

# *A Study on the Impact of the Rise of Sam's Club on Walmart's Financial Performance: Evidence from the Chinese Market*

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**Abstract.** In recent years, driven by digital transformation and consumption upgrading, China's retail industry has exhibited a pronounced trend of differentiation. Traditional hypermarkets have faced slowing growth and a contraction in offline stores, while membership-based warehouse clubs, represented by Sam's Club, have continued to expand rapidly. Taking the rise of Sam's Club in the Chinese market as a point of departure, this paper examines its impact on the financial performance and business structure of its parent company, Walmart. This study employs case analysis, comparative analysis, and the DuPont analysis method to decompose Walmart's financial data from 2019 to 2024 and integrates industry reports and market research data to assess the substitution effects of emerging retail formats on traditional supermarkets. The paper focuses on three core questions: the key drivers of growth under the Sam's Club model, its influence on Walmart Group's revenue and profitability, and whether membership-based new retail is replacing the traditional hypermarket format in China. The findings indicate that Sam's Club has achieved rapid expansion through a membership fee system, bulk-package sales, and private-label brand development. These strategies have enhanced revenue quality and asset turnover in the Chinese market, contributing positively to Walmart's return on equity. Meanwhile, new retail formats exhibit a clear substitution effect on traditional hypermarkets in first- and second-tier cities.

**Keywords:** Sam's Club, New Retail, Financial Performance, DuPont Analysis, Membership-Based Model

## **1. Introduction**

In recent years, driven by the diffusion of digital technologies, the upgrading of consumption structures, and the restructuring of supply chain systems, China's retail industry has shown an accelerating shift from traditional hypermarkets toward new retail formats. In particular, membership-based warehouse clubs represented by Sam's Club have expanded rapidly in first-tier and emerging first-tier cities. Their business model, characterized by high unit prices and strong member loyalty, has exerted a significant impact on traditional supermarkets.

Against this backdrop, Walmart, as a global retail giant, has attracted increasing attention regarding its strategic adjustments and financial performance in the Chinese market. However,

existing studies have mainly focused on conceptual discussions of new retail or case analyses of platform-based enterprises, while relatively limited attention has been paid to how emerging offline retail formats exert reverse influences on the financial structure and operating performance of multinational retail corporations.

Taking the rise of Sam's Club as the analytical entry point, this study integrates industry data, corporate annual reports, and third-party research reports and employs case analysis, comparative analysis, and the DuPont analysis method to systematically examine Walmart's financial performance from 2019 to 2024. The study addresses three core questions. First, what are the driving mechanisms behind the rapid growth of Sam's Club in China? Second, how has this retail format affected the parent company's revenue structure, profitability, and financial leverage? Finally, is the new retail model replacing traditional hypermarkets and reshaping the competitive landscape of China's retail industry?

The significance of this study lies in revealing, from both financial and strategic perspectives, the reverse driving effects of new retail models on traditional retail enterprises. The findings provide practical insights for multinational retailers in terms of business layout, model innovation, and financial decision-making in the Chinese market, while offering quantitative evidence for evaluating the commercial value of new retail formats.

## 2. Literature review

### 2.1. Studies on new retail and traditional retail models

In recent years, the substitution effect of new retail formats on traditional hypermarkets has become increasingly evident. Existing studies generally suggests that new retail enhances product turnover and customer reach efficiency through data-driven merchandise decision-making, online–offline integration, and supply chain digitalization. As consumers place greater emphasis on shopping efficiency, delivery timeliness, and refined services, traditional hypermarkets face structural challenges such as declining sales volumes and rising inventory pressure.

Meanwhile, membership-based retailing is widely regarded as a key format for strengthening customer loyalty in the new retail era. Centered on prepayment mechanisms and the bundling of consumer rights and benefits, membership models enhance customer stickiness by offering high-quality products and differentiated services. Membership fees constitute a stable source of revenue, while stringent product selection reinforces consumer trust. Driven primarily by middle- and high-income consumer groups, membership-based retail has experienced rapid growth and contributed to the transformation of traditional retail value-creation logic [1].

### 2.2. Research progress on membership-based warehouse club models

As a distinctive retail format, membership-based warehouse clubs have achieved a relatively mature stage of development in international markets. Their core characteristics include low gross margins, high inventory turnover, profit generation primarily through membership fees, minimalist store design, and bulk-package sales. Although membership fees account for a limited share of total revenue, they contribute a substantial share of overall profits and support the sustainability of low-margin operations. By reducing intermediaries, leveraging large-scale procurement, and developing private-label brands, warehouse clubs effectively lower operating costs and enhance operational efficiency [2]. Domestic studies further indicate that the success of Sam's Club in China is largely attributable to precise customer targeting, consumption upgrading, and differentiated supply chain

systems. The integration of warehousing and sales space reduces inventory handling costs, while digitalized supply chains improve logistics efficiency. Private-label brands have also become a core source of competitiveness by enhancing perceived value and membership renewal intentions [3].

### 2.3. Studies on financial performance of retail enterprises and dupont analysis

From a financial performance perspective, membership-based warehouse clubs exhibit distinct advantages under the DuPont framework. Stable membership fee income and private-label development contribute to improvements in net profit margin. Integrated warehousing and large-volume procurement accelerates inventory turnover and reduces capital tied up in assets. Regarding the equity multiplier, membership-based retailers generally adopt relatively prudent expansion strategies; measures such as minimalist store design help maintain a moderate equity multiplier and financial risk level [4].

Overall, while existing studies provide a solid foundation for understanding the operational and financial characteristics of membership-based warehouse clubs, limited research has examined their impact on parent companies's group-level financial performance. Systematic analyses based on the DuPont framework remain limited. Therefore, it is necessary to incorporate the Chinese market context and Walmart's financial data to examine how the expansion of Sam's Club influences group-level profitability, asset turnover, and capital structure.

## 3. Growth characteristics and driving factors of Sam's Club

### 3.1. Overview of the case company: Sam's Club and Walmart

Walmart Inc. is one of the world's largest retail enterprises, operating across multiple formats, including hypermarkets, membership-based warehouse clubs, neighborhood stores, and e-commerce. Since entering the Chinese market in 1996, Walmart has gradually developed around traditional hypermarkets, with Sam's Club serving as a premium growth engine. In recent years, as customer traffic in traditional hypermarkets has declined, Sam's Club has become the most dynamic and fast-growing format within Walmart's China operations.

Sam's Club opened its first store in China in Shenzhen in 1996. With sustained expansion in recent years, it has been widely regarded as a key driver of business structure upgrading within Walmart's China operations. An examination of Sam's Club's development is therefore of representative significance for understanding changes in Walmart's financial performance.

### 3.2. Market expansion of Sam's Club in China

After a prolonged period of relatively slow growth following its market entry in 1996, Sam's Club entered a phase of rapid expansion beginning in 2019. By the end of 2023, the number of Sam's Club stores in China had increased from 24 in 2019 to 47, with locations spanning first-tier cities such as Beijing, Shanghai, Guangzhou, and Shenzhen, as well as emerging first-tier cities including Hangzhou, Chengdu, and Wuhan. Figure 1 presents a line chart of changes in the number of Sam's Club stores, compiled based on company disclosures and media reports. The figure clearly illustrates that following 2019, Sam's Club experienced a period of accelerated store expansion in China. Rapid expansion has been accompanied by sustained growth in the membership base. According to Walmart's financial reports, the number of paid members in China increased by more than 25% year-on-year in 2023, while the membership renewal rate remained stable at over 80%, indicating strong customer loyalty [5].



Figure 1. Number of Sam's Club stores in mainland China

Third-party reports further suggest that Sam's Club has achieved significant omnichannel sales in China. A study released by Node Finance in early 2025 reported that Sam's Club China's omnichannel sales reached approximately RMB 100.5 billion in 2024, with online sales accounting for around 48%–50% of total sales [6]. These data indicate that Sam's Club has become one of Walmart's key growth drivers in China, with its strategic importance continuing to rise steadily.

### 3.3. Business model and core competencies

Sam's Club's competitive advantage derives from the interaction of its membership fee system, curated merchandise strategy, and warehouse-style operating structure. Through stringent SKU selection, the company concentrates on high-demand and high-quality bulk commodities, reducing unit costs via large-package offerings while maintaining product quality and price competitiveness [7]. Warehouse-style displays minimize decoration expenses and repetitive handling, thereby improving turnover efficiency and reinforcing consumers' perception of value for money.

The membership fee system constitute a central mechanism of this model. The prepayment mechanism encourages more frequent store visits and increases repeat purchase rates, while simultaneously providing the firm with stable cash flows, enabling Sam's Club to sustain a low-margin, high-efficiency operating strategy. The willingness of members to continue paying fees is contingent upon the coordinated delivery of products and services, through which consumers can perceive clear and sustained value from the overall shopping experience [7]. Accordingly, Sam's Club integrates merchandise quality with members-exclusive services such as product sampling, rapid restocking, online services, and after-sales support to form an end-to-end value proposition.

### 3.4. Key drivers of Sam's Club's growth

The rapid growth of Sam's Club in China is driven by multiple factors, including product competitiveness, cost structure, the membership system, and evolving consumption trends. First, consistent and high-standard product quality reduces members' decision-making costs and purchasing risks, strengthening brand trust and supporting repeat purchases [8]. Second, large-scale procurement and supply chain integration generate substantial cost advantages. Economies of scale enable Sam's Club to offer competitive pricing while effectively controlling costs to secure higher profitability. By maintaining relatively low prices on the basis of high quality, Sam's Club becomes particularly attractive in a market environment where price sensitivity and quality sensitivity coexist [8].

Finally, the expansion of China's middle class has propelled bulk purchasing and stock-up consumption into the mainstream, with consumers increasingly inclined to buy large quantities of

goods for storage. This demand aligns closely with Sam's Club's bulk-packaging strategy and directly contributes to higher average transaction values and faster inventory turnover. In addition, continuous improvements in digital operations, online services, and the membership system have allowed Sam's Club to expand its growth potential while preserving the advantages of the offline shopping experience. The convergence of these multiple growth drivers has enabled Sam's Club to establish a sustainable and replicable model of rapid expansion in the Chinese market.

## **4. Analysis of the impact of Sam's Club's growth on Walmart's financial performance**

### **4.1. Overview of Walmart's financial performance over the past five years**

During the period from FY2021 to FY2025, Walmart exhibited steady revenue growth accompanied by a recovery in profitability. Consolidated operating revenue increased from approximately USD 559,200 million in FY2021 to about USD 680,985 million in FY2025, maintaining a continuous upward trend. Revenue growth was particularly pronounced from 2023 to 2025 (2023: USD 611,289 million; 2024: USD 648,125 million; 2025: USD 680,985 million) [1].

In terms of profitability, Walmart's consolidated net profit experienced a decline followed by a rebound. From 2021 to 2022, consolidated net profit remained in the range of USD 13,000–14,000 million. In 2023, it declined to approximately USD 11,300 million due to multiple factors, before recovering to around USD 16,300 million in 2024 and further increasing to about USD 20,200 million in 2025. This trend indicates improvements in gross margin management and expense leverage, resulting in a resilient recovery in earnings.

From a segment perspective, Walmart U.S. remained the primary revenue contributor, accounting for roughly 70% of total revenue, with net sales increasing from USD 420,600 million in 2023 to USD 462,400 million in 2025. Sam's Club and the international segment also expanded in parallel. Net sales of Sam's Club increased from USD 84,300 million to USD 90,200 million between 2023 and 2025, with membership income making a notable contribution to operating profit during this period.

With respect to cash flow and capital expenditures, Walmart continued to generate strong operating cash flows while maintaining substantial investments in fixed assets and technology to support retail operations and digital transformation. Capital expenditures have shown an upward trend in recent years. At the same time, the company sustained dividend payments and opportunistic share repurchases as part of its capital return policy, reflecting a balance between growth and shareholder returns.

Overall, over the past five years, Walmart has achieved revenue expansion and profit recovery by leveraging its large-scale consumer base, membership and warehouse club revenues (Sam's Club), and improvements in e-commerce and supply chain efficiency. This has created favorable conditions for further enhancement of group-level financial indicators through the continued development of formats such as Sam's Club.

### **4.2. Changes in financial structure under dupont analysis**

Based on data collected from Walmart's officially released financial statements for the period 2020–2024, key indicators—including net income, operating income, total assets, and shareholders' equity—were compiled and organized into the table below. Further calculations were conducted to derive ROA and ROE, as well as financial indicators such as net profit margin, asset turnover, and financial leverage. These indicators are illustrated in the following line charts (Figures 2–4).

Table 1. Major financial data of Walmart, 2020–2024 (e.g. unit: USD million)

	Net Income	Operating Income	Total Assets	Shareholders' Equity
2020	14881	20568	236495	74669
2021	13510	22548	252496	87531
2022	13673	25942	244860	91891
2023	11085	20428	243197	83991
2024	16272	27613	252399	90571



Figure 2. Trends in ROA and ROE of Walmart over the past five years



Figure 3. Trends in net profit margin and asset turnover

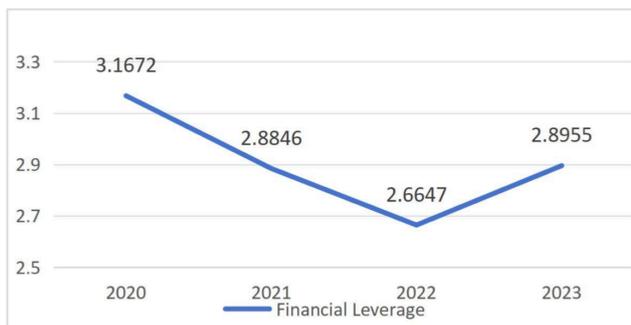


Figure 4. Trends in financial leverage

From the perspective of the DuPont analysis framework, Walmart's financial performance from 2020 to 2024 exhibits overall characteristics of restored profitability, enhanced operational efficiency, and a stable capital structure. First, regarding changes in net profit margin, Walmart maintained a relatively high net margin in 2020, followed by a noticeable decline during 2021–2022. The decrease in net margin was closely related to rising supply chain costs, increased e-commerce fulfillment expenses, and higher labor costs in the post-pandemic environment. With strengthened expense management, optimized merchandise assortment, and expanded scale procurement

advantages, net profit margin rebounded in 2023–2024, indicating the company's ability to maintain strong profitability despite a complex market environment.

Second, total asset turnover showed a gradual upward trend over the five-year period. Since 2020, Walmart has continuously advanced supply chain digitalization, improving asset utilization through automated sorting, intelligent inventory management, and more efficient transportation networks. Meanwhile, the rapid growth of e-commerce operations—such as in-store pickup and home delivery—has significantly increased transaction frequency and inventory turnover [9]. The expansion of Sam's Club in both China and North America has also contributed positively to turnover improvements. Its characteristics of bulk-packaging, high average transaction value, and fast turnover have further optimized asset efficiency. Thus, the increase in asset turnover reflects the effectiveness of Walmart's operational adjustments and digital transformation initiatives.

Finally, financial leverage declined during 2020–2022 and subsequently stabilized within a moderate range. This trend indicates that, following the pandemic and macroeconomic uncertainties, Walmart prioritized the robustness of its capital structure rather than relying on debt-driven expansion. By maintaining a moderate level of leverage, controlling the pace of capital expenditures, and optimizing the balance sheet, the company effectively managed overall financial risk.

In summary, Walmart achieved an improvement in ROE through a path centered on enhanced operational quality, characterized by the recovery of net profit margin, increased asset turnover, and stabilized financial leverage. Among these factors, the expansion of Sam's Club played a key role in improving both turnover efficiency and profit structure, delivering a sustained positive impact on Walmart's overall financial performance.

### **4.3. Impact of Sam's Club business growth on the parent company's financial indicators**

With the rapid expansion of Sam's Club in both the Chinese and global markets, its business performance has exerted a significant influence on Walmart's overall financial structure. In terms of profitability, Sam's Club's operating model—centered on membership fee income, a curated assortment of high-quality products, and bulk-package sales—has resulted in a net profit structure that is clearly superior to that of traditional hypermarkets. Membership fees constitute a stable, low-cost source of income, enhancing profit elasticity in the group's consolidated financial statements and helping to mitigate fluctuations in net profit margins. Moreover, Sam's Club's higher average transaction value and repeat purchase rate enable it to generate greater gross margins in categories such as food and daily necessities, thereby supporting the recovery-driven growth of Walmart's net profits in recent years [4].

From an operational efficiency perspective, Sam's Club's warehouse-style layout, low-SKU operating strategy, and large-scale procurement reduce inventory handling and operating costs while significantly accelerating merchandise turnover. Its high-turnover characteristics exert a positive pull on the parent company's total asset turnover ratio [4]. As Sam's Club continues to open new stores in China, its efficient operating model is gradually diluting the group's overall asset intensity, contributing to an overall improvement in Walmart's asset utilization efficiency.

With respect to capital structure, Sam's Club operates with a relatively limited number of stores, high sales efficiency per unit area, and controllable fixed asset investment. As a result, its expansion places considerably less pressure on the parent company's balance sheet compared with traditional hypermarket formats. The stability of cash flows generated by the Sam's Club business enhances Walmart's internal financing capacity, enabling the group to maintain a relatively low and stable level of financial leverage and thereby reducing overall capital risk.

## 5. Analysis of the substitution effect of new retail on traditional hypermarkets

The substitution of traditional hypermarkets by new retail formats is not a simple process of store closures, but rather a transformation in retail value creation—from a store-centered model to one structured around data, supply chains, and fulfillment. On the demand side, the digitalization of consumer shopping behavior has laid the foundation for the substitution effect. In 2023, China's online retail sales of physical goods reached approximately RMB 15.43 trillion, representing a year-on-year increase of 11%. The continued penetration of online channels has reshaped consumer expectations regarding speed, convenience, and price transparency [10]. On the supply side, new retail formats supported by refined supply chains and instant fulfillment capabilities have eroded the traditional advantages of the traditional hypermarkets derived from large scale store size and extensive physical coverage. New retail stores represented by Freshippo (Hema) adopt a store–warehouse integration layout, in which stores function simultaneously as retail outlets and front-end warehouses, significantly enhancing turnover and delivery speed. Research by Cheng et al. shows that between 2016 and 2024, new retail formats such as Hema expanded outlet density and fulfillment networks, reshaping the circulation patterns of fresh produce and fast-moving consumer goods in urban areas [11].

This transformation is particularly evident in Walmart China's store strategy. In recent years, Walmart has implemented store downsizing and structural adjustments, with reports indicating the closure of more than 80 traditional hypermarket stores between 2016 and 2020. At the same time, the company has gradually reallocated resources toward membership-based formats (Sam's Club), e-commerce, and home-delivery services to adapt to changing consumption patterns [12].

Moreover, the integration of instant retail platforms with supermarket chains has further amplified the substitution effect. For example, the combination of JD Daojia with local retail, Meituan's delivery network, and Freshippo's "minute-level" delivery capabilities have reduced the importance of physical distance in determining retail accessibility, thereby weakening consumers' reliance on large, suburban hypermarkets. Instant retail platforms such as JD Daojia have demonstrated rapid growth in recent years, with growth rates approaching or exceeding 50–70% in certain years, reinforcing consumer dependence on "immediate home delivery" and further compressing foot traffic to traditional hypermarkets [13].

In summary, new retail substitutes traditional hypermarkets by reshaping consumer expectations, enhancing supply chain and fulfillment efficiency, and building high-density, low-latency distribution networks in urban areas. Walmart's strategic moves—such as closing inefficient stores, expanding Sam's Club, and strengthening partnerships with local instant delivery platforms—provide a direct illustration of this transformation path.

## 6. Conclusion

Based on the DuPont analysis framework, this study examines the impact of membership-based warehouse clubs on the parent company's financial performance by integrating Walmart's financial data from 2020 to 2024 with the expansion of Sam's Club in the Chinese market. The findings indicate that the rapid growth of Sam's Club in China has promoted structural upgrading within Walmart's China operations and exerted a positive influence on the group's profitability, operational efficiency, and capital structure. Business mechanisms centered on membership fees, curated SKUs, bulk-package offerings, and a high-turnover model have provided stable income sources and relatively high asset utilization efficiency, thereby improving Walmart's net profit margin.

Meanwhile, warehouse-style operations and large-scale procurement have enhanced inventory and asset turnover, contributing to increases in ROA and ROE.

The study further shows that amid accelerating differentiation in retail competition, traditional hypermarket models can no longer rely solely on low pricing and extensive store expansion. Retailers must instead develop new value-creation paradigms based on digitalization, refined operations, and membership systems. Walmart's experience suggests that transitioning toward membership-based formats can improve revenue quality and operational efficiency. The rise of new retail is reshaping the retail landscape, requiring traditional retailers to accelerate investment in omnichannel development, integrated warehousing and distribution, and user operation strategies.

Despite establishing a relatively systematic analytical framework based on financial reports and public data, this study has limitations. Sam's Club's performance is not separately disclosed in Walmart's financial statements, limiting precise measurement of its contribution. In addition, the analysis relies mainly on macro-level data and does not fully capture micro-level consumer behavior. Future research may adopt cross-country samples to further test the applicability of membership-based models and their financial implications.

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