

REPORT



Membership-based Warehouse club - WALMART

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1. Overview

1.1. Purpose and scope

Walmart is a United-States based company, which is one of the world's largest and most well-known retail chains. This report as for main goal to investigate a specific business unit of Walmart, which is the Sam's club Business unit, with the implementation of a detailed examination of the whole business environment to have a better understanding about the competitive advantage in Sam's Club's retail industry. For this case, we choose to specifically target U.S region, as Sam's original & main operation started in the U.S providing us with more data & information.

In order to fully explore the full extent of Sam's competitive advantage, we're going to leverage & employ rigorous analytical tools such as PESTEL, VRIO, SWOT and the, SMART principles. The report will touch upon the 6 different areas which are the Company overview, external analysis, internal analysis, business model, strategic issues, furthermore strategic recommendations.

The U.S. warehouse club market expanded to \$269 billion in 2022, doubling since 2007, with global sales hitting \$323.41 billion in 2021, mainly from domestic sales. Social commerce has become a significant influence on millennials and Gen Z, prompting Sam's Club to leverage influencer marketing. However, the company faces challenges, including cautious consumer spending post-COVID-19 and growing demand for eco-friendly products. In the competitive landscape, despite surpassing competitors in member traffic, Sam's Club lags in exclusive member benefits. Internally, Sam's Club experienced a slight decrease in operating income for 2023 but remains committed to sustainability and efficient supply chains. Strategic challenges revolve around maintaining its 8.01% yearly growth and countering competitors like Amazon and Costco. To address these, it's recommended that Sam's Club enhance its online capabilities,

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delve into social media analytics for targeted advertising, and adopt a hybrid retail strategy, focusing on integrated in-store and online experiences.

1.2. Company introductions

Sam's Club, founded in 1983 by Walmart's visionary Sam Walton, emerged as a response to the budding warehouse club trend of the early 1980s. Established in Midwest City, Oklahoma, Walton's concept was a membership-based retail hub where customers could access bulk items at significantly reduced prices. Capitalizing on the principles of unmatched value and a customer-centric approach, which were pivotal to Walmart's own success, Sam's Club swiftly expanded across the U.S.

Throughout the 1980s and 1990s, the retailer diversified its offerings, encompassing everything from fresh groceries to electronics. A pivotal moment in its retail evolution was the introduction of its private label, Member's Mark, in the 1990s. This brand further solidified Sam's Club's position by guaranteeing premium products at competitive prices, allowing it greater control over both quality and cost.

In adapting to the changing retail landscape, Sam's Club has continuously integrated technological innovations. Implementations like self-checkout kiosks, scan-and-go mobile options, and a bolstered e-commerce focus ensure that Sam's Club remains at the forefront of retail, consistently offering its members a blend of tradition and modernity.

1.3. Highlights and key figures

Sam's Club, a major retail player under the Walmart umbrella, was founded in 1983 and has since expanded its reach significantly. As of 2020, the chain operated over 600 membership warehouse clubs across the U.S., serving millions of members. Financially speaking, the company reported nearly \$63.4 billion in sales in that year. It's notable that while Sam's Club

continues to experience growth, it faces stiff competition, with rivals like Costco recording sales of approximately \$163.22 billion in the same period. Membership remains a key focus for Sam's Club, and they've been continually strategizing to retain and expand their substantial member base.

1.4. Why is this company

Wal-Mart is the world's largest retail giant, with operations across the globe and supply chain management and technological innovation at the forefront of the industry. Its diversified business model and globalization strategy provide rich research content for strategic analysis. At the same time, how Wal-Mart maintains its leadership position in the face of competition from all sides is also of value for in-depth discussion. In addition, its commitment to employees and the environment demonstrates corporate social responsibility. Therefore, choosing Wal-Mart as the subject of the study can provide us with valuable business insights and revelations.

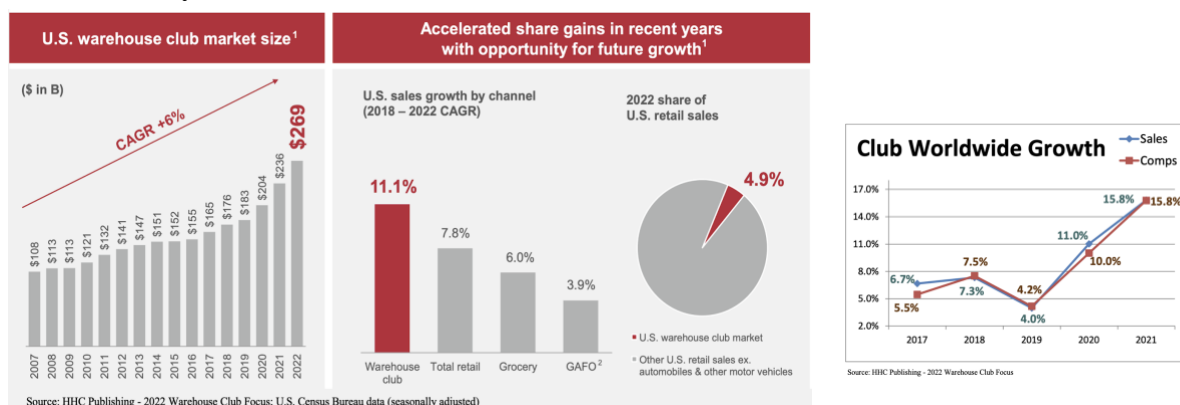
1.5. Vision and missions

Vision: To be the best retailer in the hearts and minds of consumers and employees.

Mission: We save people money so they can live better and renew the planet while building thriving, resilient communities.

2. External Analysis

2.1 Industry Overview



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The U.S. warehouse club market has experienced steady growth, with a market size of \$269 billion in 2022, more than double the value of 2007 (\$108 billion). The compound annual growth rate (CAGR) over the past 15 years has been 6.0%. The warehouse club industry has recorded a higher CAGR of 11.1% in terms of whole sales growth in the U.S., compared to the total retail industry's CAGR of 7.8%. In 2022, the club market accounted for 4.9% of total American retail sales (U.S. Census Bureau, 2022).

Globally, the club industry recorded total sales of \$323.41 billion in 2021, with domestic sales accounting for \$235.71 billion (73%) and international sales contributing \$87.70 billion (27%). International sales have been steadily increasing over the past five years. Comparable sales growth, including foreign currency exchange and gasoline, has been similar to annualized worldwide industry sales growth, suggesting that existing locations are the primary drivers of industry growth (WCIC, 2022).

2.2 Key Trend and Findings

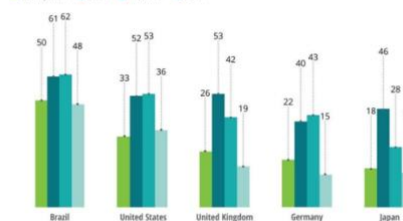
PESTEL and Porter's five analyses are seen in Appendix 2.1 and 2.2.

Social commerce influences millennial spending – Social commerce has witnessed a

FIGURE 2
Gen Z and Millennial consumers are most likely to say their buying decisions are influenced by social media influencers

Percentage of consumers who say social media influencers completely or somewhat influence their buying decisions

Country total Gen Z Millennial Gen X



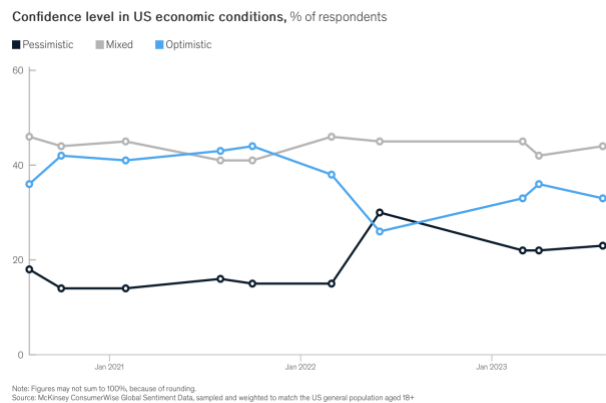
Note: N (all Brazil consumers) = 1,000; N (all US consumers) = 2,000; N (all UK consumers) = 1,000; N (all Germany consumers) = 1,000; N (all Japan consumers) = 1,000.
Source: Kevin Westcott et al., 2022 Digital media trends, 16th edition, Deloitte Insights, March 28, 2022.

Deloitte Insights | deloitte.com/insights

significant surge in recent years, with over 4.5 billion social media users worldwide by the end of 2022 (Deloitte, 2023). Moreover, social media plays a vital role in the purchasing journey, with 85% of US Gen Z social media users accessing social media daily and over half using social media for shopping inspiration (Deloitte, 2023). This highlights the importance of personalized and hyper-targeted advertising

strategies for retailers. In response to this trend, Sam's Club has launched the Affiliate Program to encourage influencers to promote their products to their audiences (Sam's, n.d.).

Unstable macroeconomic factors may adversely affect operations – The United States experienced a decade of growth before the COVID-19 pandemic, but the pandemic led to a



negative GDP growth rate due to rising

inequalities and outdated infrastructure.

However, the economy quickly rebounded

in 2022 with a 2.1% GDP growth rate

(World Bank, 2022), driven by private

consumption and investment, and supported

by accommodative monetary and fiscal

policies (FT, 2023). The post-pandemic economic recovery has not been met with an equivalent

increase in consumer confidence, as reflected in the cautiously optimistic level of consumer

sentiment (Adams et al., 2023). This is likely due to the residual effects of the economic

downturn and the unpredictable current events. According to a report by McKinsey (2023),

credit card spending has also remained subdued, indicating that consumers are exercising a

heightened sense of caution in their discretionary spending. This sentiment is likely to

negatively impact Sam's Club's sales, as consumers may be less inclined to join the membership

program and spend in stores.

Consumers looking for eco-friendly products – A study conducted by Forbes (2022) reveals

a significant disparity between the sustainability priorities of senior retail executives and

consumers. According to the study, 60% of consumers are willing to pay more for sustainable

products, and 75% of Gen Z consumers consider sustainability an important purchase

consideration (Forbes, 2022). This result highlights a significant disconnect between senior retail executives and consumers when it comes to sustainability, with retailers underestimating consumers' willingness to pay more for sustainable products and overestimating the importance of brand name. Therefore, big retailers, such as Sam's, should listen more closely to the voice of the customer and offer more than just performative measures when it comes to ESG priorities in order to align with consumers' sustainability priorities and improve transparency.

2.3 Main Competitor Analysis

Sam's Club faces intense competition from a variety of sources, including other membership-only warehouse clubs such as Costco, BJ's Wholesale Club, discount retailers, wholesale grocers, and Ecommerce platform. The Club's primary focus is on providing value to its members through exclusive prices on a wide selection of quality merchandise offered in bulk size. Furthermore, the Ecommerce platforms like Amazon are also a threat to Sam's Club with their rich assortment and convenient shopping experience. In order to better understand the competitive landscape, the following section will provide a brief analysis of the company's main competitors:

Costco

As the primary competitor to Sam's Club, Costco Wholesale Corporation represents a retail industry giant in the United States. Founded in 1983 by Jim Sinegal, this membership-based warehouse club has transformed the retail landscape by offering customers a wide variety of high-quality products at competitive prices, often in bulk quantities (Costco, 2023). With 591 locations in 46 U.S. states and Puerto Rico, Costco boasts an impressive annual total revenue of \$222.7 billion and employs 203,000 full and part-time employees in the U.S. by the end of FY22. The company's extensive product offerings, including groceries, electronics, furniture,

clothing, appliances (Costco, 2023), attract a diverse customer base and contribute to its appeal. Additionally, Costco's private label, Kirkland Signature, is renowned for its quality and value.

BJ's Wholesale Club

BJ's Wholesale Club is a prominent American warehouse club chain that offers members access to a wide range of products at wholesale prices, with an emphasis on bulk purchases. In addition to its physical stores, BJ's operates an online platform, allowing members to shop conveniently from their homes and access exclusive online deals. By the end of Q2 2023, BJ's had 238 clubs and 168 gas stations, with annual total revenues of \$19.3 billion (BJ's, 2023). In comparison to its competitors,

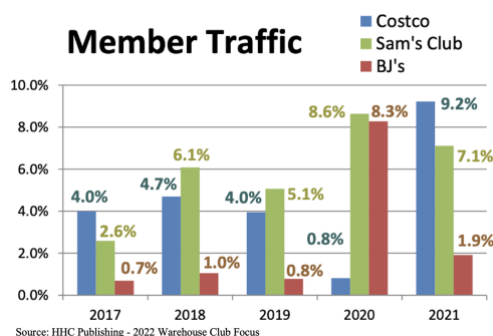
vs. Club

- Broader assortment
- Smaller pack sizes
- Smaller club format
- Convenient locations
- Full-service deli

Source: BJ's annual report, 2023

Costco and Sam's Club, BJ's offers a broader assortment of products with smaller pack sizes, distinguishing it from its rivals. Additionally, BJ's has a larger number of clubs, achieved through a smaller club format, providing customers with more convenient locations to choose from. This feature sets BJ's apart from traditional big clubs and underscores its commitment to meeting the diverse needs of its customer base.

Membership comparison



	Membership Type (USD/ Year)		Benefits	Features
Brand	Member	Member Plus		
Sam's Club	\$ 50	\$ 110	Member: - Low price - Limited services discount	/
Costco	\$ 60	\$ 120	Plus: - Lower threshold for free shipping - 2% annual reward - Full-service discount (gasoline, tire...) Early shopping	Reward up to \$500/y Reward up to \$1,000/y 1 more free card
BJ's	\$ 55	\$ 110		3 supplemental memberships for \$30/year each

Note:
- Sam's Club offers new customers \$15/y (member) or \$55/y (member plus) for the first year of membership.
- Costco provides the same membership type for business customers

Source: Sam's Club official, Costco official, BJ's official

Managing a competitive advantage

Average member traffic growth (up-left) is a key driver of club comparable sales and sales growth for Sam's Club, BJ's Wholesale Club, and Costco. Positive member traffic growth indicates that new and existing members recognize the value provided by the club and translates into more frequent shopping visits. According to the graph on the left, Sam's Club reported a combined 15.7% growth in member traffic over the past two years, surpassing BJ's two-year growth of 10.2% and Costco's two-year growth of 10.0% (WCIC, 2022). This suggests that Sam's Club has been successful in attracting new members and increasing the frequency of visits by existing members.

The chart at the top right shows how the three membership stores differ in terms of annual membership fees and benefits. In terms of annual fees, Sam's Club has the more competitive pricing. And it's also now offering more than 50% off the first year's joining membership fee for new customers. When it comes to member benefits, all three stores offer more comprehensive types of offers for Plus members. However, in terms of total types of benefits, the three clubs don't offer exclusive benefits for members. In addition, Sam's doesn't offer extra free or low-priced slots in its membership, and its annual maximum rewards on member purchases is the lowest.

2.4 Key Success Factor

Membership Model: A fundamental factor in the success of membership-based warehouse clubs is the membership fee model. This model involves charging customers an annual fee in exchange for access to exclusive deals, bulk purchasing opportunities, and other benefits. This approach generates a stable source of revenue and fosters customer loyalty.

Low Prices: Another key factor is the competitive pricing of membership clubs compared to traditional retailers. Customers are able to purchase items at lower costs, with savings of approximately 25% compared to grocery prices. This pricing strategy incentivizes customers to purchase items in bulk, leading to increased merchandise gross margins for the clubs.

Efficient Distribution: Efficient supply chain management is critical to the success of membership-based warehouse clubs. By minimizing costs, reducing lead times, and ensuring product availability, these clubs can maintain a competitive edge. Clubs often work closely with suppliers to secure favorable terms, further enhancing their competitiveness.

3. Internal Analysis

3.1 Key resources and capabilities

3.1.1 Capital (Appendix 3.1.1; Appendix 3.1.2; Appendix 3.1.3; Appendix 3.1.4)

Sam's Club operating income decreased \$0.3 billion and increased \$0.4 billion for fiscal 2023 and 2022, respectively, when compared to the previous fiscal year.

3.1.2 Sites (Appendix 3.2)

There is one headquarter, based in Bentonville, Arkansas, with 2 offices located, both also in Bentonville. It does possess one innovation center in Dallas and operates 600 membership warehouse clubs in the United States (The only states where Sam's Club does not operate are Alaska, Massachusetts, Oregon, Rhode Island, Vermont, Washington, and the District of Columbia). It also has up to 29 distribution facilities.

3.1.3 Trademark

Sam's Club's trademark has changed for 2019, to align with the strategy of the time. Following the principle of simplicity and minimalism, the company has chosen sober colors, fonts and shapes, blue, black and white.

3.1.4 Branding

Sam's club is known for its unique savings, quality, and value. It is recognized for its competitive pricing, attractive bargains, and strong brand identity. Sam's Club also embodies the attributes of being optimistic, passionate, and visionary.

3.2 Capacities

3.2.1 Supply chain and logistics management

Sam's Club has established itself as a reference in supply chain and logistics management due to its proficiency in efficiently moving products from suppliers to its stores. This expertise enables Sam's Club to consistently provide a wide range of products to its members while minimizing costs.

3.2.2 Sustainability management (Appendix 3.3)

Sam's Club's commitment to sustainability sets it apart as a reference in this area. The company has implemented various initiatives to reduce its environmental footprint and promote sustainable practices like Green Operations, Sustainable Sourcing, Community Engagement.

3.2.3 Premium customer service

Sam's Club is recognized for its premium customer service, which is a key driver of member loyalty. Some reasons why it excels in this area are Member-First Approach, Concierge Services, Streamlined Checkout.

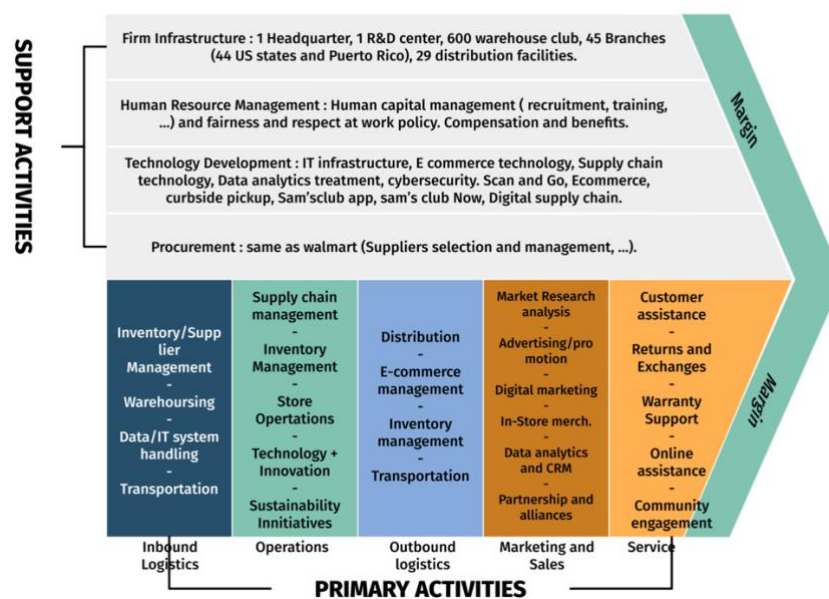
3.2.4 Compliance and regulations

Sam's Club's commitment to compliance and adherence to regulations is essential for its operations. It maintains reference status in this area by Stringent Quality Control, Ethical Sourcing, Regulatory Compliance.

3.2.5 Research and development

While not traditionally associated with retail warehouse clubs, Sam's Club stands out in research and development by continually innovating to meet the evolving needs of its members Product Innovation, Operational Efficiency, Technology Integration.

3.3 Value Chain Analysis (Appendix 3.4)



3.4 Company's organizational structure (Appendix 3.5)

Position	Name
Chief Executive Officer	Chris Nicholas
Chief Growth Officer	Diana Marshall
Senior Vice President and Chief People Officer	Christopher Shryock
Senior Vice President and Chief Financial Officer	Michael Dastugue
Senior Vice President, Replenishment and Planning	Don Frieson
Senior Director of Corporate Communications	Bill Durling

3.5 Corporate culture

The corporate culture at Walmart-owned Sam's Club, a membership-based retail business, places a strong emphasis on customer happiness, teamwork, diversity and inclusivity, community involvement, innovation, sustainability, employee development, and safety. This culture aims to satisfy customers, encourage teamwork among staff members, and take care of social and environmental obligations. However, it's advisable to visit Sam's Club's official website or refer to recent employee reviews and news sources for the most up-to-date information about the company's corporate culture.

3.6 SWOT, VRIO Framework analysis

3.6.1 Sam's Club S.W.O.T (Appendix 3.6)

Strengths	Weakness
Cost/quality leadership wide selection Supply chain efficient Membership model employee policie	limited presence R&D Organizational/management structure Customer experience
Opportunities	Threats
Identity advantage Skilled workforce E-commerce growth International growth	Economic downturns Online and business environment competition Regulations

3.6.2 Sam's Club V.R.I.O

 <p>Value</p> <ul style="list-style-type: none"> Financial resources are valuable for investing in opportunities and combating threats. Local food products are valuable due to differentiation and high perceived customer value. Employees are valuable due to training, productivity, and loyalty. Patents are valuable for selling products without competitive interference. Distribution networks are valuable for reaching more customers and increasing revenues. 	 <p>Rarity</p> <ul style="list-style-type: none"> Financial resources are rare in the industry. Employees are rare due to high training and skills. Patents are rare and not possessed by competitors. Distribution networks are rare, requiring significant investment and time to replicate.
 <p>Imitability</p> <ul style="list-style-type: none"> Financial resources are costly to imitate, requiring prolonged profits. Local food products can be imitated through research and development. Employees are not costly to imitate, as training and compensation can be matched. Patents are very difficult to imitate due to legal restrictions. Distribution network is costly to imitate, developed gradually over the years. 	 <p>Organization</p> <ul style="list-style-type: none"> Financial resources are organized to capture value strategically. Patents are not well organized and represent unused competitive advantage. Distribution network is well organized and utilized effectively.

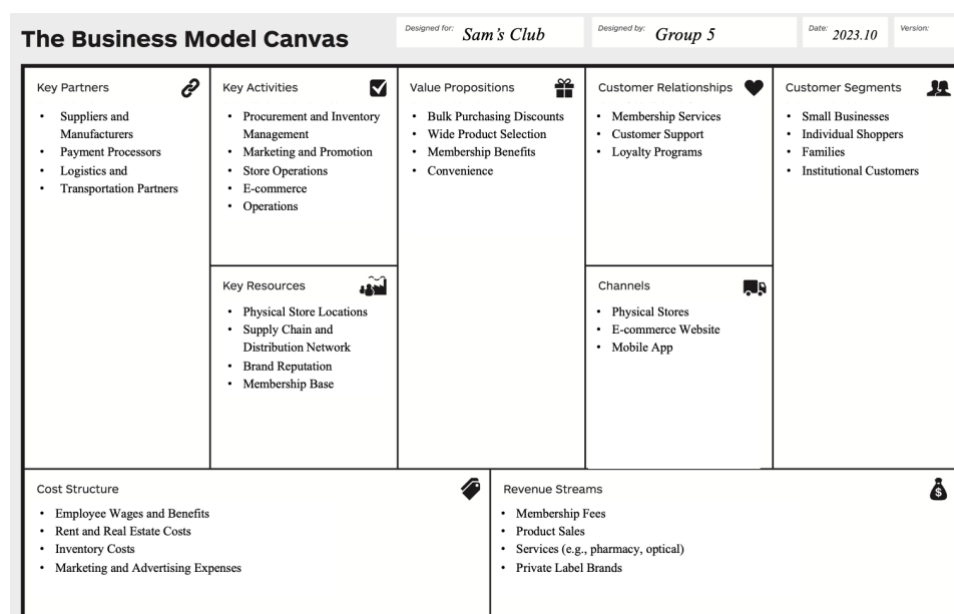
3.7 Business Strategy (Appendix 3.7)

Under the main words “Growth, Digital, Well-being, inclusion”, Sam’s club aims to continue to offer the best buying experiences, to the maximum of consumers possible. For this, digitalization, and sustainability, are the two main development axes of Sam’s Clubs’ strategy, to continue to prioritize products and services that drive shopping trips and demonstrate the value of membership is clearly paying off.

It is currently in the midst of a multi-year plan to invest in, and modernize, its supply chain through new distribution and fulfillment center locations across the U.S. including cutting-edge automation. Over the next few years, Sam’s Club will add numerous new facilities while also retrofitting a number of facilities for more digital capabilities.

4. Business Model

4.1 Business Model Canvas: Sam’s Club



Strategy Definition & Competitive Advantage:

Sam's Club employs a cost leadership strategy, part of the generic business strategies, wherein it offers products at competitive prices by capitalizing on economies of scale, bulk purchasing, Managing a competitive advantage

and efficient operations. The essence of Sam's Club's competitive advantage lies in its membership model. By offering exclusive benefits to members, it fosters loyalty, ensuring a consistent revenue stream through membership fees while also driving sales through exclusive member discounts.

Business Model Design:

Sam's Club's business model encompasses both its internal and external value chains. Internally, it leans on its vast supply chain, efficient inventory management, and store operations. Externally, its relationships with suppliers and manufacturers ensure product availability and variety. Both these chains culminate in the value provided to customers – be it bulk purchasing discounts, a vast array of products, or the convenience of both physical and online shopping channels.

Linkages, Cohesion, and Revenue Streams:

There's inherent coherence in how Sam's Club's business model components interlink. The customer segments are catered to through tailored value propositions, which are delivered via strategic channels. This is further bolstered by key partnerships, ensuring efficient product sourcing and delivery. The primary revenue streams include membership fees, product sales, in-store services, and sales from private label brands. Meanwhile, costs are primarily incurred through employee wages, real estate expenses, inventory procurement, and marketing efforts. The balance is struck by continually optimizing operations, leveraging its membership base for steady revenue, and capitalizing on bulk sales.

Congruence of BM & Business Strategy:

Sam's Club's business model aligns well with its overarching strategy of cost leadership. Its focus on bulk purchasing and discounted pricing, coupled with exclusive member benefits, reflects its strategic objective to offer value at competitive prices. The membership model acts as both a revenue generator and a customer retention tool, anchoring its strategy. If there's any discrepancy, it might arise from the ever-growing e-commerce landscape, where competitors with purely digital models might have leaner operations. However, Sam's Club's blend of physical and online sales channels seeks to address this.

In summary, Sam's Club's business model is a well-thought-out embodiment of its strategic intent, leveraging its strengths, addressing its customer's needs, and ensuring sustainable value creation.

5. Strategic issues

5.1 Maintaining its growth power

The ability of Sam's Club to keep up its expansion momentum is one of its fundamental challenges (8,01% sales growth on average per year from 2018). The business has seen an increase in overall memberships, soaring comparative sales, and a jump in e-commerce sales. It will be interesting to see if Sam's Club can maintain this growth rate as the pandemic situation improves and customers start going back to physical stores.

Sam's Club has been making significant investments in technological goods like Scan and Go to meet this problem (9.6 million new users in 2020, and far more now (2.75 millions reviews on both google and apple store, with an average grade of 4,9 stars)). By giving its members access to special offers and discounts, the business has also been concentrating on developing a base of devoted customers. Sam's Club has also been spending money on its private label

brands in order to sell high-quality goods for less money. By doing this, the business can set itself apart from other retailers and draw in additional clients.

5.2 Identify and respond to customer preferences on time

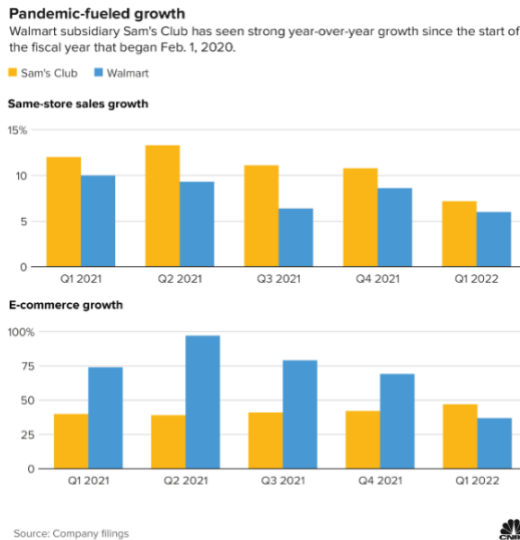
The success of Sam's Club is contingent upon its ability to effectively anticipate and respond to consumer needs. However, this is a challenging task due to the numerous factors that influence consumer choices, including personal preferences, celebrity endorsements, and family dynamics. Nevertheless, given the direct correlation between Sam's Club sales and consumer spending habits, it is crucial to be responsive to current trends in the marketplace. According to a survey conducted by the Harvard Business Review (2021), nearly half of all businesses believe that understanding customer needs and feedback loops is the key to success. Therefore, Sam's Club must prioritize timely identification and response to customer preferences to maintain its strong competitive position.

5.3 E-commerce provider & Costco threats

Sam's Club, like many traditional retailers, has been investing heavily in its e-commerce capabilities to counter the growing dominance of online retailers, especially Amazon. As of 2021, Walmart, the parent company of Sam's Club, reported significant growth in its e-commerce sales, indicating the success of its digital initiatives. In the membership-based warehouse club segment, Costco has been a dominant player in the U.S. According to data from Statista, as of 2020, Costco's global net sales amounted to approximately \$163.22 billion, while Sam's Club reported about \$63.4 billion. This disparity underscores the competitive challenge Sam's Club faces against Costco. Furthermore, Costco's consistent focus on high-quality products, limited-item product strategy, and strong member loyalty have made it a preferred choice for many American consumers.

6. Recommendations

6.1 Strengthen E-commerce Capabilities



In the United States, the trend to online purchasing was greatly hastened by the COVID-19 pandemic, with record-breaking e-commerce sales. Sam's Club should put emphasis on enhancing its e-commerce skills in order to take advantage of this trend and maintain growth. The business can first devote resources to improving its online platforms, making sure they are user-friendly, responsive, and

mobile-friendly. Customers' online purchasing experiences will be enhanced by spending money on a simplified and effective website and mobile app.

Second, supply chain management and logistics are essential. Sam's Club should make an investment in a strong and adaptable supply chain infrastructure to effectively handle the rising demand for online orders. Customer expectations for prompt and dependable service can be met by implementing same-day or next-day delivery choices, extending click-and-collect services, and improving inventory management. A solid internet marketing and advertising strategy is also needed to be competitive in the digital sphere. For Sam's Club to boost its online presence and attract customers to its e-commerce platforms, it needs to set aside money for online advertising, social media marketing, and search engine optimization (SEO).

6.2 Analyze User Data to Create Pop-up Offers

To maintain a competitive advantage, Sam's Club can collaborate with mainstream U.S. social media platforms to gain a deeper understanding of its core customer base. Combining its own consumer research team with the platform's analytics team allows Sam's Club to

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conduct detailed investigations into the spending behavior of its core customers. This can include analyzing the influence of platform advertisements, comment sections, and friend recommendations on consumer behavior (Sprout Social, 2022). With a better understanding of customer preferences, Sam's can customize ad content, engage in live streaming, and initiate discussions about products on sale. Additionally, the company can partner with influencers who align with its brand image to promote products in a natural and familiar way. Once Sam's has gained a certain level of attention, it should encourage users to generate content and respond openly and honestly to critical voices. Through ongoing customer interactions and data accumulation, Sam's can refine its understanding of customer needs, enabling the company to maintain a competitive advantage.

6.3 Hybrid Retail Strategy

To address the challenges posed by e-commerce competitors and the dominance of Costco in the U.S., Sam's Club should prioritize a hybrid retail strategy that seamlessly integrates in-store and online experiences. This includes enhancing its digital platform with personalized shopping recommendations, augmented reality product previews, and faster checkout processes. Additionally, Sam's Club can differentiate itself by curating exclusive product lines, hosting member-only events, and leveraging data analytics to better understand and cater to member preferences. Collaborative partnerships with emerging brands and tech startups can further drive innovation, ensuring Sam's Club remains agile and responsive to the evolving retail landscape.

7. Appendix

Appendix 2.1

PESTEL Analysis

Political

Sam's Club is subject to various political factors, including trade policies and tariffs. The ongoing trade tensions between the US and China, as well as the US-Mexico-Canada Agreement (USMCA), can impact the company's supply chain and cost structure (Godlewski, 2018). Changes in tariffs can affect the prices of imported goods, which could influence Sam's Club's pricing strategy and profitability. Moreover, labor laws and minimum wage regulations can impact the company's labor costs, as it employs a large number of workers in its warehouses and stores (U.S. Department of Labor, 2023).

Economic

As the world's largest economy, the United States experienced a decade of growth prior to the COVID-19 pandemic, which nonetheless led to a negative GDP growth rate due to rising inequalities and outdated infrastructure. However, the economy recovered rapidly, with GDP growth rebounding to 2.1% in 2022 (World Bank, 2022), driven by robust private consumption and investment, and supported by accommodative monetary and fiscal policies.

However, the inflation rate has also been rising, albeit moderately, over the same period. The Consumer Price Index (CPI) increased by 2.8% in 2020 compared to 2019 (TRADINGECONOMICS, 2023). In the context of Sam's Club, the positive retail sales growth and moderate inflation can be seen as favorable economic indicators. The increase in consumer spending suggests that there is a growing demand for goods and services, which could benefit Sam's Club's sales. Economic downturns can also impact the company's sales, as consumers may be less likely to spend money on discretionary items during recessions. Additionally,

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fluctuating exchange rates can impact the cost of imported goods and the company's pricing strategy.

Social

The United States of America boasts a diverse population, characterized by a multicultural composition. This demographic characteristic has a profound impact on consumer preferences and marketing strategies, as evident from the findings of the U.S. Census Bureau (2021). The population is aging, and younger generations have different shopping habits and preferences. Sam's Club can adapt its marketing and product offerings to appeal to younger demographics. Furthermore, Consumers' preferences are shifting towards sustainable and environmentally-friendly products (Petro, 2022).

Technological

Technological advancements can provide opportunities and challenges for Sam's Club. The company can leverage technologies such as blockchain, artificial intelligence, and automation to improve operational efficiency and enhance customer experience. For instance, Walmart starts to use ChatAI to negotiate contracts (Hoek et al., 2022). However, technological advancements can also disrupt traditional business models and create new competitors. For instance, online retailers like Amazon can offer lower prices and more convenient shopping experiences, which can pose a threat to Sam's Club's business model.

Legal

Sam's Club operates in a complex legal environment that is influenced by various factors, including federal and state laws, regulations, and court decisions. One key legal issue that Sam's Club must comply with is employment laws, which regulate issues such as minimum wage,

overtime pay, and discrimination in the workplace. Intellectual property laws are also an important consideration for Sam's Club. The company must protect its own intellectual property, such as its trademarks and trade secrets, and ensure that it does not infringe on the intellectual property rights of others.

Environmental

The United States is the second-largest emitter of greenhouse gasses globally, with power generation, transportation, agriculture, and industrial activities being the major sources of pollution (US Environmental Protection Agency, 2022). Climate change and environmental concerns have the potential to influence consumer behavior and preferences, as well as regulatory policies. By adopting sustainable practices, such as reducing energy consumption and offering eco-friendly products, Sam's can not only benefit from enhanced brand reputation and customer loyalty but also mitigate the risks associated with climate change and environmental factors. Moreover, supply chain disruptions due to natural disasters or environmental factors can have a significant impact on the company's operations and profitability. For instance, the recent hurricanes and wildfires in the United States have highlighted the vulnerability of supply chains to environmental risks (Ramirez, 2021).

Appendix 2.2

Porter's five forces analysis:

Competitive Rivalry & Threats of New Entrants: HIGH

The warehouse club industry, including Sam's Club, Costco, and BJ's Wholesale Club, exhibits heightened competitive rivalry due to the similarity of products and services offered and the strong market presence of industry players. Consequently, Sam's Club must constantly innovate and differentiate itself to retain its market share.

Managing a competitive advantage

The low switching costs in the industry exacerbate the competitive pressure on Sam's Club, as customers can easily switch to a competitor's store if they find better prices or services. To mitigate the threat of competitive rivalry, Sam's Club focuses on providing excellent customer service, offering competitive prices, and enhancing its membership benefits. The company also invests in technology to improve the shopping experience and increase customer loyalty.

Bargaining Power of Buyers & Suppliers: Moderate

Sam's Club operates in a highly competitive market characterized by a range of options for customers, including other warehouse clubs and traditional retail stores. This multiplicity of choices enables customers to negotiate prices and demand better services, potentially exerting pressure on Sam's Club's profit margins. Moreover, Sam's Club's customers are not highly dependent on a single supplier, which reduces the company's bargaining power over its customers.

Moreover, Sam's Club has a strong reputation and market presence, which further enhances its bargaining power over its suppliers. The company's large volume of purchases and its ability to offer exclusive deals to suppliers make it an attractive customer for suppliers, allowing Sam's Club to negotiate more favorable prices and terms. However, some suppliers may possess bargaining power due to their unique products or services, which can limit Sam's Club's ability to negotiate better prices and terms. Additionally, suppliers may pose a threat to Sam's Club's profitability by increasing prices or reducing the quality of their products.

Threats of substitutes: Moderate

Sam's Club operates in a market characterized by a range of alternatives to its offerings,

including traditional retail stores, online retailers, and other warehouse clubs. This multiplicity of options provides customers with the power to substitute Sam's Club's products and services with those of its competitors. Secondly, some of Sam's Club's products and services are not essential, and customers can easily switch to substitutes if they find better deals or alternatives. For instance, customers can purchase snacks and beverages from convenience stores or vending machines instead of Sam's Club. This further reduces the company's bargaining power and increases the threat of substitutes.

Appendix 3.1.1

<i>(Amounts in millions)</i>	Walmart U.S.	Walmart International	Sam's Club	Corporate and support	Consolidated
Fiscal Year Ended January 31, 2023					
Net sales	\$ 420,553	\$ 100,983	\$ 84,345	\$ —	\$ 605,881
Operating income (loss)	20,620	2,965	1,964	(5,121)	20,428
Interest, net					(1,874)
Other gains and (losses)					(1,538)
Income before income taxes					\$ 17,016
Total assets	\$ 130,659	\$ 86,766	\$ 15,490	\$ 10,282	\$ 243,197
Depreciation and amortization	7,054	1,964	609	1,318	10,945
Capital expenditures	11,425	2,625	727	2,080	16,857
Fiscal Year Ended January 31, 2022					
Net sales	\$ 393,247	\$ 100,959	\$ 73,556	\$ —	\$ 567,762
Operating income (loss)	21,587	3,758	2,259	(1,662)	25,942
Interest, net					(1,836)
Loss on extinguishment of debt					(2,410)
Other gains and (losses)					(3,000)
Income before income taxes					\$ 18,696
Total assets	\$ 125,044	\$ 91,403	\$ 14,678	\$ 13,735	\$ 244,860
Depreciation and amortization	\$ 6,773	\$ 1,963	\$ 601	\$ 1,321	10,658
Capital expenditures	\$ 8,475	\$ 2,497	\$ 622	\$ 1,512	13,106
Fiscal Year Ended January 31, 2021					
Net sales	\$ 369,963	\$ 121,360	\$ 63,910	\$ —	\$ 555,233
Operating income (loss)	19,116	3,660	1,906	(2,134)	22,548
Interest, net					(2,194)
Other gains and (losses)					210
Income before income taxes					\$ 20,564
Total assets	\$ 113,490	\$ 109,445	\$ 13,415	\$ 16,146	\$ 252,496
Depreciation and amortization	6,561	2,633	599	1,359	11,152
Capital expenditures	6,131	2,436	488	1,209	10,264

Appendix 3.1.2

Sam's Club Segment

(Amounts in millions, except unit counts)	Fiscal Years Ended January 31,		
	2023	2022	2021
Including Fuel			
Net sales	\$ 84,345	\$ 73,556	\$ 63,910
Percentage change from comparable period	14.7 %	15.1 %	8.7 %
Calendar comparable sales increase	14.6 %	15.0 %	8.7 %
Operating income	\$ 1,964	\$ 2,259	\$ 1,906
Operating income as a percentage of net sales	2.3 %	3.1 %	3.0 %
Unit counts at period end	600	600	599
Retail square feet at period end	80	80	80
Excluding Fuel ⁽¹⁾			
Net sales	\$ 71,665	\$ 64,860	\$ 59,184
Percentage change from comparable period	10.5 %	9.6 %	12.1 %
Operating income	\$ 1,352	\$ 1,923	\$ 1,645
Operating income as a percentage of net sales	1.9 %	3.0 %	2.8 %

Appendix 3.1.3

	Fiscal Years Ended January 31,			
	2023	2022	2023	2022
	With Fuel		Fuel Impact	
Walmart U.S.	7.0%	6.4%	0.4%	0.3%
Sam's Club	14.6%	15.0%	4.2%	5.5%
Total U.S.	8.2%	7.7%	1.0%	1.2%

Appendix 3.1.4

(Amounts in millions)	Fiscal Years Ended January 31,		
	2023	2022	2021
Sam's Club net sales by merchandise category			
Grocery and consumables	\$ 53,027	\$ 46,822	\$ 42,148
Fuel, tobacco and other categories	14,636	10,751	7,590
Home and apparel	9,579	9,037	7,340
Health and wellness	4,248	3,956	3,792
Technology, office and entertainment	2,855	2,990	3,040
Total	\$ 84,345	\$ 73,556	\$ 63,910

Of Sam's Club's total net sales, approximately \$8.4 billion, \$6.9 billion and \$5.3 billion related to eCommerce for fiscal 2023, 2022 and 2021, respectively.

Appendix 3.2

	Owned	Leased ⁽²⁾	Total
U.S. properties			
Walmart U.S. retail units	4,057	660	4,717
Sam's Club retail units	513	87	600
Total U.S. retail units	4,570	747	5,317
Walmart U.S. distribution facilities	110	53	163
Sam's Club distribution facilities	12	17	29
Total U.S. distribution facilities	122	70	192
Total U.S. properties	4,692	817	5,509

Appendix 3.3



Appendix 3.4

Firm infrastructure:

- No more to say.

Human resources management:

- **Recruitment and Selection:** A significant portion of resources in human resources management is allocated to recruitment and selection efforts. Sam's club continually hires a large number of employees, and resources are dedicated to attracting and hiring suitable candidates.
- **Training and Development:** Sam's club invests in training programs to ensure that its employees have the necessary skills and knowledge to perform their roles effectively. This includes both initial training for new hires and ongoing development opportunities.
- **Compensation and Benefits:** Managing salaries, wages, and benefits for a vast employee base is a substantial part of human resources management at Sam's club. Resources are allocated to ensuring competitive compensation packages, benefits, and incentives.

- **Employee Relations:** Building and maintaining positive relationships with employees is crucial for Sam's club's success. HR handles employee concerns, conflicts, and engagement initiatives to create a positive work environment.
- **Labor Relations:** Walmart has dealt with labor unions and related issues in the past. So Sam's club's HR plays a role in managing labor relations and negotiations.

Technology development:

- **IT Infrastructure and Systems:** Maintaining and upgrading the IT infrastructure is crucial for Walmart's operations and subsidiaries. Resources are dedicated to building and maintaining data centers, networks, and hardware, as well as deploying and maintaining software systems.
- **E-commerce Technology:** As online shopping continues to grow, a substantial portion of resources is allocated to e-commerce technology development. This includes website and mobile app development, online ordering systems, and payment processing solutions.
- **Supply Chain Technology:** Sam's club relies on technology to optimize its supply chain operations. Resources are allocated to supply chain management systems, transportation logistics technology, and inventory management tools.
- **Data Analytics and Big Data:** Utilizing data analytics and big data is essential for making informed business decisions. Resources are allocated to data collection, analysis, and data-driven insights for various business functions.
- **Innovation Partnerships:** Walmart often collaborates with technology startups and partners with innovation hubs to stay at the forefront of technological advancements, and then try to implementate it into its subsidiaries. Resources are dedicated to forming and maintaining these partnerships.

Procurement:

- **Supplier Selection:** Walmart invests resources in selecting suitable suppliers based on criteria such as price, quality, reliability, and sustainability. This includes conducting supplier evaluations and negotiations.
- **Supplier Relationship Management:** Building and maintaining strong relationships with suppliers is essential for a smooth procurement process. Resources are dedicated to fostering collaboration, resolving issues, and ensuring a reliable supply of goods.
- **Sourcing and Supplier Diversity:** Walmart places emphasis on sourcing products globally and promoting supplier diversity. Resources are allocated to identify and engage with a diverse range of suppliers.
- **Quality Assurance and Compliance:** Ensuring that products meet quality and regulatory standards is crucial, especially for Sam's club. Resources are allocated to quality control, inspections, and compliance checks.

Inbound logistics:

- **Supplier Management:** Managing relationships with suppliers is a significant part of Sam's club's inbound logistics. This includes negotiating contracts, setting quality standards, and coordinating the flow of goods from suppliers to Walmart and Sam's club's distribution centers.
- **Transportation:** Sam's club relies on a vast network of transportation and freight services to move products from suppliers to distribution centers. This includes various modes of transportation such as trucks, trains, ships, and planes.
- **Warehousing and Storage:** Sam's Club operates a complex network of warehouses and distribution centers. These facilities require ongoing resources for maintenance, storage optimization, and efficient order picking and packing.

- **Technology and Tracking Systems:** Investment in technology is critical for tracking inbound shipments, managing inventory, and optimizing the entire inbound logistics process.

Operations:

- **Supply Chain Management:** Sam's club's supply chain is a critical part of its operations. This includes sourcing products, inventory management, transportation logistics, and distribution centers. A significant portion of resources is allocated to ensuring efficient supply chain operations.
- **Inventory Management:** Sam's club, and Walmart, are known for their efficient inventory management practices, including the use of technology to track stock levels and minimize stockouts. Resources are dedicated to keeping inventory costs low while ensuring product availability.
- **Store Operations:** Managing the day-to-day operations of thousands of stores worldwide requires significant resources. This includes staffing, store maintenance, and ensuring a positive customer experience.
- **Technology and Innovation:** Walmart invests in technology to streamline operations, improve efficiency, and enhance the customer experience, then it's using it on its subsidiaries. This includes innovations like self-checkout systems, inventory tracking technology, and online order fulfillment automation.
- **Sustainability and Environmental Initiatives:** In recent years, Walmart and Sam's club, placed increased emphasis on sustainability and reducing its environmental footprint. This includes efforts to make operations more environmentally friendly, such as reducing waste and energy consumption.

Outbound logistics:

- **Distribution to Stores:** A significant portion of resources in outbound logistics is dedicated to distributing products from Sam's Club's distribution centers to its retail stores. This includes transportation, order fulfillment, and store delivery.
- **E-commerce Fulfillment:** As Sam's club's e-commerce operations continue to grow, a substantial portion of resources is allocated to fulfill online orders. This includes picking, packing, and shipping products to online customers.
- **Inventory Management for Stores:** Ensuring that retail stores have the right inventory levels to meet customer demand is crucial. Resources are allocated to monitor inventory, restock shelves, and minimize stockouts.
- **Transportation and Delivery:** Resources are dedicated to the transportation and delivery of products from distribution centers to stores, as well as from online fulfillment centers to customers' homes. This includes the use of trucks, vans, and other delivery methods.

Marketing and Sales:

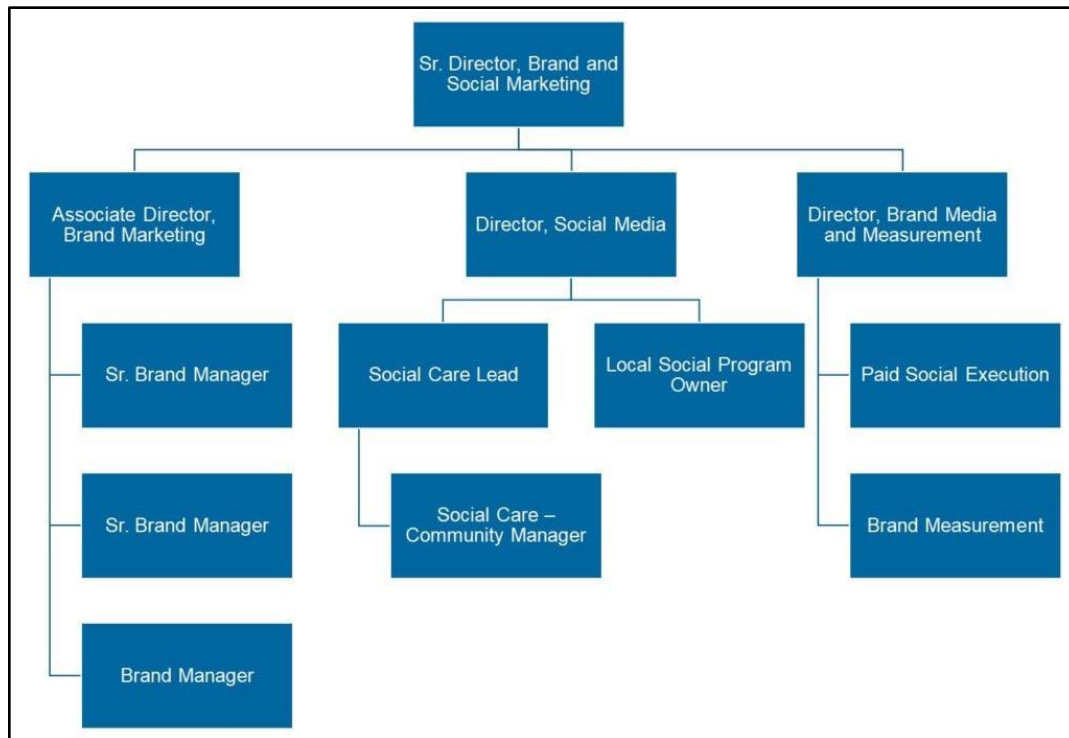
- **Market Research and Analysis:** Sam's club invests in market research to understand consumer preferences, trends, and competitors. This information guides marketing and sales strategies.
- **Advertising and Promotion:** A significant portion of Sam's club's budget goes into advertising campaigns, both online and offline. This includes television commercials, online ads, and in-store promotions.
- **Digital Marketing:** With the growth of e-commerce, Sam's club has invested in digital marketing efforts, including social media advertising, email marketing, and online content.

- **In-Store Merchandising:** Effective placement and promotion of products within Sam's Club stores and warehouses are essential for driving sales. This includes endcap displays, signage, and product arrangement.
- **Partnerships and Alliances:** Collaborations with suppliers, brands, and other companies can enhance Sam's club's product offerings and marketing reach.
- **Data Analytics and CRM:** Utilizing customer data for targeted marketing efforts and maintaining strong customer relationship management (CRM) systems is crucial for Sam's club's marketing and sales success.

Service:

- **Customer Assistance:** A significant portion of resources in the service segment is allocated to providing customer assistance within Sam's club stores. This includes customer service desks, associates available to answer questions, and assistance with locating products.
- **Returns and Exchanges:** Managing returns and exchanges is an important part of customer service. Resources are allocated to handle return transactions efficiently and ensure customer satisfaction.
- **Warranty and Product Support:** Sam's club offers warranty services and product support for certain products. Resources are dedicated to managing warranty claims and providing assistance with product-related issues.
- **Online Customer Support:** With the growth of e-commerce, Sam's club invests in online customer support, including live chat, email, and phone support for online shoppers.
- **Community Engagement:** Sam's club often engages in community initiatives and charitable activities. Resources are allocated to these efforts, which contribute to the company's reputation and community relationships.

Appendix 3.5



Appendix 3.6

Strengths	Weakness
<p>Cost/Quality Leadership: The business succeeds at providing goods or services that balance cost and quality in a way that appeals to consumers on a tight budget.</p> <p>Wide Selection: The company offers a variety of goods and services to meet the needs and preferences of different clients, which increases its market attractiveness.</p> <p>Efficiency of the Company's Supply network: The company has a well-optimized supply network that guarantees prompt delivery of goods or services, lowers expenses, and lowers the risk of stockouts.</p> <p>Membership Model: Applying a membership or subscription model can produce a consistent revenue stream, encourage client loyalty, and develop a loyal clientele.</p>	<p>Limited Geographic or Market Presence: This could limit the company's ability to expand and the range of customers it can serve.</p> <p>R&D: If a business doesn't invest in research and development, it can find it difficult to innovate and stay on top of shifting market trends and client expectations.</p> <p>Organizational/Management Structure: A chaotic or inefficient management structure may cause problems with decision-making, communication, and general efficiency.</p> <p>Customer experience: The business may have trouble keeping customers and may receive unfavorable evaluations if it fails to deliver a seamless and gratifying customer experience.</p>

<p>Employee Policies: Effective employee policies, such as reasonable pay, benefits, and a supportive work environment, can boost productivity and employee happiness.</p>	
Opportunities	Threats
<p>Identity Advantage: By utilizing a distinctive brand identity or positioning, the business can stand out in a competitive market and draw clients who identify with its ideals or image.</p> <p>Skilled Workforce: The organization can gain from greater production and innovation by attracting and keeping skilled workers.</p> <p>E-commerce Development: As e-commerce continues to grow, there are chances to increase the company's online presence and attract more clients.</p> <p>other expansion: If a corporation can overcome cultural and governmental obstacles, exploring other markets can provide new revenue streams and broaden its clientele.</p>	<p>Economic downturns: Consumer spending may decline during economic recessions or downturns, which could have an effect on the revenue and profitability of the company.</p> <p>Competition in the business and online environments might make it difficult to attract and keep clients, which could result in price wars and margin pressure.</p> <p>Regulations: Changing regulatory environments can create compliance concerns, impacting corporate operations and sometimes resulting in penalties or legal repercussions.</p>

Appendix 3.7



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