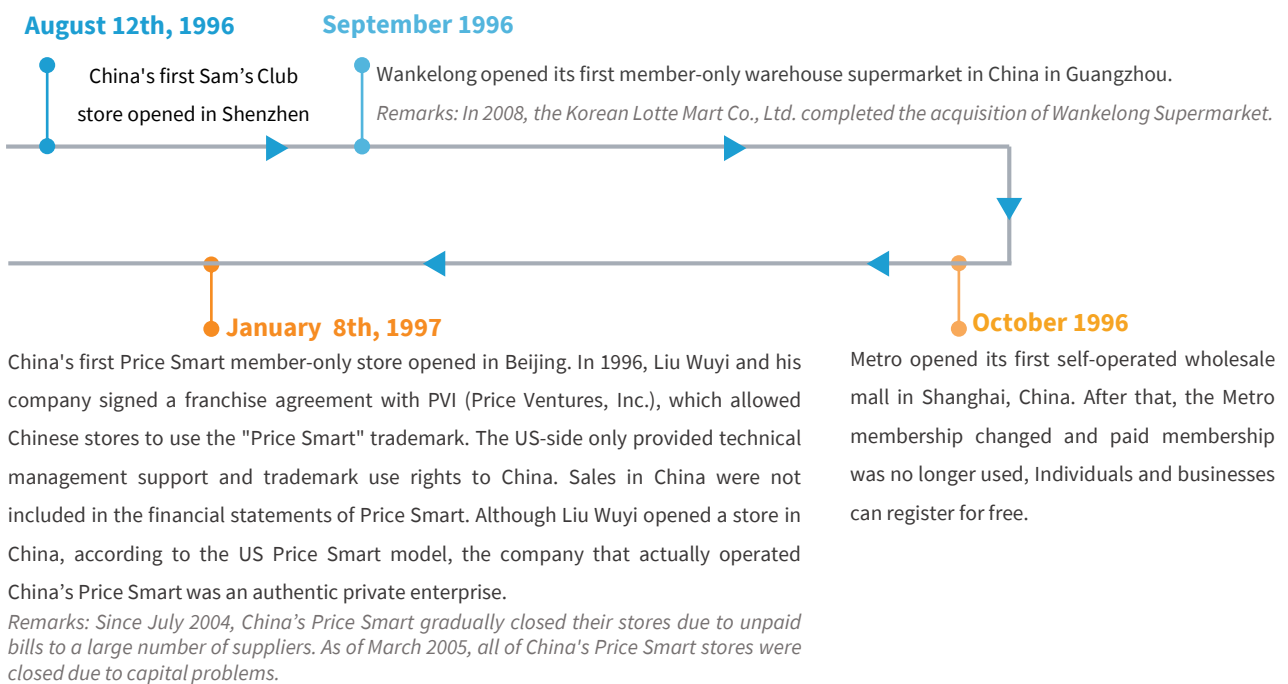
On June 20, 1995, the National Development and Reform Commission, the State Economic and Trade Commission, and the Ministry of Foreign Trade and Economic Cooperation issued "Provisional Regulations on Direction Guide to Foreign Investment," which drove foreign retail enterprises to enter China and introduce the concept of paid membership.

The emergence of paid membership in the Chinese retail industry was started from foreign brands such as Sam's Club (called 山姆会员商店 (Sam's Club) in Chinese) and Metro. When they entered the Chinese market in 1996, the "membership-only retail" they represented was not well known to the locals, while the membership-only retail had more than ten years of development in Europe and America in the 1980s.

# Development of Retail Paid Membership in China and the United States

Foreign-funded enterprises such as Sam's Club and Metro are the "paid membership" brands that entered China early on. They have been educating and adapting to the market for more than 20 years. They continue to explore the right way to develop paid memberships in the Chinese market. So far, Sam's Club is still insisting on adopting paid memberships, and only paid members can enter the supermarkets to shop and enjoy the services.

## EO Intelligence: Foreign brands introduced the application of paid membership in the retail industry in China



**Amazon (founded in July 1995) first launched their Prime membership in the US market in 2005, becoming the leader in paid membership for integrated e-commerce platforms. Amazon launched in China in October 2016.**

In the United States from 2010, there has been a rise in the number of providers offering subscription services to their users. The US companies called their users subscribers or members, while in China, the public is accustomed to calling them paid members.

In essence, users' consumption patterns on subscription platforms are uniform; paying to become members then enjoying personalized services and purchasing goods. The industries and product categories offered by e-commerce companies are becoming more and more abundant. Since 2015, such e-commerce platforms have gradually emerged in China as well.

# Development of Retail Paid Membership in China and the United States

**Since 2015, Chinese retail companies that have explored the localized paid membership model are still in their infancy.**

Since 2011 the rapid spread of mobile Internet has spurred the development of China's retail industry, making e-commerce an essential platform for consumers to shop. Since 2014, the growth rate of online retail sales of physical goods has increased yearly, reaching RMB 5.48 trillion in 2017, up 28%; the proportion of online retail sales of physical goods to total retail sales of the society's whole consumption has increased year after year, accounting for 15% in 2017.

The application of paid membership in the retail industry has also been adapted to economic development and channel innovation. E-commerce platforms have been adopting paid membership for the past five years. Chinese retail companies not only learn from their United States counterparts but also explore more cost-effective ways of integrating membership and add Chinese-style characteristics based on the different businesses and strategies of each company.

**After more than three years of exploration, the development of China's retail paid membership is still in its infancy, and retail companies are now exploring the localization of paid memberships. E-commerce platforms have become the main force of paid memberships, and convenience stores, shopping centers, and other physical retail stores are exploring at the same time.**

## E-commerce platforms

- Alibaba's consumer-centric mindset has become the standard, leading other Chinese retail companies to focus more on high-value users.
- In March 2015, Tegoushe launched its Gold membership
- In October 2015, JD.com launched its PLUS membership and became an early adopter of paid membership among China's e-commerce platforms. Around 2015, e-commerce platforms in China successively rolled out paid membership.
- At the end of 2015, Chinese subscription-based e-commerce companies gradually emerged (see below for details)
- At the end of 2016, Vipshop launched super VIP membership
- In November 2017, Kaola launched a black card membership
- In November 2017, Miss Fresh launched its membership
- In December 2017, Suning launched its SUPER membership
- At the beginning of 2018, YEATION launched super membership
- In July 2018, RED(Xiaohongshu) launched a red card membership
- In August 2018, Alibaba's Taobao launched 88VIP

## Physical retail stores

- At the same time e-commerce companies launched paid membership, companies that focus on physical retail operations were also trying
- Wumart's first membership-only supermarket Shangjia opened on August 10, 2015, with an annual fee of RMB 150.
- In November 2015, Yonghui Superstores opened its first member-only store in Shanghai with an annual fee of RMB 150.
- In September 2016, Zhengda Supermarket opened membership-based warehouse supermarkets in Foshan and Suzhou.
- At the end of 2016, Ting Hsin International Group (which owns the brands of Dicos, Family Mart, etc.) launched paid membership, involving the Maxxipoint App and the ZHX e-commerce platform.
- In August 2017, Intime Retail launched the digital paid membership INTIME365, with an annual fee of RMB 365.
- In October 2017, Bianlifeng launched Super Membership
- At the beginning of 2018, a Good Neighbor membership store opened, with an annual fee of RMB 240.



# Four dimensions of the application of retail paid membership in China and the United States

**In order to analyze the commercial value of the paid membership system in retail enterprises, we summarized the current major retail paid membership application scenarios in the following four dimensions.**

## 1. Whether paid membership is a prerequisite for eligibility for consumption.

- ① Paid membership as a threshold for consumption determines whether consumers are eligible for utilizing and enjoying the services. Only when consumers pay to become members can they be eligible to purchase goods and enjoy the services. We call this a "Member-only" type of membership.
- ② Paid membership is not a threshold for consumption, but a medium for additional benefits and services. That is, both paid members and non-paid members can exist at the same time, but the services and benefits enjoyed by the two groups of members are different. Referred to as the "dual system" of membership.

## 2. The number of paid memberships in a retail enterprise.

- ① A retail enterprise with a single paid membership. For example, JD.com has only one PLUS membership.
- ② A retail enterprise with multiple paid membership systems, for example, Alibaba has Taobao, 88VIP, Xiami Music VIP, Youku VIP, and Ele.me Super Membership as well as other paid memberships.

## 3. The commercial value of retail paid membership in business structure.

- ① A paid membership that exists in a single retail business, which mainly plays a commercial value across a vertical.
- ② A paid membership that exists in the diversified business structure of retail enterprises whose commercial value is derived from acting across multiple business verticals. For example, Amazon's Prime members, have the ability to leverage different forms of business value for various business units.

## 4. Retail channels.

Companies' current major retail channels can be divided into both online and offline operations.

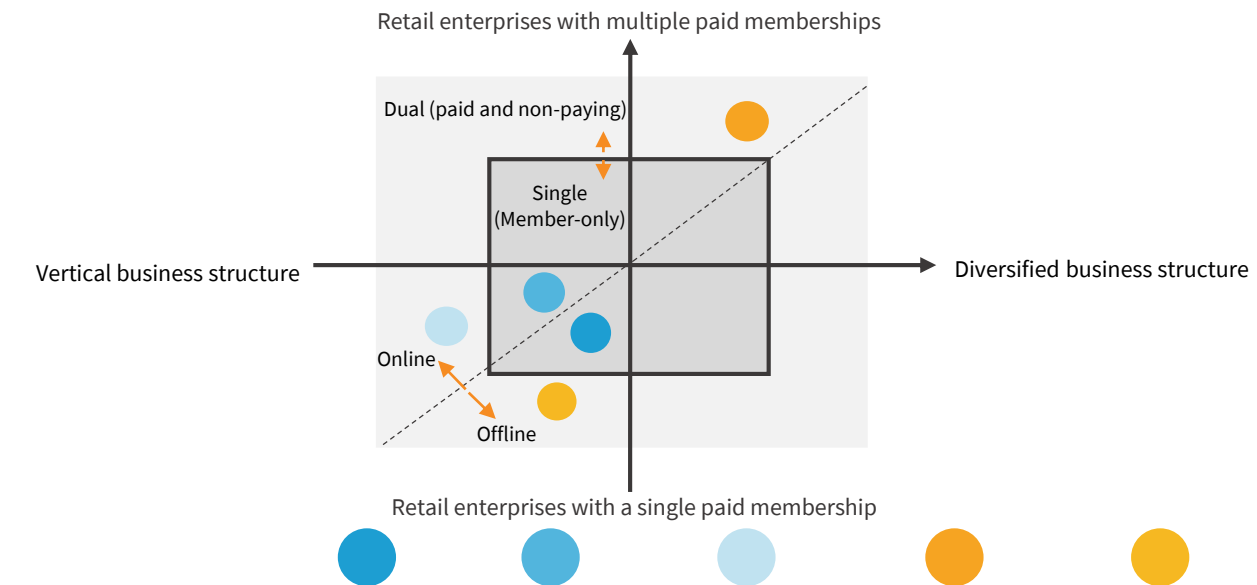
**Based on the above four dimensions, combined with the current retail business operations using paid membership, we have found five applications for paid membership in the retail industry.**

However, these five applications are categorized according to the current membership and business plans of enterprises. If the paid membership of an enterprise is dynamically adjusted, its application in the retail industry will change accordingly.

# Five applications of retail paid membership in China and the United States

In the figure below, we use three solid black lines to represent the first three classification criteria, a black dotted line to divide the retail sector's current major retail channels, and five colored circular areas to represent the five applications.

EO Intelligence: Five applications of retail paid membership in China and the United States



Applications	Membership-only Warehouse supermarket	Membership-only e-commerce platforms	E-commerce platforms with single paid membership	Convenience stores & Shopping malls	E-commerce platforms with multiple paid memberships
Membership Threshold Types (Single/dual membership)	Single	Single	Dual	Dual	Dual
Retail enterprises with single/multiple memberships	Single	Single	Single	Single	Multiple
Vertical / diversified business structures	Vertical (Retail)	Vertical (Retail)	Vertical (Retail)	Vertical (Retail)	Diversified
Retail channels	Offline	Online	Online	Offline	Online
Typical enterprises					

# The first application: a membership-only warehouse supermarket - Costco example

**The membership-only warehouse supermarket was the earliest retail format in which US retailers adopted paid memberships.** This kind of supermarket only allows members to enter, so consumers must first pay for membership in order to shop. Costco, Sam's Club, and BJ's are the top three membership-only warehouse supermarkets in the United States which have implemented the "member-only" management method since their inception.

Such memberships can operate for a long time, benefiting management staff, and aiding adherence of the entire membership-only warehouse format to quality standards. In the past three years, Chinese local retail companies have gradually tested membership-only supermarkets, such as the CP Group which opened a membership-only warehouse supermarket. Due to the short application time of China's retail paid membership, the format is not limited to membership-only warehouse supermarkets. China is actively trying out membership-only physical stores of different retail formats. For example, Yonghui has opened a membership-only convenience store.

## The application of the membership-only warehouse supermarket has the following characteristics:

**1. A supermarket store itself has two functions: inventory and selling.** The sales area is simple to set up, and the products are generally in simple packaging, which is beneficial to reducing the cost of product processing for customers.

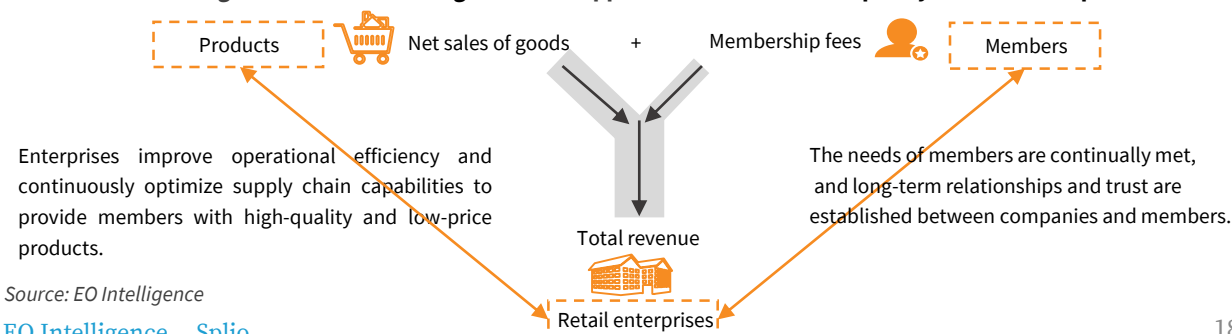
**2. Membership fee income has become an important source of cash flow for enterprises.**

Generally speaking, the operating income structure of such enterprises is relatively straight-forward, consisting of two parts: net sales of goods and membership fee income. For Costco and BJ's, net sales of goods accounted for approximately 98% of operating income, and membership fee income accounted for approximately 2% of operating income (for details of the data, see subsequent separate analysis of the companies).

**3. The expense leverage effect in the operation of warehouse supermarkets is apparent.**

Expense leverage refers to the growth rate of operating expenses being less than the growth rate of net sales. This means that the company will encourage a larger proportion of performance growth with lower operating expenses leading to more efficient business operations. The company improves its operational efficiency and passes on the savings to its members, providing them with homogeneous or high-quality, but low-priced products.

### EO Intelligence: Schematic diagram of the application for membership-only warehouse supermarket



Source: EO Intelligence

## The second application: membership-only e-commerce platforms

A membership-only e-commerce platform is open to members only, and only members are allowed to enjoy the services and products provided. Therefore, consumers must first pay for a membership, and then they can access the platforms to buy goods and enjoy services.

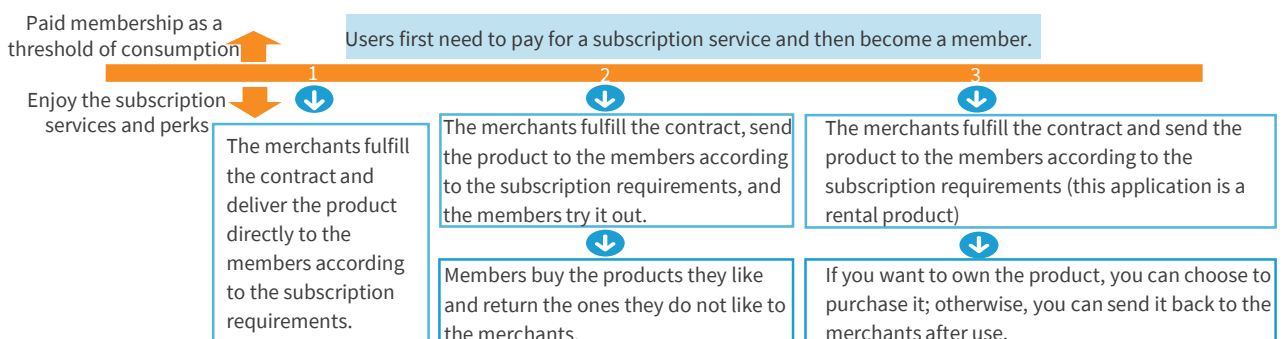
**According to the forms of delivery of goods, there are two types of membership-only e-commerce platforms:**

- ① E-commerce companies that only have one-time delivery and transaction relationship members, meaning that members can enjoy products and services for a certain period of time.
- ② Subscription e-commerce platforms that have a long-term delivery and transaction relationship with members. After consumers pay to become a member, they can enjoy the services provided by the company and complete multiple transactions.

**It should be noted that, according to the process of subscribing to e-commerce platforms, there are three main types of subscription services** (As shown in the following figure. Among them, the first one is not an application of retail paid membership, because consumers pay for the goods directly, rather than paying for the purchase of membership. The latter two are applications of retail paid membership because consumers pay for membership separately and then have a long-term relationship with the business.).

- ① Merchants directly execute the contract and deliver products to members according to established requirements and timeframes. Products can be determined by members in advance, or they can receive content and goods selected by merchants instead.
- ② Merchants first send products to members for selection. Members select the satisfactory product to purchase and return to the merchant if they aren't satisfied. Typical companies of this type include Stitch Fix and Champzee.
- ③ To sell by rent, merchants deliver products selected in advance to members, and members are to send products back to merchants after use. If a member wants to purchase a product that offers a great experience after renting it, some merchants allow members to purchase it. Typical companies of this type include Rent the Runway, Yi23, and Ms. Paris.

**EO Intelligence: Process of subscribing to membership e-commerce platforms**



## The third application: E-commerce platforms represented by JD.com

Membership in this case is not a condition that limits consumer shopping, but rather a condition that limits consumers' access to value-added services. The most apparent difference between this application and membership-only e-commerce platforms is that both paid members and non-paid members are allowed to exist at the same time. Even if consumers do not purchase a membership, they can still spend on such e-commerce platforms.

According to product categories, e-commerce platforms can be divided into integrated and vertical e-commerce platforms. Currently, the integrated e-commerce platforms adopting the paid membership model include JD.com, Tegoushe, YEATION, Kaola, Vipshop, etc. The vertical e-commerce platforms include Miss Fresh and Xiaohongshu.

## The fourth application: shopping malls and other physical retailers

The main difference between a physical retailer and a membership-only supermarket in this application is that both paying and non-paid members are allowed to exist simultaneously. Most of the membership benefits that paid members can enjoy are price-based interests, such as discounts, double-point cashbacks, rebates, and shopping vouchers.

**For physical retailers and membership-based supermarkets in this case, the ability to provide products and services, as well as building the brands and word of mouth, is particularly important for earning the trust of members.** Instead of blindly expanding, they focus on how to provide members with more cost-effective products and better services. This is a good way to build strong brands steadily.

## The fifth application: e-commerce platform represented by Amazon and Alibaba

The main difference between the e-commerce platforms in this application and the ones in the third application is that they create a paid membership system that acts on a diversified business structure. E-commerce platforms like Amazon and Alibaba have an “ecosystem-type,” where the paid membership model can provide users with a multi-level consumer experience.

## The fifth application: e-commerce platform represented by Amazon and Alibaba

The retail companies represented by Amazon and Alibaba build a diversified business structure with more than one independent paid membership system. However, such companies will separately promote paid membership corresponding to their core businesses in the retail sector, and use it to connect with the point /paid membership under other businesses. The basic purpose is to link membership data with associated businesses.

For companies with a diversified business structure, paid membership with cross-link capabilities is more competitive. **Amazon's Prime membership is more competitive because Prime membership is more capable of business cross-linking.**

Amazon's business layout is diversified, but Prime membership has long been its lifeblood, playing a central role throughout the business. Behind the model, the membership in the enterprise is highly integrated and penetrative. The company maintains the flywheel effect due to the efficient operation of the paid membership, forming systemic competitiveness and creating competitive barriers for the enterprise.

## Chapter 3

# Typical Enterprises of the Application of Retail Paid Membership in China and the United States

In this chapter, we summarized five applications of paid membership in the retail industry: membership-only warehouse supermarkets, membership-only e-commerce platforms, single-membership e-commerce platforms, convenience stores, and shopping malls, and multi-membership e-commerce platforms.

In the third chapter, based on the status quo of enterprise development, from a business perspective, we analyzed the eight typical retail enterprises and clarified the models and characteristics of their paid membership.





# Costco - America's largest membership-only warehouse retailer

The global store distributor, established for 35 years, located in 11 countries and regions, 762 total stores

Costco begins operations in 1983 in Seattle, Washington. As of September 2, 2018, Costco operates 762 warehouse clubs worldwide: 527 in the US, 100 in Canada, 39 in Mexico, 28 in the UK, 26 in Japan, 15 in South Korea, 13 in Taiwan, 10 in Australia, 2 in Spain, 1 in Iceland and 1 in France. Costco operates e-commerce business in the United States, Canada, Mexico, the United Kingdom, South Korea, and Taiwan.

EO Intelligence: Costco's worldwide store distribution



Source: Costco's financial report

## Location strategy

Most of Costco's club locations are located in remote suburbs, which not only results in low land cost but also provides members with adequate parking spaces, large shopping spaces and gas station services to meet the transportation needs of members who drive. At the same time, the shop interior is simple, which can reduce the decoration cost. There are two ways to operate a store: reconstruction of its own land rights or leasing.

## Paid membership target market

Costco's target customers are middle-class families and small or medium-sized corporate customers. They have certain spending power, pay attention to the quality of goods and shopping efficiency, have pre-established buying habits, making large-volume, large-package consumables suitable for them.

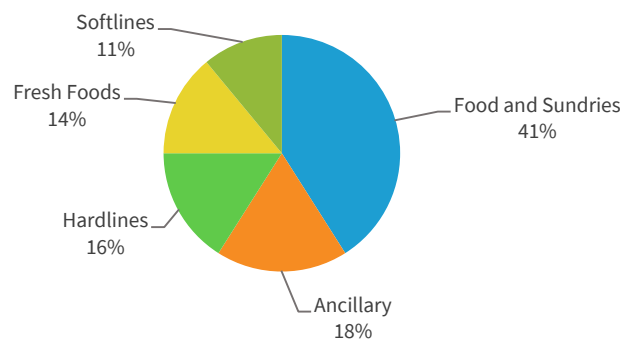
## Membership business philosophy

Costco is a service-oriented company that holds the concept of making money by serving members rather than selling goods. The paid membership means that the contractual relationship between the company and members is established. By collecting a membership fee, the company becomes the meticulous buyer of products for its members and their families. The company continues to meet the demand of its members. Members come to Costco no longer worry about the quality and price of the goods and fully trust that the goods bought here are carefully selected, resulting in a well-established relationship.

# Costco - America's largest membership-only warehouse retailer

3,800 SKU, five major categories of goods, mainly groceries

EO Intelligence: The percentage of net sales by merchandise category in Costco 2018(fiscal year)



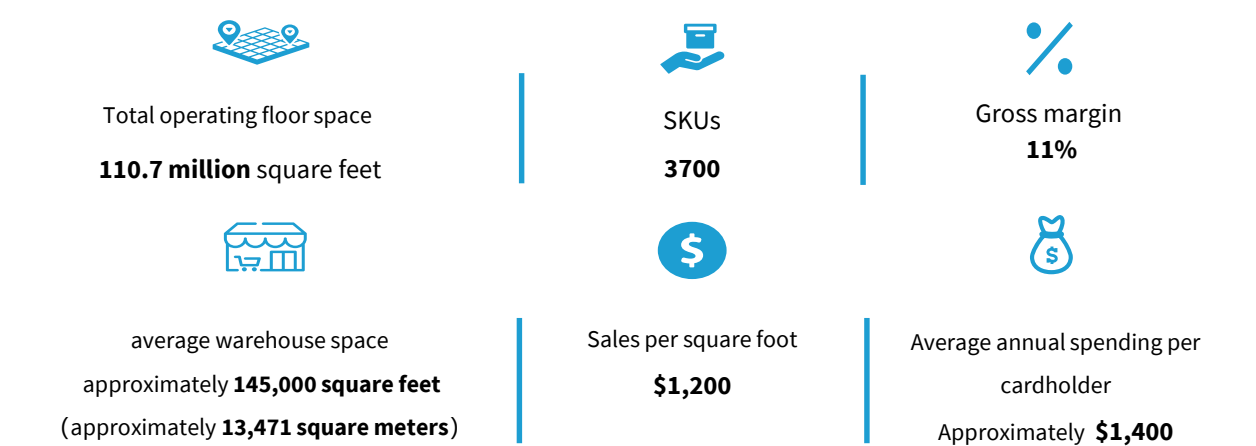
Source: Costco's financial report

## Costco offers merchandise in the following categories:

- Foods (including dry foods, packaged foods, and groceries)
- Sundries (including snack foods, candy, alcoholic and nonalcoholic beverages, and cleaning supplies)
- Hardlines (including major appliances, electronics, health and beauty aids, hardware, and garden and patio)
- Fresh Foods (including meat, produce, deli, and bakery)
- Softlines (including apparel and small appliances)
- Ancillary (including gas stations and pharmacy)

Costco founded its own private-label brand—Kirkland Signature® in 1995, offering low-cost, high-quality products in the forms of ready-to-wear, batteries, household items, beverages, and dietary supplements. Having its own brands help reduce costs, differentiate Costco's merchandise from other retailers, and typically earn more than the merchandise purchased from suppliers.

## EO Intelligence: Operating data of Costco



Source: Costco's financial report

# Costco's business model: low-margin operations, not relying on merchandise to make profit, membership fee income equals net profit

Costco's Profit Model = Net Sales × Gross Margin + Number of Members × Membership Fee

No profiting from merchandise

Costco becomes a buyer and the trustee of members

Costco's Profit Model = Net Profit of Goods + Membership Fee

Income

Costco's net profit for the fiscal year of 2018 is \$3.13 billion US dollars ≈

Income from membership fees is \$3.14 billion US dollars

## 1. Costco's membership fee income accounts for 2.2% of operating income.

In FY 2018, the operating income was \$141.58 billion US dollars (about RMB 983.28 billion), and the operating income consisted of two parts: net sales and membership fee income. Net sales was \$138.43 billion US dollars, accounting for 97.8% of operating income; membership fee income was \$3.14 billion US dollars, accounting for 2.2% of operating income.

## 2. Costco's expense leverage effect is good, and the SG&A expenses account for 10% of the net sales.

Selling, General & Administrative Expenses (SG&A) growth rate is less than the growth rate of net sales or basically flat. This phenomenon is achieved by reducing management costs and optimizing work efficiency, showing Costco's continuous, low-cost operations ability.

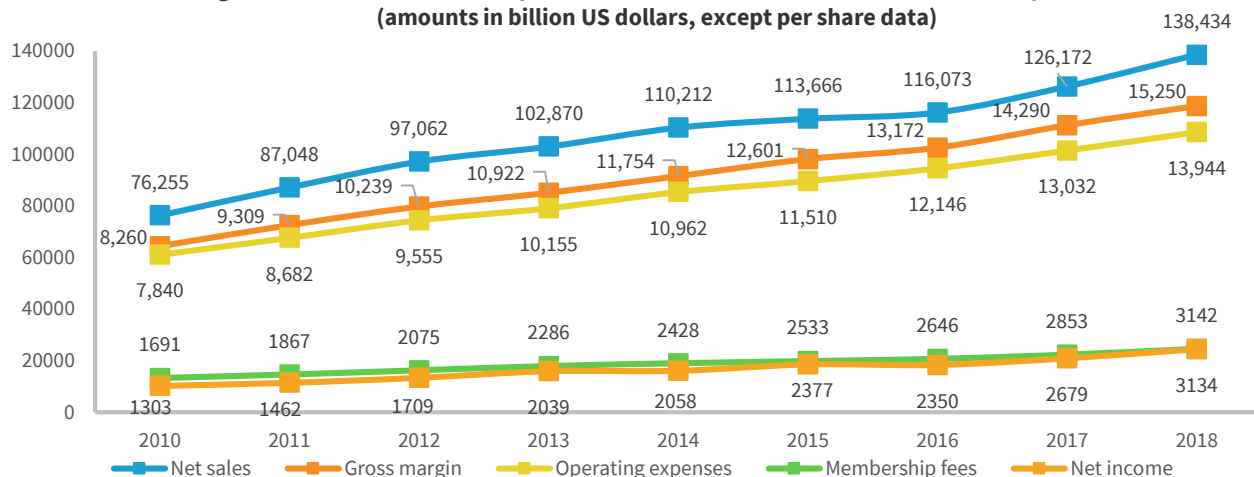
## 3. Merchandise gross profit is almost equal to operating expenses, which means that Costco merchandise gross profit is only used to cover operating costs.

Costco actively reduces the gross profit margin. After deducting various costs, Costco does not make any money. In this way, it attracts members to continue purchasing products from Costco and pay membership fees.

Net sales × gross margin (11%) = merchandise gross profit / operating expenses

## 4. Membership fee income is almost equal to net profit, which means that Costco does not rely on selling goods to make profits, and net profit comes from membership fees.

EO Intelligence: Costco Wholesale Corporation Consolidated Statements for the fiscal year 2010-2018  
(amounts in billion US dollars, except per share data)



# Costco actively reduces the merchandise gross profit margin of its products by improving operational efficiency and establishing a two-way positive feedback mechanism with its members.

Location	
<b>Location(Suburbs)</b> <ul style="list-style-type: none"> <li>Cheaper rent and larger store size</li> <li>Able to provide adequate parking space for members</li> <li>Provide gas station service</li> </ul>	<b>Store</b> <ul style="list-style-type: none"> <li>Minimal decoration style, reducing operating costs</li> <li>Large package and open shelves display, warehouse display, reducing labor costs</li> </ul>
Products	
<b>Features</b> <ul style="list-style-type: none"> <li>Food and groceries account for 40% of the product structure. It is suitable for large-volume households to purchase in bulk. Consumables for storage allow members to do one-stop purchases in bulk.</li> </ul>	<b>Design</b> <ul style="list-style-type: none"> <li>Easy bulk packaging to reduce the labor cost of packaging by employees</li> <li>Bundled sales, suitable for families with planned buying habits</li> </ul>
<b>Quality</b> <ul style="list-style-type: none"> <li>3700SKUs, only two or three brands per category, generally no more than four</li> <li>Help save members' shopping time and reduce member selection costs</li> <li>Reduce personnel management difficulty, ensure efficient inventory management and reduce supply chain management costs and pressure</li> </ul>	
<b>Warehouse Logistics</b> <ul style="list-style-type: none"> <li>Limited categories and brands reduce the number of suppliers and help reduce communication and collaboration costs</li> <li>High turnover rate due to large-scale sales, resulting in improved asset utilization</li> <li>Large-volume sales of single items can increase Costco's bargaining power over suppliers. Conducive to reducing logistics and storage costs, forming efficient distribution, and improving the operational efficiency of processing goods</li> <li>Purchase directly from manufacturers and ship them to a logistics transfer point or directly to warehouses, eliminating the operating costs associated with multi-step distribution channels compared to traditional retailers</li> </ul>	

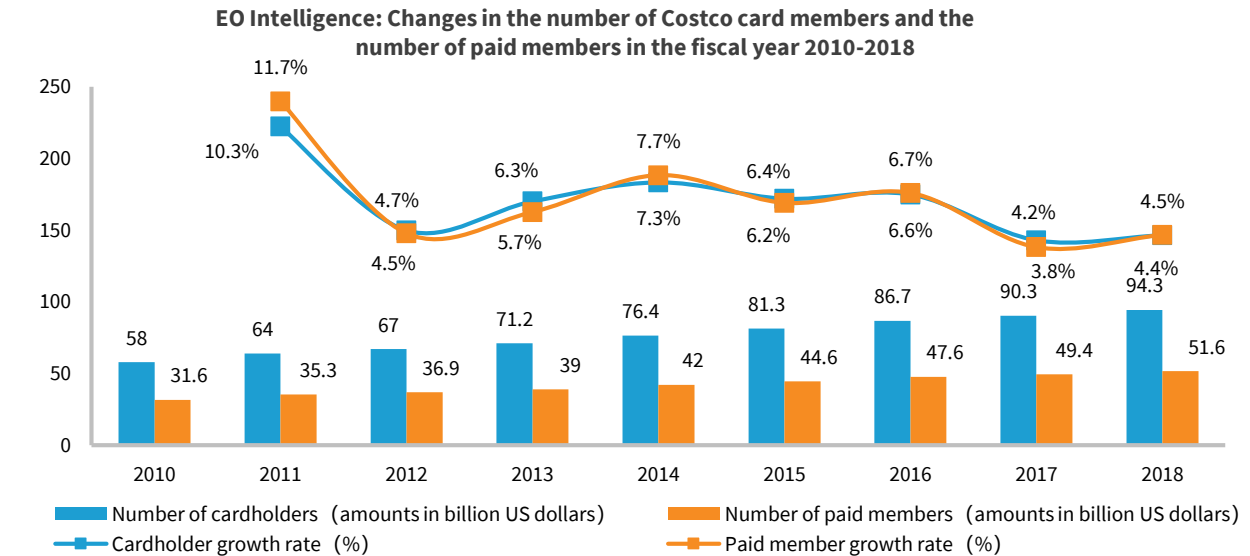
**Costco efficiently manages goods and stores, continuously improving operations and reducing costs.** It does this in order to reduce the gross profit margin of its merchandise as much as possible, to give more benefits to the members, and to sell the homogeneous or products of better quality to its members at a lower price. Products with advantages in price and quality will continue to attract consumers to become Costco members.

Members not only purchase goods but also pay membership fees to Costco. If Costco can always provide such products and services to its members, members will trust Costco more, developing a long-term relationship and service contract.

Members continue to have expectations of Costco, forcing Costco to continuously evolve, improve operational efficiency, and better meet members' demands. In this way, a positive feedback loop has been formed between the company and the members, and paid membership has become a way for the company make profit.

## Research on Retail Paid Membership in China and the United States

As of October 26, 2018, Costco has 94.3 million cardholders, including 51.6 million paid members. For the 2018 fiscal year, paid members directly contributed \$31.4 million to Costco, and paid membership renewal rate remained at 90%.



Costco has four type of cards in the US, and its membership is divided into individual members and corporate members. In addition, there are preferential cards and exclusive channels for college students and military personnel.

The company offers expanded products and services that encourage members to shop more frequently, including gas stations, pharmacies, food courts, hearing aid centers, e-commerce, car and home insurance, business distribution and travel, and even car purchase programs. Members can directly buy a new car at a discounted price.

Costco generally accepts the unconditional return of goods, and some electronic products usually have a 90-day return policy, free technical support services, and extended warranty.

**EO Intelligence: Costco Membership Types and Benefits**

Membership Benefits	Membership Type			
	Gold Star MEMBER \$60 per year	Gold Star Executive \$120 per year	Business MEMBER \$60 per year	Business Executive MEMBER \$120 per year
Include a free family card	√	√	√	√
Suitable for any Costco worldwide	√	√	√	√
Rebate at a maximum of 2% per year, rebates can be directly spent at Costco, and the rebate limit is raised from \$750 to \$1,000.		√		√
Enjoy Costco's additional services		√		√
Add an additional member (\$60/person)			√	√
Resell goods and purchase			√	√

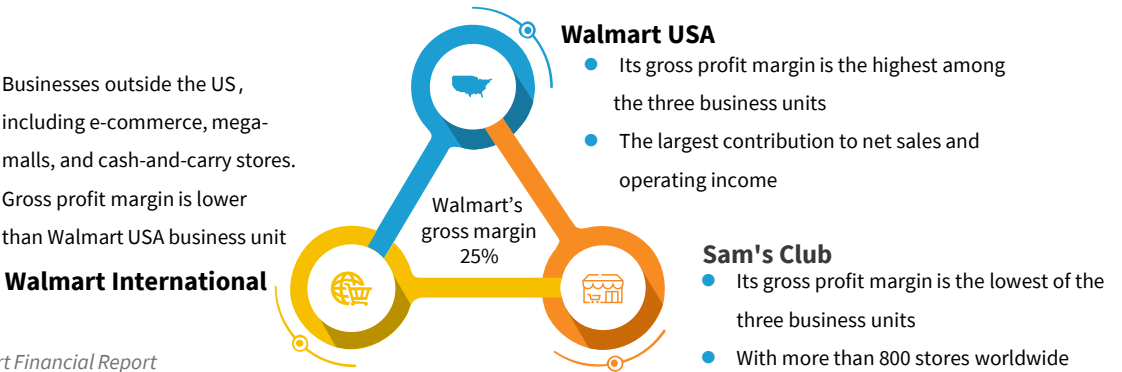
Source: Costco's official website, the above-mentioned membership benefits are only for the US, and the card types and their corresponding membership benefits are different in different countries and regions.

# Sam's Club - Walmart's membership-only supermarket chain, the second-largest membership-only warehouse retailer in the US

Walmart has three core divisions: Walmart USA, Walmart International, and Sam's Club.

In the first half of the 2019 fiscal year, Walmart's operating income was \$250.72 billion US dollars, net sales was \$248.69 billion US dollars, and operating profit was \$10.9 billion US dollars. Among them, Sam's Club's net sales of \$28.41 billion US dollars (about 197.1 billion yuan), contributing operating profit of \$727 million US dollars. Sam's Club's net sales accounted for 11.4% of Walmart's 2019 net sales in the first half of the year, contributing 6.2% of operating profit.

EO Intelligence: Walmart business unit composition

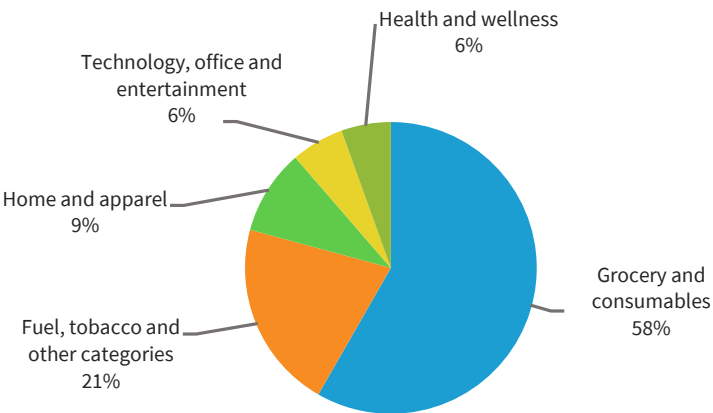


Source: Walmart Financial Report

## Sam's Club offers merchandise in the following five merchandise categories:

- Grocery and consumables includes dairy, meat, bakery, deli, produce, dry, chilled or frozen packaged foods, alcoholic and nonalcoholic beverages, floral, snack foods, candy and other consumable items;
- Fuel and other categories consists of gasoline stations, tobacco, tools and power equipment, and tire and battery centers;
- Home and apparel includes home improvement, outdoor living, grills, gardening, furniture, apparel, jewelry, housewares, toys, seasonal items, mattresses and small appliances;
- Technology, office and entertainment includes electronics, wireless, software, video games, movies, books, music, office supplies;
- Health and wellness includes pharmacy, optical and hearing services and over-the-counter drugs.

EO Intelligence: The percentage of net sales by merchandise category in Sam's Club for fiscal 2019



Source: Walmart Financial Report

# Sam's Club has 50 Million Members Worldwide, \$2 Billion Membership Fee Income

## Paid membership target market

The target consumers are middle-class families with an annual income of more than \$25,000 US dollars, and the target customers are mid and high-end groups.

## Data



Total operating floor space: 0.8 billion square feet (about 7.43 million square meters)



- Single warehouse space is usually between 94,000 and 168,000 square feet
- The average warehouse space is 134,000 square feet (about 12,450 square meters)

## Membership operation

Sam's Club has 50 million members worldwide and directly brings in \$2 billion in membership fees. There are two types of membership cards: Sam's Plus and Sam's Club member, and members can enjoy more than 10 membership benefits. Based on the physical retail properties, members can enjoy two aspects of benefits: 30% goes towards price-based benefits (cashback and free shipping), and 70% goes towards value-added services provided by the company.

**EO Intelligence: Sam's Club Membership Types and Benefits**

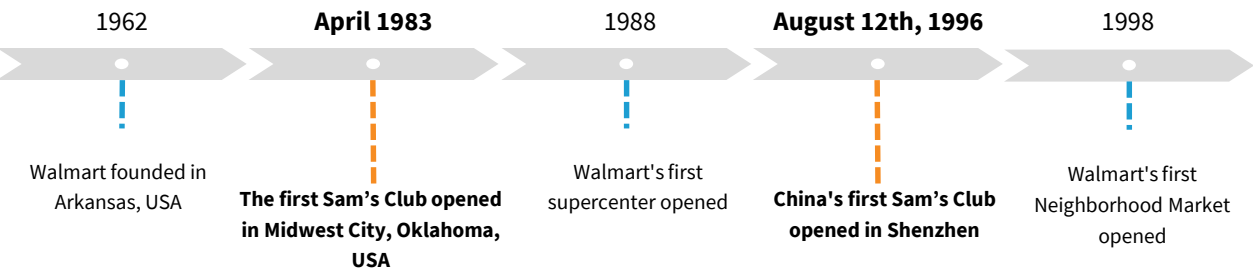
Benefits	Contents	Membership Type	
		Plus membership (\$100 per year)	Club membership (\$45 per year)
Earn Cash Rewards	Get \$10 back for every \$500 spent on qualifying purchases - up to \$500/year.	√	
Free shipping	Every day. No minimum purchase. Exclusions apply.	√	
Early shopping hours	Get in and out faster without the crowds starting at 7AM Monday - Friday (not available at all clubs).	√	
Instant Savings	Extra offers on top of already low members-only prices.	√	√
Sam's Club Mastercard	Eligible to earn 5% back on gas, 3% on dining and travel and 1% on other purchases - up to \$5,000 per year.	√	√
Pay less at the pump	Get member-exclusive prices on fuel. Available in select locations.	√	√
Free select prescriptions	Plus over 600 more for \$10 or less and up to 30% off select name brands.	√	
Discounts on glasses	Get 20% off a complete pair of eyeglasses and enjoy free shipping on contact lenses.	√	
Tire and Battery Center	Free flat tire repair, battery testing and wiper blade installation.	√	√
Complimentary card	One free household membership to share.	√	√
Add-on memberships	Add-on memberships receive all Club member benefits for a discounted annual price of \$40.	√ Up to 16	√ Up to 8

Source: Sam's Club official website. The above-mentioned membership benefits are different in different countries and regions, and applicable under certain conditions.

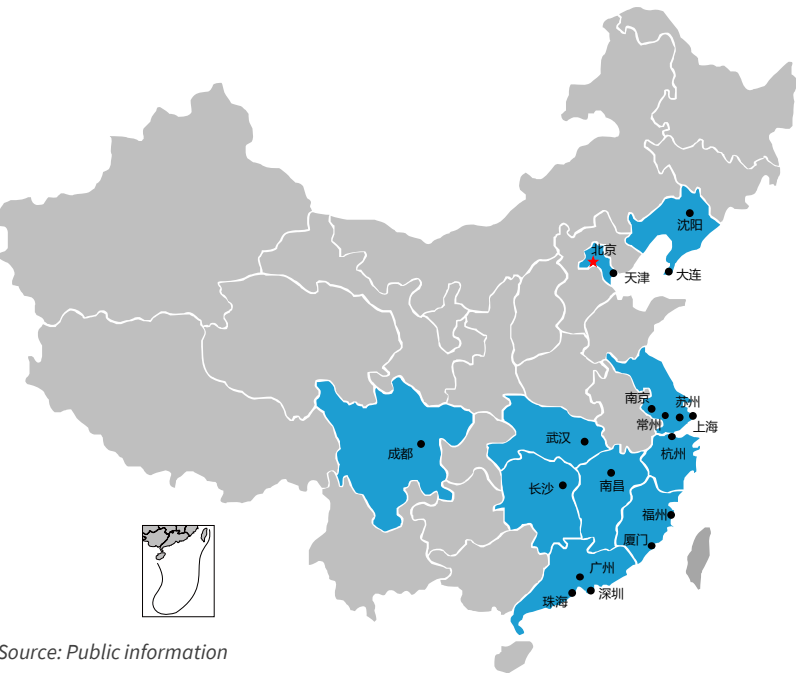


# Sam's Club entered China in 1996, currently has 22 stores, covering 18 cities

The first store of Sam’s Club(called 山姆会员商店 in Chinese) opened in April 1983 in Midwest City, Oklahoma, USA, and has been operating for 35 years. On August 12, 1996, China's first Sam’s Club store opened in Shenzhen.



EO Intelligence: The distribution of Sam’s Club stores in China



As of October 2018, Sam’s Club (called 山姆会员商店 in Chinese) has 22 stores in China covering Beijing (2), Shanghai, Shenzhen (3), Guangzhou, Fuzhou, Dalian, Hangzhou, Suzhou (2), Wuhan, Changzhou, Zhuhai, Tianjin, Xiamen, Nanjing, Changsha, Nanchang, Chengdu, Shenyang. It is estimated that by the end of 2020, Sam will have 40 more stores opening in China.

Source: Public information

## Location Strategy

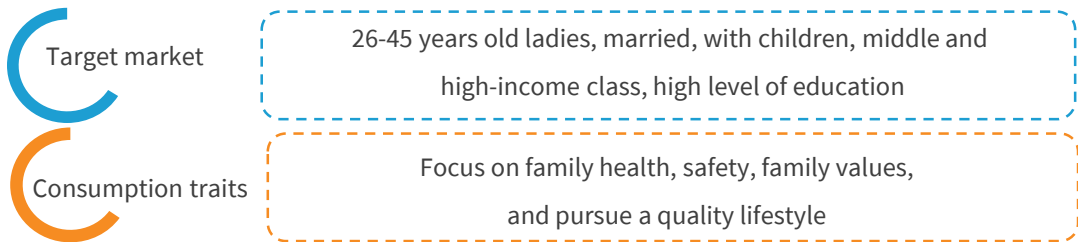
The location of China Sam's Club stores are concentrated in first-tier and new first-tier cities and puts an emphasis on the convenience of their stores. Usually, Sam's Club stores each offer at least 1,500 parking spots. In addition, Sam's Club has higher requirements for the properties because it needs to provide members with a store environment with a height of 9 meters and an aisle width of 3 meters. Under normal circumstances, a shelf is divided into three levels. The upper two levels are used for inventory; displaying bulk packaged goods. On the lower level, there are the individually packaged goods, making them convenient for consumers to pick up.

# Sam's Club explores localization and product differentiation, targeting moms who pursue a quality lifestyle

## Paid member's user profile

Sam's Club is mainly meeting the consumption needs of middle and high-end income groups, and the products are positioned as high-end, high-quality and differentiated products. Its target users are looking at the quality and safety of products that are more value-oriented. Those customers that aren't sensitive to high prices are pursuing the freshness and quality of products.

At the same time, Sam's Club attaches great importance to the "mother" demographic, with more than 60% of its members being female. They are very concerned about food safety, focusing on creating a quality lifestyle for their family. The number of young Sam's Club members has gradually increased, such as new mothers, newlyweds, and their families.



## Product Structure

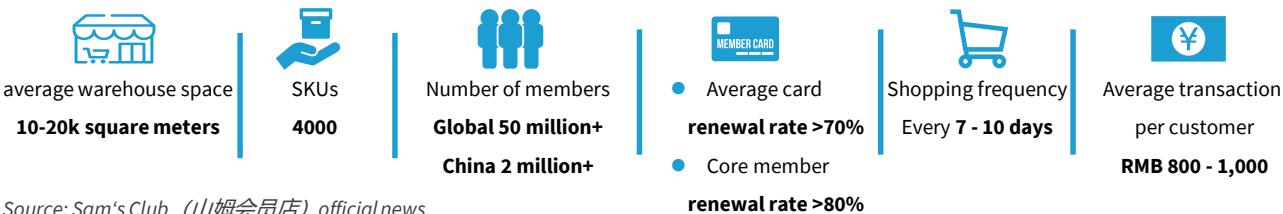
Mainly engaged in fresh food (frozen seafood, fruits and vegetables, baked goods, etc.), dry goods (snacks, North and South dry goods, baby food, etc.) and non-food items (home appliances, 3C goods, household, maternal and child supplies, etc.).

## Commodity strategy

Sam's Club selects the best quality or best-selling brand of each category for members and insists on differentiated products, which not only help avoid the hassle of selecting products but also save members time and money. Most of Sam's Club's products are in large and simple bulk packaging, which increases its bargaining power through large-volume purchases and maintain low-price.

## Operating data

Sam's Club has optimized SKUs in China. A few years ago, the total SKUs in Sam's Club stores was close to 10,000, and it was later reduced to about 4,000.



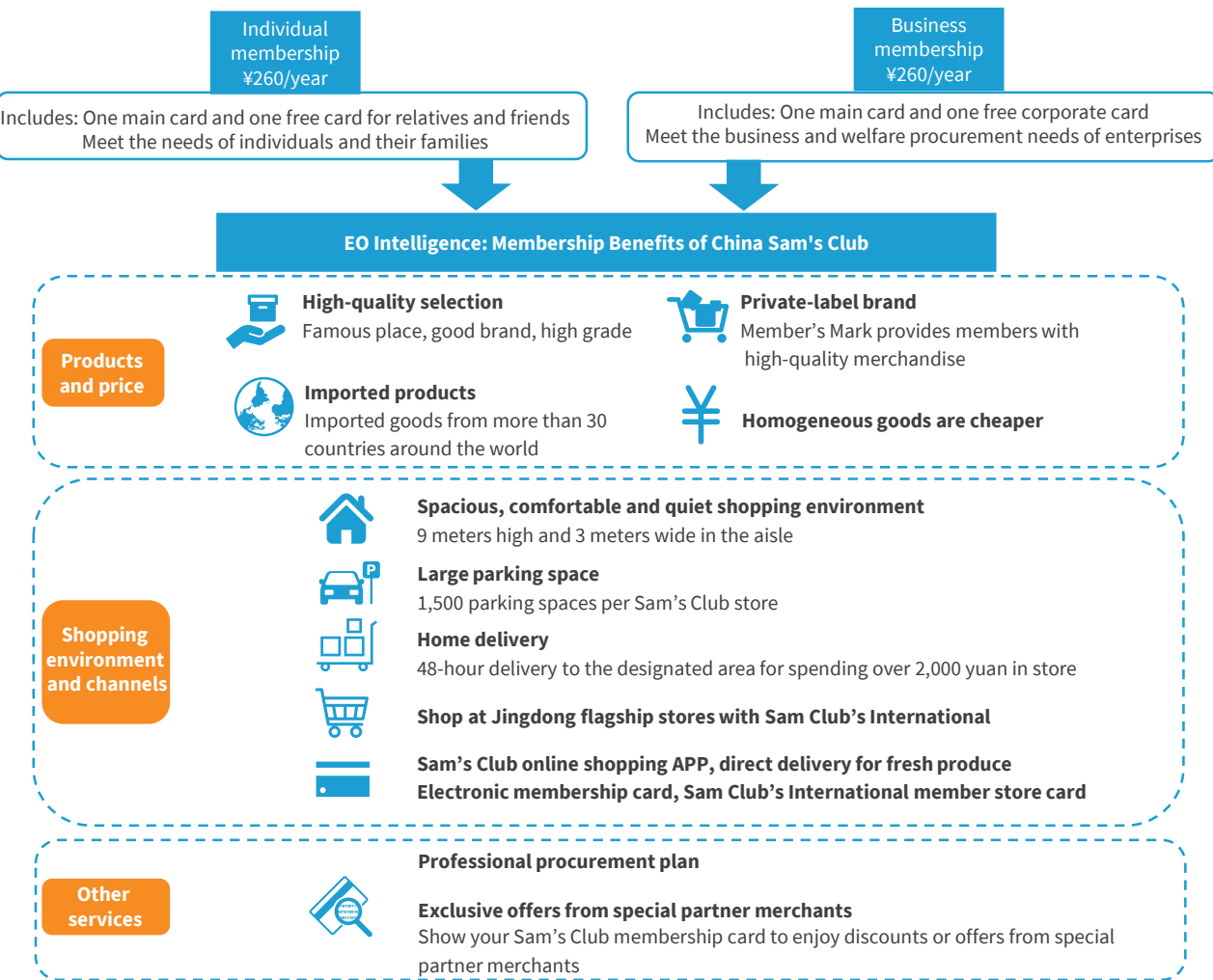
Source: Sam's Club (山姆会员店) official news.  
EO Intelligence Splio

# Sam's Club has 2 million paid members in China

## Membership operations

Sam's Club focuses on physical retail stores while simultaneously developing multi-channel shopping. Stores aim to provide members with a spacious, clean shopping environment, with simple and large packaged products to achieve lower operations cost. This results in cost savings that directly benefit members. On average, each Sam's Club store offers 500,000 trial items, 15,000 parking spaces, multi-channel shopping, and immediate delivery to enhance the shopping experience and convenience.

Sam's Club has 2 million paid members in China, and membership is divided into two categories: individual membership and business membership. Sam's Club provides more than 20 benefits and perks across three categories: the quality and price of the goods, the store shopping experience, and the value-added services.



Source: Sam's Club official website in China.

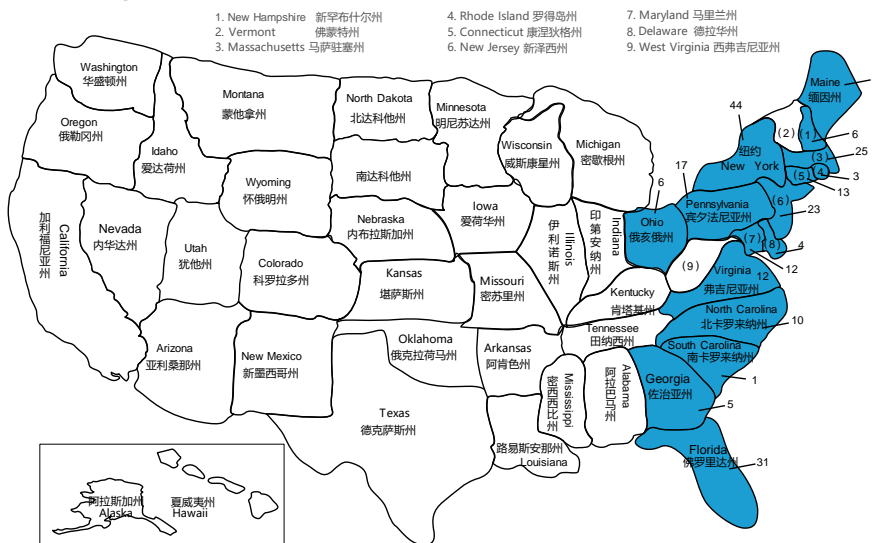
## BJ's - America's third largest membership-only warehouse retailer

### Eastern US membership-only warehouse retailer, regional retailer, slow expansion

In 1984, BJ's was opened by the "Zayre" discount chain store. Since August 1997, it has become an independent company named BJ's Wholesale Club, Inc. In September 2011, the private equity firm Leonard Green & Partners and CVC Capital Partners completed a leveraged buyout of BJ's for \$2.8 billion.

Headquartered in Westborough, Massachusetts, BJ's is a leader in membership-only warehouse retailers in the Eastern United States. Since opening stores in New England in 1984, BJ's business currently covers 16 states across the United States, including 215 stores and 134 gas stations. All stores are located in the United States.

**EO Intelligence: BJ's store distribution (all stores are located in the United States)**

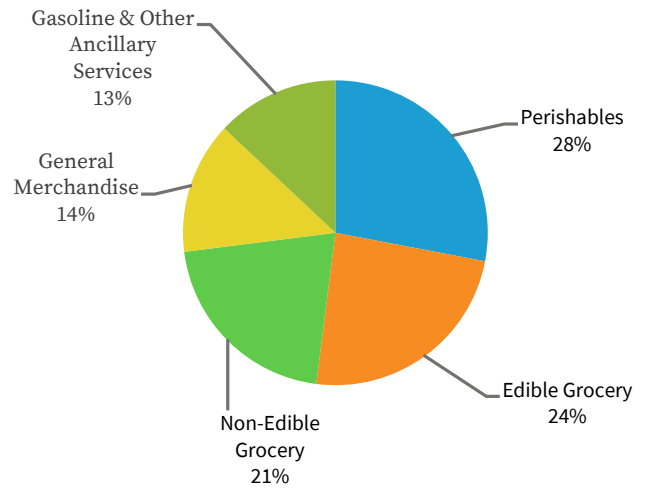


# BJ's has 7,200 active SKUs, 16% gross margin; perishable products and private labels have become the main contributions of sales

## BJ's offers merchandise in the following five merchandise categories:

- Perishables: consist of meat, produce, dairy, bakery, deli and frozen products
- Edible grocery: consists of packaged foods (including breakfast foods, salty snacks and candy) and beverages (including juices, water, beer, wine and liquor)
- Non-edible grocery: consists of detergents, disinfectants, paper products, beauty care, adult and baby care and pet foods
- General merchandise: consists of small appliances, televisions, electronics, seasonal goods and apparel
- Gasoline & Other Ancillary Services

**EO Intelligence: The percentage of net sales by merchandise category in BJ's for fiscal 2018**



Source: BJ's Financial Report

BJ's has increased high-margin products in an attempt to institute a product category profitability improvement plan. Their perishable product category accounted for 28% of net sales. BJ's consumer-focused private label products, sold under Wellsley Farms® and Berkley Jensen® brands, comprised approximately 20% of total merchandise sales in fiscal year 2018, compared to 10% of total merchandise sales in fiscal year 2012. Wellsley Farms® is BJ's premium private label, featuring a range of fresh foods, including a variety of dairy products, produce, juices and fresh hot meals.

## Operating data

From the fiscal years 2013 to 2017, BJ's five-year average gross profit margin was 14.7%, and the overall trend continued to rise, reaching 15.87% in FY2017 and 16.07% in first half of FY2018.



- Single warehouse space is usually between 63,000 and 150,000 square feet
- average warehouse space 85,000 square feet



SKUs  
**7200**



Sales per square foot  
**\$700**

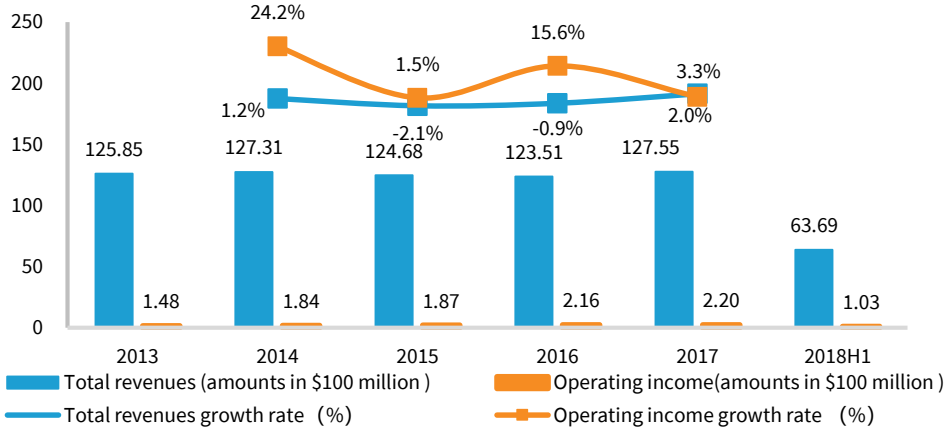
Source: BJ's financial report

## BJ's has 5 million paid members; membership fee income is gradually slowing down, accounting for 2% of the operating income.

Membership Types	Price
Individual Membership : Inner Circle®	\$55/year (including a family card)
Business membership	\$55/year (an optional secondary card)
VIP Membership : Perks Rewards®	\$110/year

In the last 5 years, BJ's operating income did not increase significantly and fluctuated slightly around \$12.7 billion. BJ's operating income consists of two parts: net sales of goods and membership fee income. Net sales of goods accounted for 98% of BJ's operating income and membership fee income accounted for 2%. Membership fee income was almost equal to operating profit.

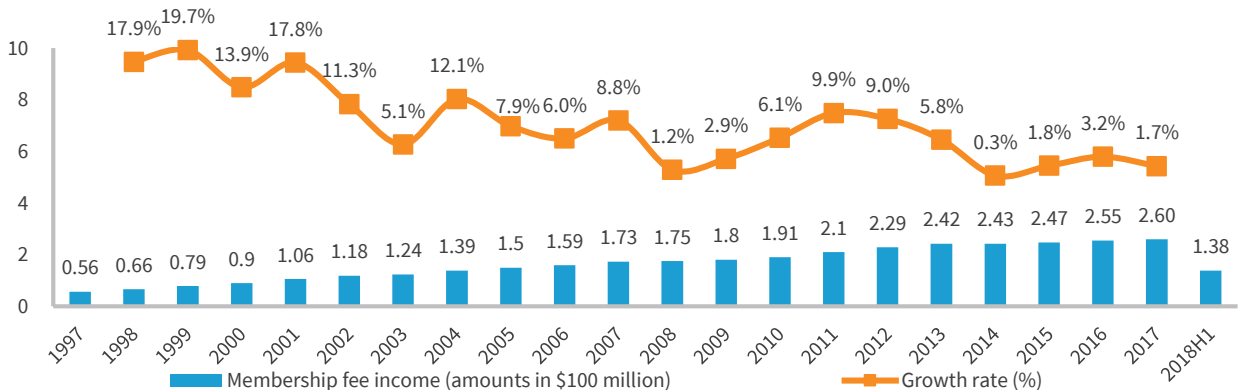
**EO Intelligence: BJ's Total revenues and operating income from 2013 to the first half of the 2018 fiscal year**



Source: BJ's Financial Report

BJ's achieved continuous growth in membership fee income for 20 years, but the growth rate gradually slowed down. In FY2017, BJ's had 10 million card members, including 5 million paid members. Paid members directly brought in \$260 million in membership fee income. Over the past five years, BJ's paid membership renewal rate has remained at 85%.

**EO Intelligence: BJ's membership fee income from 1997 to the first half of the 2018 fiscal year**



Source: BJ's Financial Report  
EO Intelligence Splio

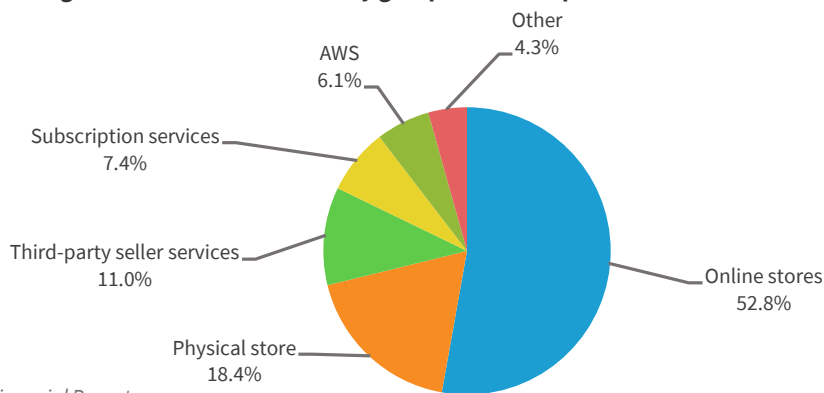
## Amazon builds a multi-service e-commerce platform empire, and Prime membership becomes the core part of development

Amazon's net sales for the 2018 fiscal year was \$232,887 millions, consisting of the following six business units: e-commerce platform, physical stores, third-party seller services, subscription services (Amazon Prime monthly and annual membership fee income, and content subscription revenues from audiobooks , e-books, videos, music, and other non-AWS content subscription revenues), AWS, and others (including advertising services).

Amazon's FY17 subscription services' net sales was \$9.72 billion US dollars, accounting for 5.47% of Amazon's net sales; FY2018 subscription services' net sales was \$14.17 billion US dollars, accounting for 6.26%.

For Amazon, Prime membership revenue and related subscription services are a business that creates sales and value. The core value of Prime membership is that it serves as a central thread through Amazon's businesses, which means that even if Amazon continues to launch new business segments, they can be integrated with Prime membership.

**EO Intelligence: Amazon's Net sales by groups of similar products and services for fiscal 2018**



Source: Amazon's Financial Report

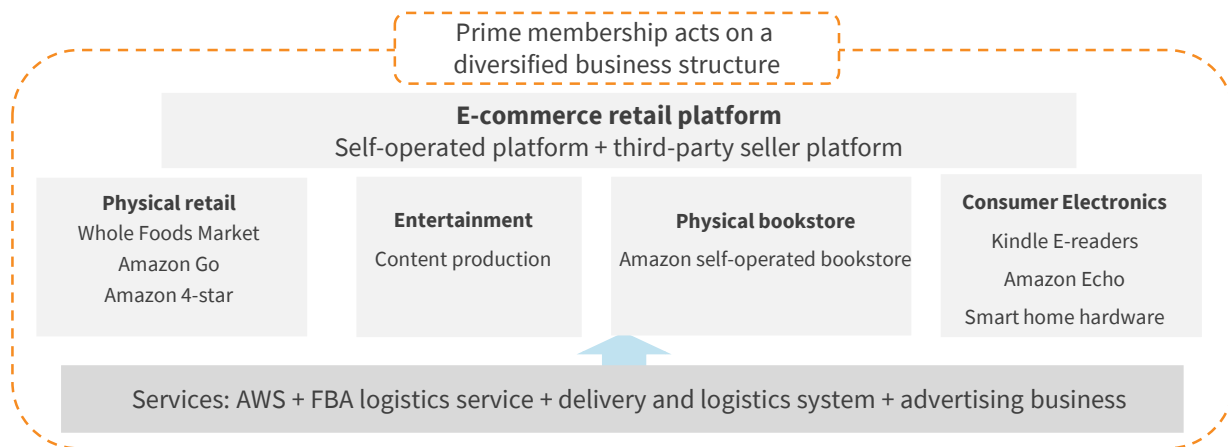
Prime is essentially a marketing tool used to stimulate purchase. But with the development of Amazon's business and membership, it has also quickly become a way to provide a range of ever-changing benefits and perks to more than 100 million members. These benefits and perks create endless possibilities and new channels of business for Amazon.

**Prime has become Amazon's "central nervous system," connecting and enabling Amazon's core retail business and new businesses to be integrated with Prime membership. Prime's competitive advantage lies in its blueprint.** Prime's benefits and services are built into Amazon's ecosystem, so Prime can exist wherever Amazon's businesses exist. Prime is not an independent business; it is bundled with a wide range of consumer products, trying to provide members with a one-stop consumer experience that ultimately creates economic value and data value for Amazon or third-party sellers on the platform.



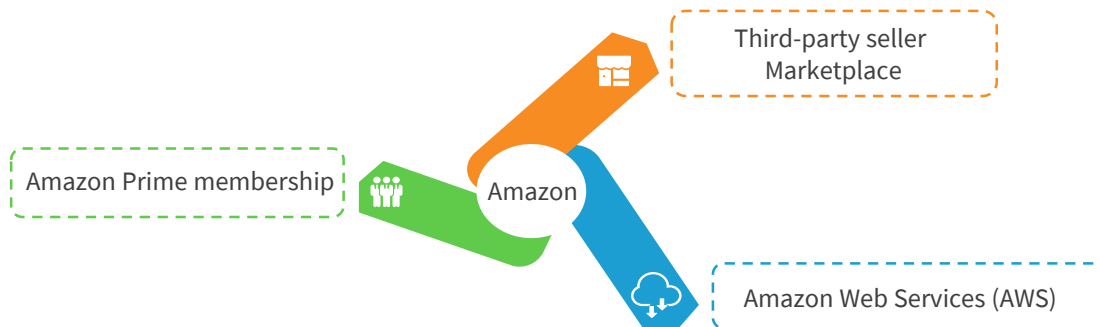
## The mechanism of Prime membership: The "flywheel effect" inspired by a three-dimensional business structure

EO Intelligence: The product ecosystem in which Amazon Prime membership is located



Amazon CEO Jeff Bezos has repeatedly mentioned Amazon's three-pillar businesses: Prime, Marketplace, and AWS. These three businesses are interrelated and produce synergy with each other, moving like gears in a machine. At the beginning the gears may not turn quickly, but when power accumulates and momentum is built the gears will pick up speed and turn increasingly faster.

EO Intelligence: Amazon's Flywheel Effect



In 2000, Amazon launched its third-party seller platform and marketplace, gradually attracting more third-party merchants to sell products on the Amazon platform. The more goods there are, the more choices Prime members will have, and the number of users willing to sign up will increase.

The greater the number of members, the higher the number of Amazon's own products and third-party sellers' products sold, resulting in Amazon generating higher revenue. At the same time, members are more prone to customer loyalty. Consumption frequency and total consumption among Prime members are higher than non-Prime members.

When Amazon's sales increase, it will have stronger bargaining power, which allows Amazon's self-operated products to be sold at a lower price, attracting more users and Prime members. It is the kind of flywheel effect that allows Amazon's businesses to enjoy synergy with each other, which drives its rapid development.

# Amazon Prime has 100 million members worldwide and members can enjoy more than 30 benefits

In 2005, Amazon launched its Prime membership for the first time in the US market. In 2018, the number of Prime members worldwide exceeded 100 million. In 2005, Prime cost an annual fee of \$79 US dollars. Starting in 2014, the Prime membership annual fee became \$99 US dollars, and on May 11, 2018, Amazon officially raised Prime membership fees to \$119 US dollars per year.

**Prime Student**  
 \$6.49/month  
 \$59/year

**Prime**  
 \$12.99/month  
 \$119/year

**Shipping Benefits**

- Free two-day shipping
- Free same-day shipping
- Free two-hour shipping, etc.

**Streaming Benefits**

- Prime Video: Members watch movies and TV shows for free
- Amazon's Channels: Watch shows and movies on HBO, SHOWTIME and STARZ channels (\$4.99 - \$14.99/month)
- Prime Music: Offers millions of playlists and more than 2 million songs
- Amazon Music Unlimited and Twitch Prime, etc.

**Shopping Benefits**

- Prime Day
- Whole Foods Market: Members enjoy exclusive discounts, etc.
- Prime Rewards Visa Signature Card: Members receive 5% cash back when shopping on Amazon
- Amazon Prime Store Card: Amazon self-operated brand credit card, members get 5% cash back when shopping on Amazon's website
- Amazon Dash: Dash button for one-click order
- Amazon Fresh
- Prime Wardrobe: Members enjoy trying on clothes at home before buying, etc.

**Reading Benefits**

- Members can read a variety of books, magazines, comics and others for free.
- Members have priority to download new books
- Members listen to exclusive original audio series for free
- Members enjoy a 6-month free trial of the Washington Post, etc.

**Other Benefits**

- Home sharing: sharing membership benefits with family; individual members and business members share shipping benefits
- Unlimited photo storage on Amazon Photos, etc.

Source: Amazon's official website, the above membership benefits differ according to regions, and membership benefits are used under certain conditions.

# Amazon Prime China, two membership types, five benefits, focusing on consumers’ appeal for free international shipping

On October 28, 2016, Amazon Prime membership services entered China. Compared with the United States and other countries, China's Prime membership benefits are slightly less diverse, and instead more focused on prices. Access to music, video and other content that Prime members in the United States can enjoy are not available in China.

As an e-commerce platform for international merchandise, Amazon first addressed a core pain point of Chinese consumers -- international shipping. In order to meet consumers’ demand for free international shipping, it puts “free international shipping for orders over RMB200” as the main selling point.

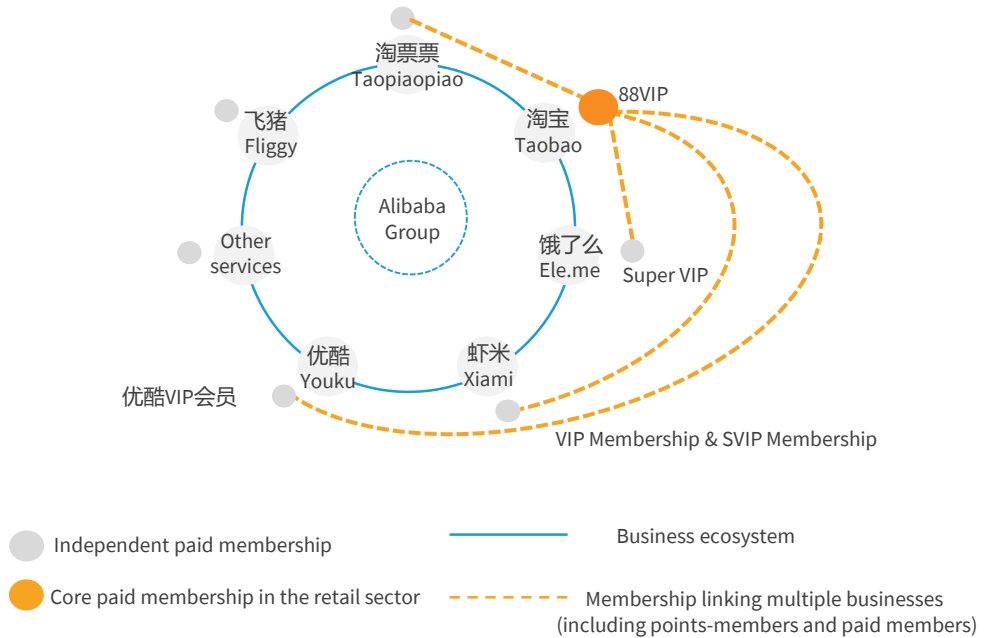
Since entering China in 2016, Prime had only one type of membership: Prime annual membership. On September 12, 2018, Amazon China announced the official launch of Prime quarterly membership which allowed people to enjoy the same benefits as the annual membership. The primary purpose of launching the quarterly membership was to lower the pay threshold, motivate more users to become members, re-engage existing consumers, increase consumer participation, and make China's Prime membership more flexible.



Source: Amazon China official website

# Alibaba has dual membership system, Taobao 88VIP serves as a traffic entrance into Alibaba’s entire ecosystem

EO Intelligence: Diagram of Alibaba’s ecosystem-based membership



Source: EO Intelligence

## Features of Alibaba’s Taobao 88VIP membership

1. For Alibaba, the Group's businesses are diversified, and individual business segments each have an independent points-membership or paid membership system.

Youku has an independent paid membership: Youku VIP membership; Ele.me has an independent paid membership: Super membership; Xiami has two independent paid memberships: VIP membership and SVIP membership; Taopiaopiao has independent points membership; Taobao 88VIP paid membership serves as a starting point to connect to and associate with other memberships.

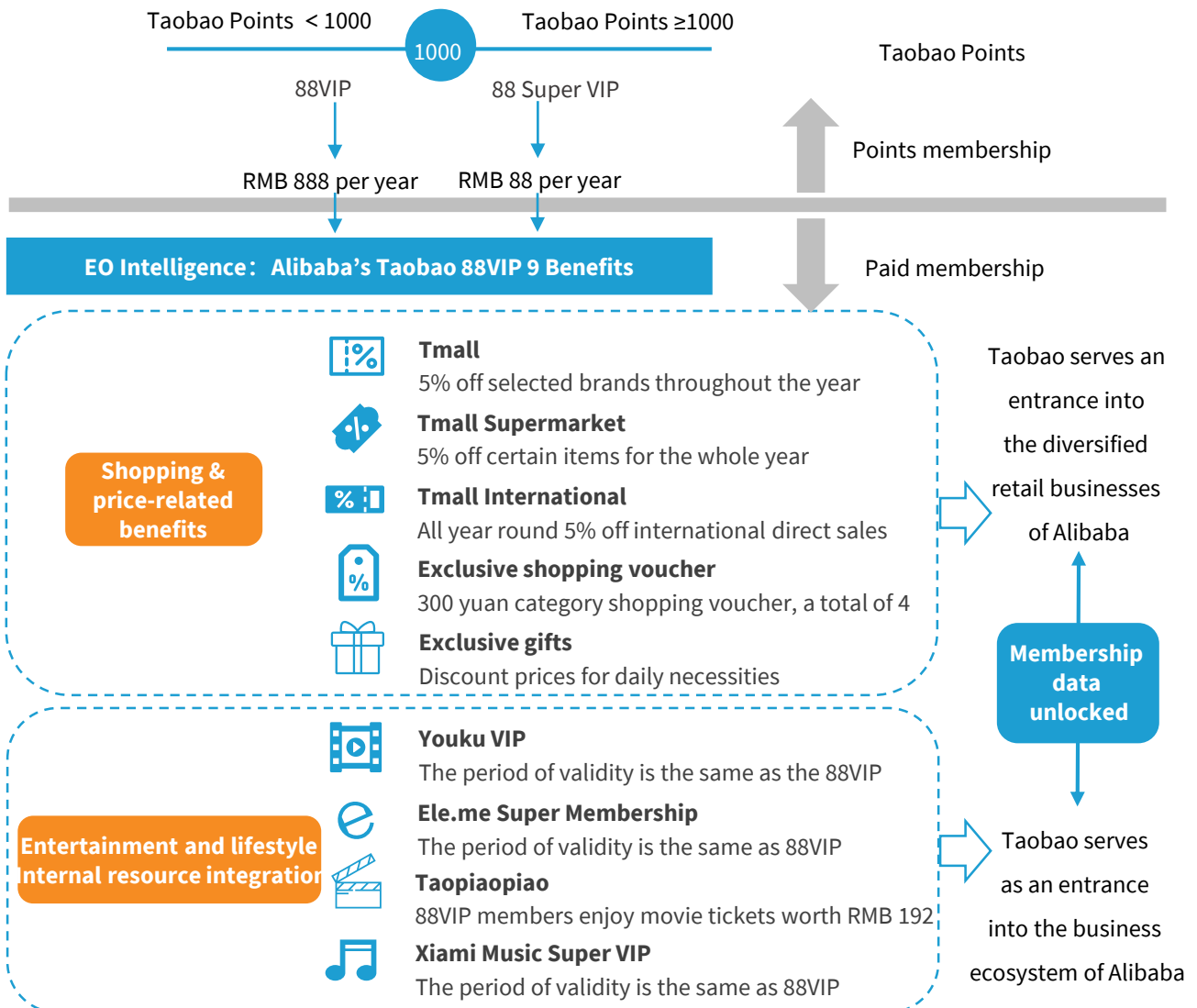
Alibaba separated 88VIP from purely operating in the retail sector (initially Taobao) to non-retail sectors (Alibaba’s business ecosystem). The purpose was to unlock and consolidate data on consumer behavior across all business units.

2. Alibaba dual membership system: The platform allows both points-members (non-paid members) and paid members (88VIP) to coexist. Points membership standard: Taobao Points. The number of Taobao Points determines the benefits of non-paid members and also determines the discounts that can be enjoyed when purchasing 88VIP.

# Alibaba has dual membership system, Taobao 88VIP serves as a traffic entrance into Alibaba's entire ecosystem

1. Alibaba's 88VIP includes two major categories of benefits: shopping and price-related benefits. The purpose is to vertically generate user value and lock users deep into the retail ecosystem while entertainment benefits have the purpose of using the membership to horizontally develop other businesses of Alibaba.

2. Possible issues: The vertical generation of user value is not obvious in Tmall, and the horizontal development effect is too scattered. After all, the real contribution of conversion through membership benefits to a single platform is limited. In addition, with prices of paid membership determined by Taobao Points, there's a huge price gap among users, which can result in the loss of user traffic.



Source: Alibaba official website

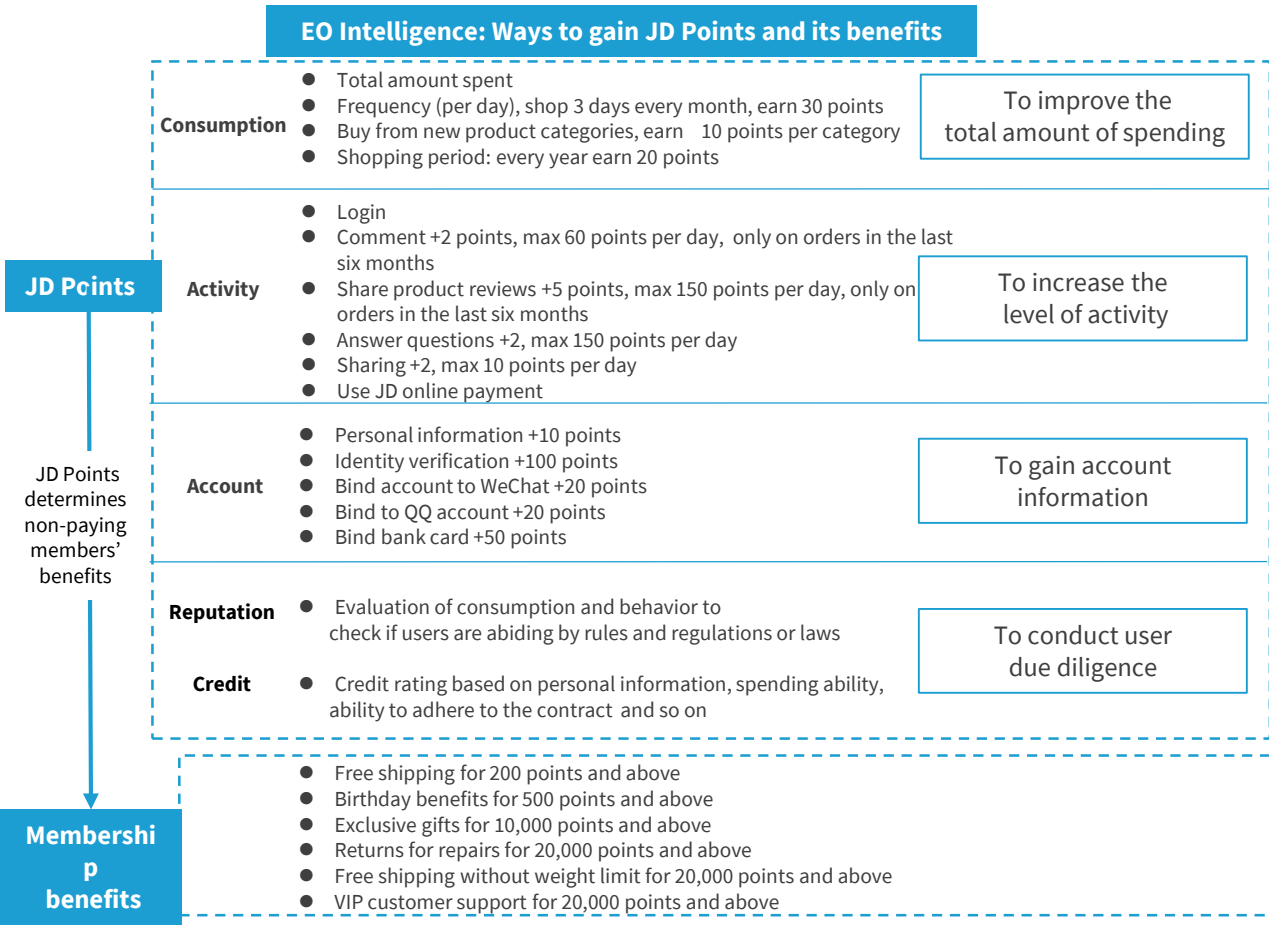
# Jingdong's dual membership system, allowing non-paid members and paid members to coexist

## Jingdong membership consists of two major modules

- The first part includes JD Points and JingDou, which is a non-paid membership scheme determined by consumption value. Shopping behavior and membership benefits form a positive growth loop. The more users shop, the higher the consumption, the more JD Points and JingDou users gain. In return, the more shopping benefits users get to enjoy, providing growth stimulation through this direct incentive.

*Growth value = consumption value (linked to the amount of consumption) + behavior value (the reward value accumulated by the interaction behavior). The growth value determines the non-paid membership level, and the non-paid membership level determines the non-paid members' benefits.*

- The second major module is Jingdong PLUS membership. Jingdong launched paid PLUS membership in October 2015. In May 2016, it promoted PLUS membership to let the domestic market see the possibility of e-commerce platforms adopting paid membership. Jingdong played a leading role in creating localized paid membership for the domestic market. Initially, users need to pay membership fees; then after purchasing this yearly membership, they get to enjoy its benefits. Currently PLUS members can enjoy 10 membership benefits.



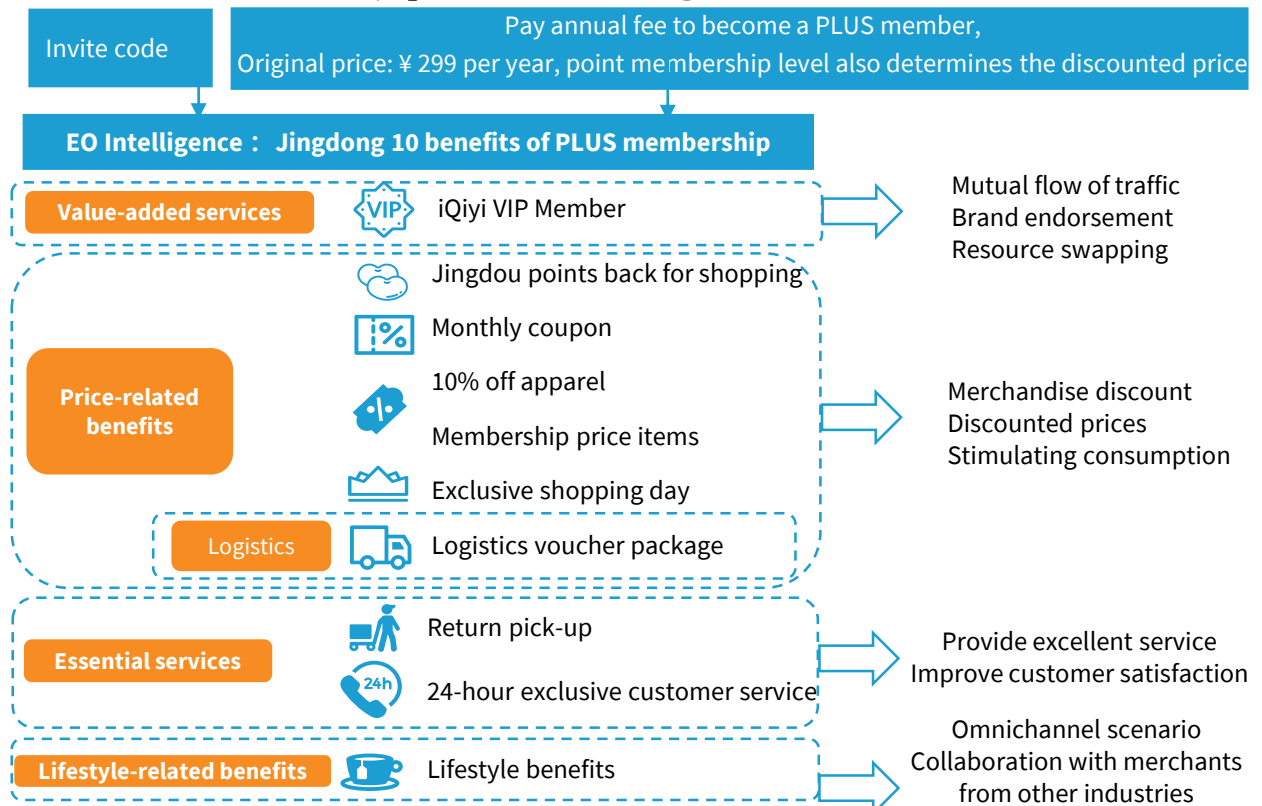
## Jingdong PLUS members exceed 10 million, the penetration rate is about 3.2%, and the renewal rate is nearly 80%

**The business logic behind PLUS membership: not relying on membership fee income and instead stimulating users' shopping behavior to add value**

With the e-commerce market peaking and facing increasingly fierce market competition, the question of how to stabilize a billion users and retain high-value customers is a matter of consideration for all e-commerce platforms, including JD. With a paid membership model, companies hope to improve user stickiness and make users more dependent on Jingdong. If the user becomes a PLUS member, Jingdong will be a top place to shop for members. Jingdong does not rely on membership fees to make money but still relies on users to purchase goods to generate income. **The business logic is that the membership revenue is used to balance out the cost, and users are rewarded with even more attractive product prices. As long as users continue to spend on the platform, Jingdong has a positive return.**

In terms of the long-term rate of return, the economic benefits brought by paid members to JD will surely cover the expenses incurred by offering their membership benefits. Ultimately, purchases will still bring incremental value to the company, even though this means having the enterprise initially sacrificing some benefits.

**PLUS membership benefits setup: A combination of focus on shopping privileges, 4 multi-dimensional levels, "price discount + logistics services + value-added services"**



Source: Jingdong official website



## Jingdong PLUS membership has explored localization

### The dilemma of promoting paid membership: the difficulty of creating membership benefits increased

The domestic e-commerce market is on a high pedestal, which raises the difficulty of creating paid membership and its benefits.

1. The first difficulty for JD to promote paid membership is that consumers have become savvier and more critical.

**Self-operated logistics and platforms have brought great advantages to Jingdong, while at the same time making it difficult to upgrade its offerings.** For example, for ordinary users, Jingdong 211 logistics service allows users to enjoy great convenience. Jingdong has achieved the highest standards in the industry making it tough to offer greater benefits than it already has. In order to open up the gap between the ordinary users and the PLUS members, Jingdong would need to invest more capital.

2. The second difficulty is that building membership benefits, **whether in an ecosystem or not, is a “hard cost,” including not only discounts on merchandise, but also cooperation costs across businesses.** Jingdong needs to invest more into the e-commerce platform, focus on shopping privileges, and allow the value of goods to be discounted. PLUS membership offers more shopping benefits than Alibaba.

3. **The third difficulty is that Jingdong can't satisfy users with just one or two killer benefits; it needs a larger benefit system and more powerful value-added benefits to attract and retain users.** Jingdong needs to develop a game-changing strategy for China, not just limited to logistics, but membership benefits need to be more extensive compared to Amazon Prime coverage and cover more lifestyle scenarios.

## Jingdong PLUS membership has explored localization

### The dilemma of promoting paid membership: increased customer acquisition costs

The predicament of a paid membership mechanism itself is that it is difficult to get users to pay before they have any experience, making it difficult to persuade new users to pay. However, when a user becomes a paid member, based on the quality of service provided by the platform, the customers are easy to satisfy. After this, retaining the paying user and maintaining a stable renewal rate is not highly resource intensive.

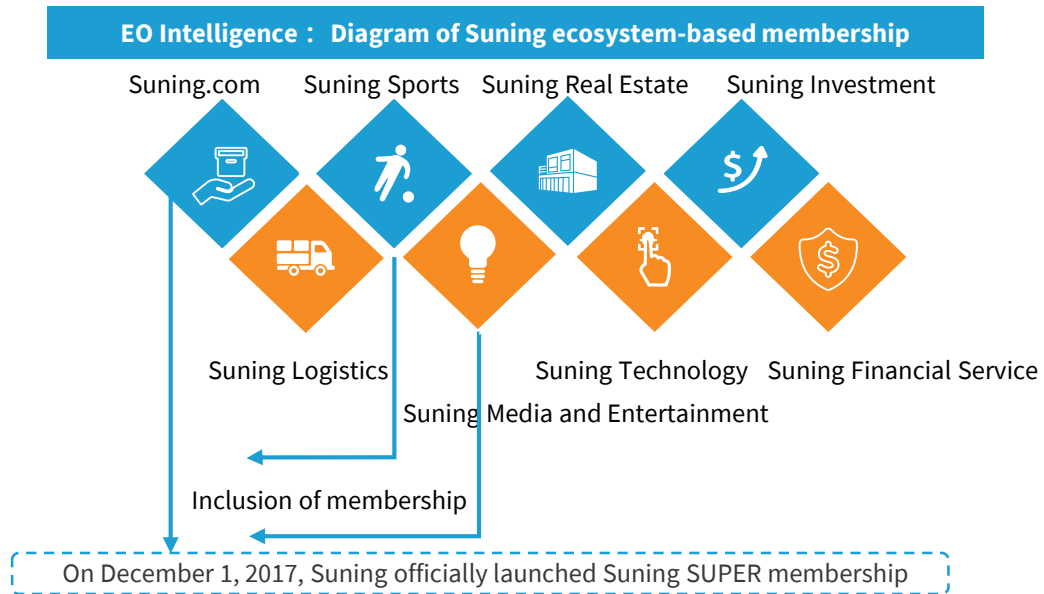
JD will face difficulties while encountering new paid membership growth. The difficulty lies in the wide user base of the platform and the heterogeneous consumption levels. The probability that users are attracted by paid membership is uncertain. Anyone may be attracted and any user may have a desired shopping behavior, which means that enterprises need to invest more to acquire diversified users.

### Future focus: basic necessities of life and entertainment related brand collaboration

On its e-commerce platform, the primary cost is still the product discount. It is imperative to explore various cross-industry cooperation and carry out a cooperative innovation model. Thus, achieving mutual diversion resulting in the exchange of resources. Jingdong may cooperate with other businesses in other industries, not just in the video streaming industry. **PLUS members not only have a demand for shopping, but also the desire to listen, play, eat and enjoy experiences. The ideal membership system is to accommodate various lifestyle needs.**

PLUS membership should cooperate with businesses who have the ability to endorse each other. First, both user groups need to overlap and user quality should be considered. The second is word of mouth, where brands collaborate to build high quality brand awareness.

# Suning SUPER membership, formed under a multi-industry synergy development



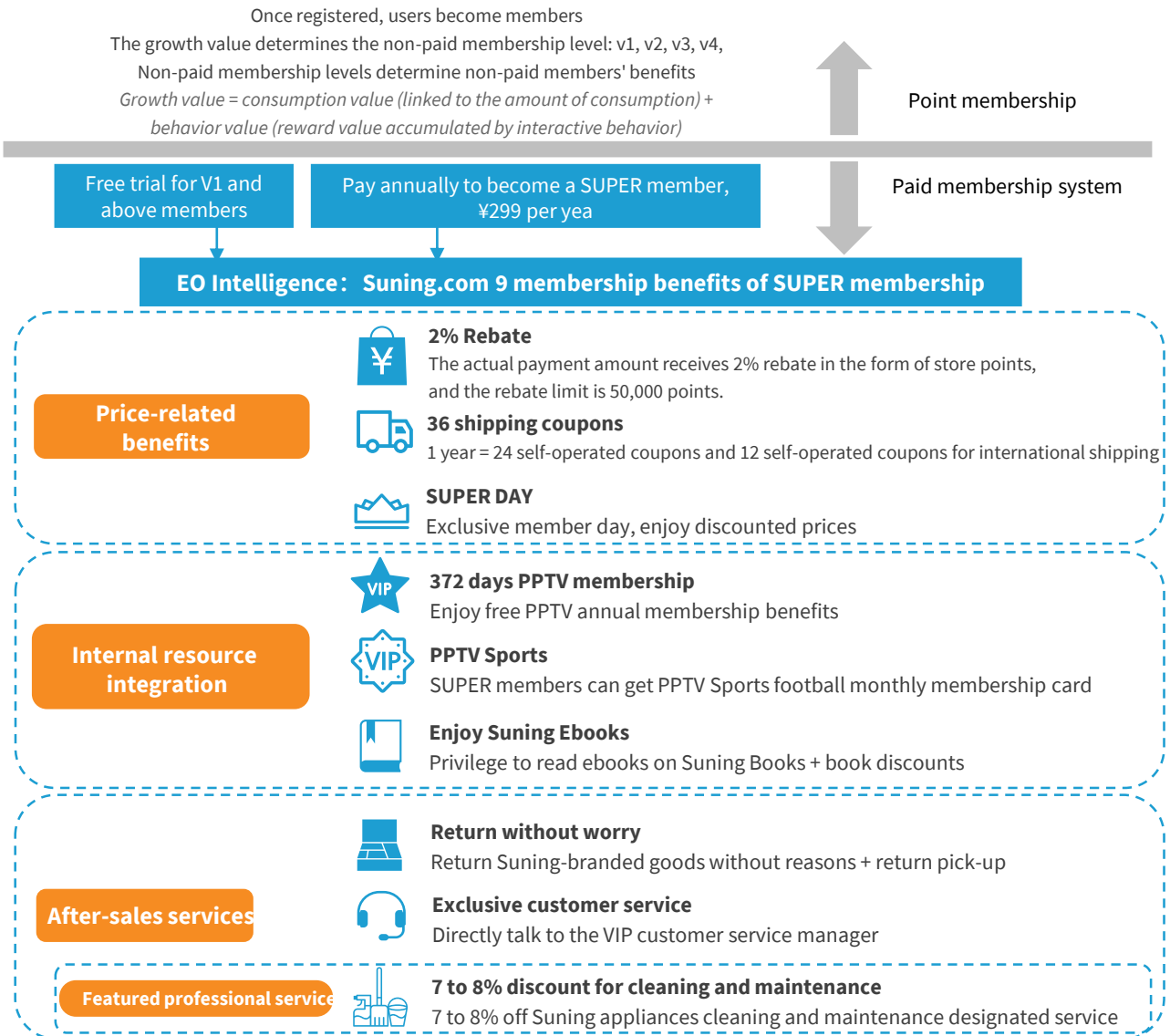
Source: Suning official website

## Features of the membership model

1. The Suning SUPER membership system is built on multi-industry synergy and is rooted in the development of the entire Suning Group. This initiative was started by Suning.com, with the aim of horizontal market penetration, so PPTV, PPTV Sports and Suning Books are included in the membership benefits.
2. Suning Group has multiple paid membership models. PPTV and PPTV Sports independently have their own paid memberships. Suning.com SUPER members can enjoy the above two membership benefits and perks: the purchase of SUPER membership simultaneously include both PPTV and PPTV Sports (under certain restrictions). Members who purchase PPTV video or PPTV Sports memberships cannot enjoy SUPER membership benefits.
3. Consumers can use the Suning.com account to log in to Suning Group's various business platforms. Similarly, consumers can use their Taobao account to log in to Alibaba Group's various business platforms. This helps Suning SUPER membership achieve vertical market penetration in the retail sector and penetrate into other business segments of the group.
4. The model of price-based benefits as the primary interest has undoubtedly matched the users' greatest common appeal. Secondly, Suning took the initiative to integrate its sports membership with its Suning.com platform, giving PPTV Sports recognition. It provides members with entertainment content beyond the shopping needs, adding fun and diversity. Its current cooperation with the sports sector is plain but is expected to deepen in the future.

# Suning has dual membership system, "Rebate plus Membership for multiple platforms" as the main selling point

1. Suning's dual membership system: the platform allows both points-members (non-paid members) and paid members (SUPER members) to exist at the same time.
2. Among the 9 membership benefits, 2% of the shopping rebates are part of the first profit-making benefits. For Suning, which accounts for a large proportion of home appliances, it is an affordable membership benefit. Through the internal business collaboration, the memberships of PPTV, PPTV Sports, and Suning Books are included.
3. Possible issue: Integrating paid membership across multiple business platforms only adds interests and richness, which cannot stimulate consumers to pay for membership and cannot truly increase membership and consumption.



## Suning.com SUPER Membership: Operating in the retail and non-retail sectors may be an opportunity or a challenge

Over the past two years, Suning.com has focused on the development of their offline channel strategy. As of September 30, 2018, Suning.com has more than 6,000 self-operated stores. Suning.com's omni channel in-store strategy provides a way to reach users through multiple channels. Suning.com is more flexible compared with the online e-commerce platform's paid membership promotion methods and channels of communication. Consumers go to offline stores because they know that the SUPER membership has made this channel more convenient. Regardless of being exposed to billboards or shopping guides they still go, which has lowered the overall cost of communication.

The growth path for SUPER membership to get through the retail sector has gradually become clear. Using paid membership to combine Suning.com's multiple retail businesses may enhance brand awareness and business connection. For example, SUPER members can buy member price items at Suning stores.

When having such a huge number of physical retail stores, designing a paid membership is not a one-off project. **In addition to the back-end technology and development, it is important to pay attention to the regional differentiation of stores. Not only in the difference of goods being sold in different cities and stores, but also in the paid membership benefits.**

Figuring out how to meet the scale of paid membership benefits, and considering the differentiation of individual needs may be the biggest challenge that Suning.com SUPER membership needs to tackle in the retail sector.

# Bianlifeng launches paid membership and seeks to double member sales and membership fees, and is still in the exploration stage

- On February 14, 2017, the first store was opened with more than 1,000 SKUs in a single store.
- The Bianlifeng app is launched along with the opening of the first store.
- In October 2017, paid membership was launched: Bianlifeng super membership; In less than a year after the launch, the benefits also improved.
- As of September 2018, there are more than 300 stores, and by the end of 2018, they plan to open 700 more.

Source: Bianlifeng official news

Bianlifeng’s starting point is to carry out paid membership based on frequent customer purchase behavior, maintaining high consumption frequency from loyal users and increasing transactions per customer.

**The logic behind this is:** stimulate high-frequency users to purchase more, also increases the loyalty of paid members to Bianlifeng, encourage customers to increase consumption per transaction, and create more space for Bianlifeng to introduce other types of products (such as fruits), through data feedback, which in turn benefits its adjustment strategy.



## Implementation Effect

After non-paid members are converted to paid members, their transaction rate is significantly higher and more frequent. Members want to enjoy rebates and cashbacks as much as possible, which increases transactions per customer. Members enjoy exclusive low prices, which enhances their shopping experience and brings about a sense of identity.

## A fast and innovative representation of physical retail stores, improving goods and benefits through data

1. Bianlifeng is a fast and innovative representative of paid membership in offline retail stores: the company was only established for 8 months before membership was launched. Bianlifeng has an Internet-driven mindset and is good at using data and physical traffic to operate physical stores and membership.
2. At the store management level, Bianlifeng uses technology to reduce labor costs, strictly control the efficiency of cold chain logistics and the supply chain, and has high requirements for quality management. Bianlifeng insists on improving the gross profit margin by reducing costs and increasing efficiency. Bianlifeng pays more attention to user feedback and decides whether to introduce new categories based on user preferences algorithms.
3. For operating paid memberships leveraging behavior data allows to significantly refine and improve operational efficiency. Bianlifeng has multiple paid membership card types, which are divided into 1-month, 3-months, 12-months. **The purpose is to dynamically monitor the consumption behavior of members through data and test the degree to which card is accepted by users. Based on the collected feedback, they can discover which benefits and perks interest members like most.**

## The current level of membership benefits is simple, but the promotion of paid membership is limited by the convenience store structure

The retail format of convenience stores and their supply is relatively simple. Which represents a dilemma for facilitating the promotion of paid membership across this format.

1. Currently, the membership benefits and perks of Bianlifeng are concentrated in the price-related category such as cashbacks, discount, coupons, etc., and the low-price benefits are directly given to the members. The purpose is to stimulate and promote membership renewal and consumption. Bianlifeng focuses on promoting the yearly membership card, hoping to lock-in paid members and extend their memberships. During the introduction period of new member discounts and benefits, the member penetration and renewal rates have an upward trend.

Since Bianlifeng's paid membership business is still in the exploration stage, the launch of paid membership has been a means of promotion for members and the search for profit. The current level of membership benefits and strategy is relatively simple. At the same time, the increase in the penetration and renewal rate of paid memberships cannot be sustained by discounts and promotions over the long-term.

## **The current level of membership benefits is primary elementary, but the promotion of paid membership is limited by the convenience store structure**

2. **Convenience stores are limited by physical space compared to e-commerce platforms. The number and intensity of “fields” will greatly affect the number of members and renewal rates.** As of September 2018, Bianlifeng has over 300 stores with more stores to be opened.

With a number of stores, store area and SKUs relatively fixed, a large number of frequent customers with high repurchase rates form the basis of Bianlifeng to build a paid membership model. An increase in transactions per customer can bring the most effective benefits to Bianlifeng. However, it should be noted that the small number of physical stores, low concentration, and insufficient area coverage will limit the consumption applications of paid members, which will affect the overall stability of members' consumption and renewal rates.



# Chapter 4

## Similarities and Differences between Chinese and American Retail Paid Membership and the Future Trends Within the Industry

Although Chinese and American retail enterprises have different strategies and means to build a paid membership model, their starting points are the same. They both aim at creating circular value, getting rid of the original profit model of “maximizing profit margin in a single transaction,” paying more attention to how to better serve existing loyal customers, and adding value.

When utilizing paid membership in China's retail enterprises, we should pay attention to three aspects: to create a differentiated product structure, and to take into account the scale and individualization of the membership; to dig deep into user needs, and to make use of data and technology, make product alterations supported by data and technology and increase the richness of paid membership benefits.



# Similarities and differences between Chinese and American retail paid membership

In the second and third chapters of the report, EO Intelligence conducted a detailed analysis of the five applications of retail paid membership in China and the United States and paid membership launched by eight typical retail enterprises. Although the strategies and means of creating paid membership are not the same, their starting point is the same.

## Similarities

Paid membership plays many roles. It is a user management tool , a marketing tool and also a business strategy of enterprises. Companies invest resources to establish a continuous and dynamic interaction with users.

Enterprises aim at creating circular value, getting rid of the original profit model of “maximizing profit margin in a single transaction,” paying more attention to how to better serve existing loyal customers, and hoping to add value.

Enterprises use paid membership to form a conversion funnel for user self-feedback, which means that the cost of creating incremental value in the future will be lowered by members’ recommendation. Businesses hope to encourage users to repeat their purchase behavior and stick with the platforms in the long run.

In addition, the data generated by members' continuous consumption helps companies to gain business insights and better understand consumer behavior and serve consumers. For any retail business, the value brought by paid membership is not reflected in a short period of time. Only when the number of members reach a certain threshold, will the economic benefits and values be realized.

## Differences



Retail stores opened by US retail companies Costco, Sam’s Club and BJ’s use member-only membership management. Only after paying to become a member, can you enter the supermarkets. You must also show your membership card at checkout. Adopting the single membership system, retail enterprises are forced to pay more attention to their inventory and how to better serve existing members.

The membership system adopted by Chinese retail enterprises is mostly a “dual system,” allowing both paid members and non-paid members to shop at the same time. After becoming a paid member, they can shop. In this case, lack of membership is not a barrier to shopping, rather a barrier to additional benefits.

# Development of Retail Paid Membership in China and the United States

## Differences

### Channels

In the 1980s, the United States experienced high development of large-scale membership warehouse supermarkets, and the application of a paid membership system in the retail industry began.

Membership represents the sellers' commitment to the buyers. Members believe that the retailers represented by Costco will do product screening and operational efficiency improvement, aiming to provide low-priced and high-quality goods.

Physical stores in the United States bring paid membership to consumers, while in retail enterprises that use paid membership in China are mainly e-commerce platforms, supplemented by physical retail stores. The difference in channel dimensions is closely related to the socio-economic background.

### Functionality

For Costco, Sam's Club, and BJ's, such enterprises regard paid membership as a business itself and have an independent business unit responsible for the operation of the entire membership ecosystem. From a financial perspective, membership fee income has become an important part of operating income and can be a separate accounting project. Amazon's membership fee and subscription service revenue from Prime members accounted for 5.5% of net sales in FY2017. It tells that for American companies, paid membership as a business unit contributes significantly to the profit of a business.

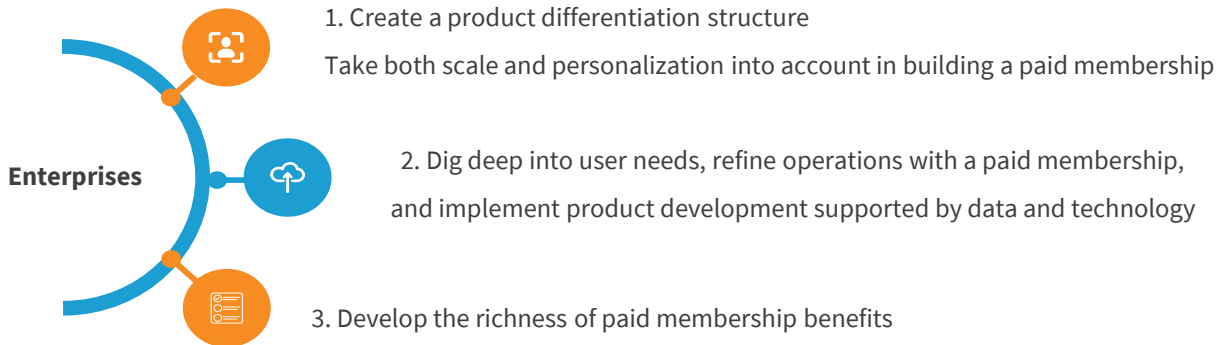
Paid membership carried out by Chinese retail enterprises is usually attached to the main business or product, and the function of paid membership is derived after a business develops or matures. Since membership isn't launched until the mature of business model, there is rarely a department that is solely responsible for the operation of paid membership. With the application of paid membership in the Chinese retail industry, retail companies will gradually invest more manpower and resources into the development of paid membership and paid membership will gradually be defined as business development.

### Benefits and Perks

The benefits of US retail paid membership is that they have price-related benefits, service-oriented benefits, basic rebates, free shipping, and other perks, but also low barriers to refund, after-sales service, etc. Paid members mostly pay for membership because of trust and services.

Most of the benefits of Chinese retail paid membership are price-related benefits, including rebates, discounts, coupons, free shipping, member-only prices, member shopping, etc. The benefits of the service are not prominent enough. Currently, paid members mostly pay for membership because of price-related benefits. Since e-commerce platforms have no physical space restrictions, e-commerce paid membership benefits and perks are diverse and interesting.

## Three future tendencies of Chinese enterprises



Products are the main drivers for attracting users to pay. Enterprises should track user consumption behaviors, conduct user research in a planned manner, build a dynamic feedback mechanism based on data and technology, and adjust product category structure according to user preferences while taking into account the balance between category richness and operating costs. Furthermore, make full use of artificial intelligence, blockchain and other technologies to improve operational efficiency and shopping experience.

By improving the ability to control the supply chain, an enterprise improves operational efficiency, reduces operating costs, and truly realizes benefits. In addition, detail-oriented service experience is also an important factor which affects the smooth implementation of a paid membership system. Enterprises should keep 100% of their commitments made to members, establish a good, trustful relationship and brand reputation. It is very important for enterprises to implement paid memberships.

Enterprises can use online consumption data to offer targeted marketing campaigns, personalized recommendations and design customized homepages for paid members; Offline retailers can meet differentiated consumer demands through product customization and store differentiation, aiming to improve service quality.

# Development of Retail Paid Membership in China and the United States



## How to increase the growth of paid membership

Since payment occurs before the enjoyment of benefits, it indicates users' trust in the platform and the expectation of their ability to innovate. Members may be attracted by price, promotion, and discount right at the beginning. As time passes, members will have higher expectations for the company, and the demand will gradually expand to the service aspect, not only the after-sales service of the goods but also lifestyle-driven services.

**The driving mechanisms which stimulate consumer spending range from discounts, quality, and services, to brand-driven factors. The means that in order to tap into the richness of membership benefits include but are not limited to the following ways:**

1. Set up an online member shopping day, mostly for promotion-related benefits, to increase the consumption value of paid members
2. Set up an offline event on member day, reaching a wider range of members, for more tangible interactions and more in-depth brand awareness
3. Paid membership benefits should gradually be integrated with new businesses, carrying out the function of combining several business units together
4. Do cross-industry, cross-brand collaboration to achieve user diversification, brand endorsement, benefit development, etc.
5. Dual membership, three-in-one membership

# Postscript

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◆ EO Intelligence’s “Research on Retail Paid Membership in China and the United States” focuses on the applications of paid membership in the retail industry. The research scope involves Chinese and American retail enterprises, including but not limited to retail formats such as membership-only warehouse supermarkets, convenience stores, and e-commerce platforms. EO Intelligence summarized the business logic and mechanisms behind paid membership and highlighted the design principles of paid membership. Secondly, EO Intelligence studied the development of the retail paid membership in China and the United States. Through current retail businesses using paid membership, we have found five applications of such membership in the retail industry. The report analyzed the models and characteristics of paid memberships created by eight selected retail enterprises. Finally, EO Intelligence analyzed the similarities and differences between the Chinese and American retail paid membership, and three identified future trends of Chinese enterprises. In the future, EO Intelligence will continue to closely monitor the applications of paid membership, conduct more in-depth insights, and publish related research results.

◆ EO Intelligence would like to thank the companies that provided industry information for this report, including China’s Sam’s Club, Jingdong, Suning.com, Bianlifeng, etc., as well as other industry insiders and industry experts. Thank you for your assistance.

◆ Note: The data in this report and the description of membership schemes are mostly from enterprises’ financial reports and official websites. The current data in the report is collected as of the release date. Some of the pictures in the report are from “IC photo.”

Research on Retail Paid Membership in China and the United States

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EO Intelligence is a professional research and consulting business unit of EO Company ([www.iyiou.com](http://www.iyiou.com)). It focuses on research related to industrial innovation. Through research on forward-looking technology, new industrial concepts, and new policies, it explores the opportunities, paths, and methods for innovation and upgrades within different industries. Providing industrial innovation and strategic decision support, the current research involves industries such as auto, finance, household, healthcare, education, retail, consumer goods, and industrial manufacturing.

EO Intelligence continuously publishes deeply researched industry reports and insights, and provides targeted enterprise customized research and consulting services.

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# About EO Company ([www.iyiou.com](http://www.iyiou.com))

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EO Company is a technological & industrial innovation service platform that focuses on technological and industrial innovation in China. Founded in February 2014, headquarter is in Beijing and we have branches in Shanghai and Shenzhen, China. EO Company primarily focuses on analyzing various industries including AI(Artificial Intelligence), Auto, Health, Intelligent Manufacturing, Fintech along with several other industries.

## ◆ EO Intelligence (亿欧智库)

EO Intelligence is a professional research and consulting department of EO Company. Providing industrial innovation and strategic decision support, the current research involves industries such as auto, finance, household, healthcare, education, retail, consumer goods, and industrial manufacturing. EO Intelligence continuously releases professional and influential reports and insights, and provides customized consulting and research services.

## ◆ EqualOcean (亿欧国际)

EqualOcean aims to assist Chinese entrepreneurial enterprises to break into the global market and provides overseas investors, VCs, and enterprises with a deeper understanding of China's business environment and to seize opportunities in China.

Ultimately, EqualOcean seeks to help China's leading startups from varied industries to grasp the concept of a global market and accelerate the globalization process in order to discover potential development opportunities outside of China.

We believe in the power of the market and insist that the key to solving crucial problems in the world is to deploy business methodologies and technology innovation; ultimately culminate in a revolutionary transformation of the business atmosphere.

We share a passion for rationality and kindness, and are eager to become a part of the respected global enterprises and citizens that have a profound influence on the world.

# About Splio



Splio is a Loyalty Marketing Platform that enables brands to engage customers, drive loyalty and sales in every channel in China.



## Omnichannel Loyalty Marketing Platform.

Splio uniquely combines loyalty and marketing automation with a consolidated 360-degree on-and-offline view of the customer in one single platform, so brands can interact and engage with their customers, and offer them a seamless brand experience on all channels.



**Omnichannel CRM:** all your customer data & transactions in one place: **Tmall, JD, WeChat store, offline stores**. Know your customers, understand who purchases from you, through which channel and at what frequency.



**Marketing automation:** target & send personalized and segmented campaigns.



**Loyalty engine:** Increase lifetime value and sales by recognizing and rewarding loyalty, not only on transactions but with every interaction with your brand.



## Global Solution. 100% China Ready!

Splio opened an office in Shanghai in 2011 and has since been connecting European brands with Chinese customers and helping Chinese brands with cross-border strategies in Europe.



### WeChat as your brand hub:

- **Native WeChat connection:** identify customers among WeChat followers.
- **Mini Program builder:** ready to use WeChat membership platform.



### Natively integrated with Chinese channels:

we connect with all major platforms in China: Tmall, JD, WeChat, offline POS, etc.



**No personal data headaches:** your Chinese customer data stays in China (CSL).



### Your dedicated Shanghai-based team

is always available to help with strategy, planning and operational tasks (content creation, design scenario, CRM management)

## Splio in Europe & China

130 marketers  
& developers

Headquarters  
in Paris, France

15+ years  
of experience

4 offices  
in Europe

1 office  
in Shanghai

25 people in the  
Shanghai office

## 500 brands use Splio

LONGCHAMP  
PARIS

L'ORÉAL®

DECATHLON

SEPHORA

Dior

CAUDALÍE  
PARIS

AIR CHINA  
中國國際航空公司

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