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# Bundled Benefits of Retail Memberships in Mexico



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# I. Executive Summary

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Customer benefit programs are gaining notable traction in Mexico, reflecting a global trend towards retailers offering a variety of customer benefits to compete in the highly competitive retail space, including subscription-based models that package multiple attributes. With an appreciating currency, decreasing unemployment, and increasing availability of internet access,<sup>4</sup> the Mexican consumer is poised more than ever to take advantage of customer benefit programs that leverage technology to bring consumers value.

This paper examines retail memberships the ways retailers are packaging collections of benefits in the Mexican market today, presenting findings from a survey assessing Mexican consumers' reactions to the attributes and features of customer benefit programs. Our research follows an analogous study of the US market ("US Bundling Study").<sup>5</sup> We find that although the range of features included in retail membership in Mexico is less diverse than in the US market, Mexican consumers enjoy the available features and would be eager to see bundled offerings expand.

Bundled<sup>6</sup> goods and services have the potential to benefit both consumers and sellers. Retailers benefit from offering bundled goods, for instance via cost and efficiency savings, reduced customer attrition, mitigation of demand uncertainty, increased revenue generation, and product differentiation.<sup>7</sup> Retailers may offer bundles including items from partner brands, synergistically benefitting both brands. Retailers' cost savings may be passed through to consumers via lower prices. Academic studies have estimated bundled price savings across a variety of product markets, with

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<sup>4</sup> See, e.g., "Mexico Country Commercial Guide: Internet and Digital Economy," *International Trade Administration*, November 5, 2023, available at <https://www.trade.gov/country-commercial-guides/mexico-internet-and-digital-economy>, last accessed April 15, 2024; Daniel Zaga and Alessandra Ortiz, "Mexico economic outlook, 2023," *Deloitte*, available at <https://www2.deloitte.com/us/en/insights/economy/americas/mexico-economic-outlook.html>, last accessed April 15, 2024.

<sup>5</sup> Rosa Abrantes-Metz, Mame Maloney, and Jeff Brazell, "Bundled Benefits of Retail Memberships," December 2023, available at <https://ccianet.org/research/reports/bundled-benefits-retail-memberships/>. An abridged version of this paper was published as "Unraveling The Bundled Benefits Of Retail Memberships," *Law360*, January 29, 2024.

<sup>6</sup> "Bundle" is a concise term commonly used to describe any service with multiple attributes offered as a package. The term "bundle" is used for simplicity and brevity in this paper to refer to customer benefit programs with multiple attributes offered as a package, including both paid subscription memberships and free memberships such as loyalty programs.

<sup>7</sup> Section II.A below provides an overview of the literature discussing retailer benefits from bundling.

several studies documenting typical savings of approximately 10%.<sup>8</sup> However, the literature also provides examples of product bundles costing more than the individual components purchased separately.<sup>9</sup> This suggests that in some cases, bundles may pose a challenge to consumers in assessing the total price and value of the bundle.

Aside from pricing considerations, bundles have the potential to enhance customer satisfaction by helping simplify purchase decisions.<sup>10</sup> Bundles can also provide customers with features they may not have purchased on a standalone basis, and they may benefit from the availability of these options. However, bundles can also reduce customer flexibility if components are not sold on a standalone basis. Bundled packages may not cater to individual preferences, as they are often designed to appeal to a broad audience. Consumers may feel that they have to compromise on their specific needs, in particular if they feel constrained by provider choice limitations (for example, feeling that they are forced to purchase a bundle that offers free Disney+, when they would really prefer Netflix).

To assess consumer reaction to bundled elements, we conducted a consumer survey, collecting responses from 1,001 participants. The survey assessed consumers' current membership subscriptions, their attitudes towards the features included with each membership, their frequency of use of such features, and the trade-offs consumers make when choosing between different memberships with different attributes. To assess these elements, we administered a survey questionnaire focusing on paid memberships at four of the largest Mexican retailers: Walmart Pass, Sam's Club, Costco, and H-E-B Prime. Our findings are described in detail in Section IV. Our key findings are as follows.

### Customers Enjoy (or Would Enjoy) Bundled Features in Retail Memberships

- When assessing both the current features of existing retail memberships, or hypothetical bundled features that could be included, the majority of Mexican consumers respond with delight. Such customers also anticipate making use of such features on a frequent basis.
- Even given the overall positive reception garnered by membership features, we still observe heterogeneity among consumer reactions. For each feature, some consumers respond with delight, some finding the feature “as expected,” and some indifferent whether or not it is included.
- We observe very few respondents reacting negatively to the inclusion of features in membership bundles, even if they do not plan on using the feature. This suggests that customers do not feel

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<sup>8</sup> Section II.B below provides an overview of the literature discussing price savings.

<sup>9</sup> Estelami, Hooman, “Consumer Savings in Complementary Product Bundles,” *Journal of Marketing*, Summer 1999: 107-114. The findings in the paper are based on gathering prices on 400 product bundles in fast food, computer equipment, and photography equipment.

<sup>10</sup> See Harris, Judy and Edward A. Blair, “Consumer Preference for Product Bundles: The Role of Reduced Search Costs,” *Journal of the Academy of Marketing Science*, 34(4), 2006, 506-513.

constrained when a benefit is offered from a non-preferred provider, but instead are simply indifferent.

## Customers Often Subscribe to Multiple Memberships

- Subscribing to multiple competing memberships—also known as “multi-homing”—is common among respondents. This reinforces the conclusion that in general, consumers do not feel constrained by provider choice limitations. If provided with a bundle component from a non-preferred brand, consumers are free to also patronize their preferred brand.
- Specifically, we find that big-box store members are very likely to subscribe to another big-box membership (**81%** on average).
- When examining a larger set of paid retail memberships, the majority of respondents multi-home, with **78%** of respondents with paid memberships having two or more such memberships, 57% have three or more memberships, and **22%** have **five or more** paid memberships.<sup>11</sup>
- Big-box store members are likely to also be members of other retail membership programs and vice versa. We observe **93%** of Amazon Prime subscribers have a paid membership with at least one other retailer.<sup>12</sup> We similarly observe **98%** of Meli+ subscribers have a paid membership with at least one other retailer.<sup>13</sup>

## How Membership Features Drive Consumers’ Purchase Decisions

- Of all membership attributes explored, price plays the most important role in respondents’ purchase decisions, suggesting the necessity for retailers to offer competitive prices.
- Other membership features—such as video streaming, free shipping, or store credit card—all have the ability to influence consumers’ purchase decisions between retail memberships.
- We find that each big-box store membership is associated with positive consumer surplus, which quantifies the net benefit that consumers receive when they purchase a good or service at a price lower than what they would be willing to pay. Market-wide, consumer surplus for all four retail memberships is approximately MXN \$1.4 billion.

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<sup>11</sup> In addition to Walmart Pass, Sam’s Club, Costco, and H-E-B Prime memberships, we additionally inquired whether respondents had purchased memberships at Amazon Prime, Meli+, Rappi Delivery, and UberPass.

<sup>12</sup> Among Walmart Pass, Sam’s Club, Costco, H-E-B Prime, or Meli+.

<sup>13</sup> Among Walmart Pass, Sam’s Club, Costco, H-E-B Prime, or Amazon Prime.

## II. Literature Review

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As discussed in the US Bundling Study, various aspects of bundling have been explored in the academic literature, including quantifying consumer price savings from bundles; discussions of retailer benefits of bundling; and studies of consumer perceptions of bundled goods.

### A. Retailer Benefits of Bundling

Retailers derive benefits from offering bundled goods, including cost and efficiency savings, reduced customer attrition, mitigation of demand uncertainty, increased revenue generation, and product differentiation.

**Cost and efficiency savings.** Sellers generally save on marginal costs when they bundle goods or services because it reduces per unit transaction costs with buyers and per unit negotiation costs with upstream suppliers. These savings, which may come from packaging, inventory maintenance, accounting, and marketing costs,<sup>14</sup> often exceed any additional fixed costs companies may incur by supplying bundled goods.<sup>15</sup> For example, bundles allow sellers to make efficient joint orders from their upstream suppliers rather than have to order individual products, reducing fixed transaction costs per purchase.<sup>16</sup> Bundling also gives certain types of sellers more bargaining power with their upstream suppliers, allowing them to purchase inputs at lower costs compared to other sellers.<sup>17</sup> In addition, sellers can spend less on marketing each individual good to consumers.<sup>18</sup>

**Enhancing Customer Loyalty.** Bundling often reduces the costs of customer retention for retailers. For example, Gopalakrishnan (2021) found that the customers who had the highest number of pre-loyalty program visits and the lowest number of pre-loyalty visits experienced the largest reductions in the likelihood they would go on a hiatus from patronizing a business after a loyalty program is

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<sup>14</sup> Pindyck, Robert S., "Lecture Notes on Bundling and Brand Proliferation: 15.013 – Industrial Economics for Strategic Decisions," *Sloan School of Management MIT*, July 2018.

<sup>15</sup> Evans, David S. and Michael Salinger, "An Empirical Analysis of Bundling and Tying: Over-the-Counter Pain Relief and Cold Medicines," *Center for Economic Studies and ifo Institute*, Working Paper No. 1297, October 2004.

<sup>16</sup> Kohli, Rajeev and Heungsoo Park, "Coordinating Buyer-seller Transactions Across Multiple Products," *Management Science*, 40(9), 1994, 1145-1150.

<sup>17</sup> Crawford, Gregory S. and Ali Yurukoglu, "The Welfare Effects of Bundling in Multichannel Television Markets," *American Economic Review*, 101(2), 2012, 643-685.

<sup>18</sup> "How does the Right Loyalty Program Help in Lowering Operational Costs?," Novus Loyalty, May 25, 2022, <https://www.novusloyalty.com/blog/how-does-the-right-loyalty-program-help-in-lowering-operational-costs/> (last accessed November 8, 2023).

introduced.<sup>19</sup> In comparison, moderate visitors only experienced a non-significant increase in frequency of visit rather than decrease in attrition rates. This may be because the most frequent customers anticipate the loyalty program will allow them to receive rewards and give them a high return, while least frequent customers may be incentivized to increase their use of the service.<sup>20</sup>

Furthermore, bundling helps companies reduce consumer churn when the seller is part of a declining or turbulent market where there is high turnover in services or service providers. In particular, a seller may choose to bundle both the declining good and a more popular good (e.g., cable television and broadband) to encourage consumers to stay with their services rather than swap to a new service provider who may offer only the updated good.<sup>21</sup>

**Mitigating demand uncertainty.** Bundling allows sellers to more effectively mitigate losses caused by demand uncertainty. This is because it gives the seller ability to clear excess inventory of the primary product if supply exceeds demand, and allows them to extract additional value from the secondary product when demand exceeds supply.<sup>22</sup>

**Increased revenue generation.** Many of the business efficiencies created by bundles are through increased revenue generation. The highest price a customer is willing to pay for a product varies greatly from product to product. Bundles can increase revenue by smoothing out that variation.<sup>23</sup> Bundling can also increase revenues by enhancing consumer loyalty to the seller or brand, making it more likely they will purchase from these sellers repeatedly and engage in word-of-mouth marketing.<sup>24</sup>

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<sup>19</sup> Gopalakrishnan, Arun, et. al. pp. 3, 28.

<sup>20</sup> Gopalakrishnan, Arun, et. al. pp. 35.

<sup>21</sup> Prince, Jeffrey and Shane Greenstein, "Does Service Bundling Reduce Churn?," *Journal of Economics and Management Strategy*, 23(4), 2014, 839-875.

<sup>22</sup> Cao, Qingning, Xianjun Geng, Kathryn E. Stecke, and Jun Zhang, "Operational Role of Retail Bundling and Its Implications in a Supply Chain," *Production and Operations Management*, 28(8), 2019, 1903-1920.

<sup>23</sup> If a customer is willing to pay a lot for product A and not much for product B, bundling them together ensures that a retailer can get, at minimum, the margins they need for both product A and B. Before bundling, they might be losing money on product B, and the number of times product A or B was purchased was likely lower. Thus, bundling can increase total purchase frequency and purchase amount. See Wu, Weijie, Richard T.B. Ma, and John C.S. Lui, "Exploring Bundling Sale Strategy in Online Service Markets with Network Effects," *IEEE Conference on Computer Communications*, 2014, 442-450.

<sup>24</sup> Üner, M. Mithat, Faruk Güven, S. Tamer Cavusgil, "Bundling of telecom offerings: An Empirical Investigation in the Turkish market," *Telecommunications Policy*, 39(1), 2015, 53-64; Wertz, Jia, "The Perks Of A Great Loyalty Program," *Forbes*, September 26, 2021, <https://www.forbes.com/sites/jiawertz/2021/09/26/the-perks-of-a-great-loyalty-program/?sh=7e0fb0632b2e> (last accessed June 8, 2023); McMillen, Jenn, "Costco Next Is A Best-Kept Secret: Here's Why," *Forbes*, April 20, 2023, <https://www.forbes.com/sites/jennmcmillen/2023/04/20/costco-next-is-a-best-kept-secret-heres-why/?sh=18d0ddacb772> (last accessed July 12, 2023).

## B. Consumer Price Savings from Bundles

The literature provides empirical estimates of price savings from bundled goods, which vary across industries and products:

- Estelami (1999) finds the average consumer savings in product bundles is **8%**, with the range varying from **57%** at the highest to **-18%** at the lowest level (where negative estimated savings indicate the bundle is more expensive than the individual components purchased separately).<sup>25</sup> The findings in the paper are based on gathering prices on 400 product bundles in fast food, computer equipment, and photography equipment. Negative savings are more common in fast food bundles than in photo equipment or personal computer bundles.
- Evans and Salinger (2004) estimate **30% to 50%** price savings from purchasing over-the-counter pain relief and cold medicines that combine multiple active ingredients, versus purchasing medicines for each active ingredient separately.<sup>26</sup>
- Kim et al (2009) finds **10%** average price savings for travel products purchased as a bundle from online travel agents, versus purchasing each product separately.<sup>27</sup>
- Garfinkel et al. (2006) finds a median savings rate of **10%** on bundles of technology products such as cameras and printers relative to buying them individually.<sup>28</sup>

The literature contains few empirical studies of cost savings from bundled goods due to inherent challenges in measuring the standalone price of the component goods and features comprising a bundle. Estelami (1999) describes many of these challenges, motivating the paper's eventual selection of three industries for price study. In many industries such as medical care, price advertising is limited, which means that sufficient data on bundle prices and individual components is difficult to obtain.<sup>29</sup> In

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<sup>25</sup> Estelami, Hooman, "Consumer Savings in Complementary Product Bundles," *Journal of Marketing*, Summer 1999: 107-114. The findings in the paper are based on gathering prices on 400 product bundles in fast food, computer equipment, and photography equipment.

<sup>26</sup> Evans, David S. and Michael Salinger, "An Empirical Analysis of Bundling and Tying: Over-the-Counter Pain Relief and Cold Medicines," *Center for Economic Studies and ifo Institute*, Working Paper No. 1297, October 2004.

<sup>27</sup> Kim, Jinhoo, David C. Bojanic, and Rodney B. Warnick, "Price Bundling and Travel Product Pricing Practices Used by Online Channels of Distribution," *Journal of Travel Research*, 47(4), May 2009, 403-412. The estimate of 10% is based on the finding reported on p. 409: "The mean prices charged by online travel agents were lower than the prices charged by the individual service providers for the separate components of the bundle (\$1,269 and \$1,417, respectively)".  $10\% = 1 - 1269/1417$ .

<sup>28</sup> Garfinkel, Robert, Ram Gopal, Arvind Tripathi, and Fang Yin, "Design of a shopbot and recommender system for bundle purchases," *Decision Support Systems*, 42(3), 2006, 1974-1986. The estimate of 10% is based on the finding reported on pp. 1981-1982: "For each bundle we solved the problem using both CPLEX and our algorithm and compared the resulting savings using the sum of the individually-cheapest prices of items in the bundle as a benchmark... The median savings rate was 10%, and in nearly 10% of the cases the percentage savings were over 20%."

<sup>29</sup> Rao, Preethi, Shira H. Fischer, Mary E. Vaiana, and Erin Audrey Taylor, "Barriers to Price and Quality Transparency in Health Care Markets," *RAND Health Quarterly*, 9(3), June 2022, 1.



other industries, goods are effectively sold as bundles of varying attributes and features which are not sold individually. For example, automobiles are typically sold in a range of trim packages, but the vehicle features and components are not sold individually and thus the retail price of each individual feature is never defined in isolation from the total vehicle package.

## C. Consumer Perception of Bundles

Rosa Abrantes-Metz, Mame Maloney, and Jeff Brazell study consumer perceptions of bundled benefits of retail memberships in the paper “Bundled Benefits of Retail Memberships” (“US Bundling Study”).<sup>30</sup> The US Bundling Study finds consumers value the additional features in bundled memberships, but that consumers’ preferences for specific bundled elements are heterogeneous.

Other literature also shows that consumers generally perceive bundled goods and services positively, with bundles seen as cost-saving and value-adding.<sup>31</sup> Bundles can reduce search cost and search effort for consumers, allowing them to find and enjoy products without needing to expend time and effort researching product options.<sup>32</sup>

Leveraging consumers’ positive perceptions can help sellers acquire and retain customers while also increasing consumer satisfaction. In particular, bundles and loyalty programs that offer price discounts help sellers attract consumers into the program, while experiential discounts offered by bundled services prompt consumers to stay in the program.<sup>33</sup> Consumer perceptions are also affected by how involved consumers are with sellers and with the loyalty programs.<sup>34</sup>

Importantly, the mere presence of bundles changes consumers’ evaluation of the products or services in comparison to those same products individually. Consumers, especially first time users, are more

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<sup>30</sup> Rosa Abrantes-Metz, Mame Maloney, and Jeff Brazell, “Bundled Benefits of Retail Memberships,” December 2023, available at <https://ccianet.org/research/reports/bundled-benefits-retail-memberships/>. An abridged version of this paper was published as “Unraveling The Bundled Benefits Of Retail Memberships,” *Law360*, January 29, 2024.

<sup>31</sup> Heeler, Roger M., Adam Nguyen, and Cheryl Buff, “Bundles = discount? Revisiting complex theories of bundle effects,” *Journal of Product & Brand Management*, 16(7), November 6, 2007, 492–500; Collins, Emily, and Anjali Lai, “The Psychology Of Points,” *Forrester*, May 8, 2018, [https://www.forrester.com/report/The-Psychology-Of-Points/RES139651?reference=twitter&utm\\_source=twitter&utm\\_medium=ppc&utm\\_campaign=msbg\\_cx\\_cert&categoryid=2826672](https://www.forrester.com/report/The-Psychology-Of-Points/RES139651?reference=twitter&utm_source=twitter&utm_medium=ppc&utm_campaign=msbg_cx_cert&categoryid=2826672) (last accessed October 30, 2023).

<sup>32</sup> Harris, Judy and Edward A. Blair, “Consumer Preference for Product Bundles: The Role of Reduced Search Costs,” *Journal of the Academy of Marketing Science*, 34(4), 2006, 506-513.

<sup>33</sup> Boudet, Julien, Jess Huang, and Ryter von Difloe, “Coping with the big switch: How paid loyalty programs can help bring consumers back to your brand (Exhibit 3),” McKinsey & Co, October 22, 2020, <https://www.mckinsey.com/capabilities/growth-marketing-and-sales/our-insights/coping-with-the-big-switch-how-paid-loyalty-programs-can-help-bring-consumers-back-to-your-brand> (last accessed October 30, 2023).

<sup>34</sup> Jeon, Hoseong and Youjae Yi, “Effects of Loyalty Programs on Value Perception, Program Loyalty, and Brand Loyalty,” *Journal of the Academy of Marketing Science*, 31(3), June 2003, pp. 229-240.

likely to see an all-inclusive price package as providing more value.<sup>35</sup> Not only that, goods that are made part of a bundle are perceived as one unit, with consumers being more dissatisfied with the loss of a good or service from a bundle than the loss of that singular good/service in isolation,<sup>36</sup> and as such, are willing to pay more for the restoration of the complete bundle. Consumers who participate in bundled services, especially those who already hold a favorable attitude towards loyalty programs, are also likely to enjoy a feeling of higher status and increased belonging due to potential perceived exclusivity of the membership (for products such as elite credit cards, etc.),<sup>37</sup> thus increasing consumer satisfaction overall.<sup>38</sup>

How bundles are presented will also have a large impact on consumer perception. Displaying the price of individual components of a bundle may increase perceptions of fairness and value, especially when it is clear how the sum of component prices differs from the total package price.<sup>39</sup> In addition, although consumers will infer cost savings and form a favorable impression of a bundle in the absence of other information, if they discover that the bundle is actually undiscounted, they will switch to a negative reaction to the bundle.<sup>40</sup>

When introducing a new product or brand, bundling allows sellers to take advantage of effects associated with existing products or brands and use them in marketing the new good or service. Consumers are more likely to view a new product positively if it is associated with an existing product they already feel positively about.<sup>41</sup> This effect also applies to brands. Attitudes towards the existing brand's product or service in the bundle can influence the perception of the bundle that contains the new product, the product sold individually, and the brand that produces the new product.<sup>42</sup> Finally,

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<sup>35</sup> Naylor, Gillian and Kimberly E. Frank, "The Effect of Price Bundling on Consumer Perceptions of Value," *Journal of Services Marketing*, 15(4), 2001, 270-281.

<sup>36</sup> Fishbach, Ayelet and Franklin Shaddy, "Seller Beware: How Bundling Affects Valuation," *American Marketing Association*, 54(5), 2017, 737-751.

<sup>37</sup> Arbore, Alessandro and Zachary Estes, "Loyalty program structure and consumers' perceptions of status: Feeling special in a grocery store?," *Journal of Retailing and Consumer Services*, 20(5), 2013, 439-444.

<sup>38</sup> Söderlund, Magnus, "Can the label 'member' in a loyalty program context boost customer satisfaction?," *The International Review Of Retail, Distribution And Consumer Research*, 29(3), 2019, 340-357.

<sup>39</sup> Tanford, Sarah, Mehmet Erdem, and Seyhmus Baloglu, "Price Transparency Of Bundled Vacation Packages," *Journal of Hospitality & Tourism Research*, 35(2), May 2011, 213-234.

<sup>40</sup> Nguyen, Adam, Roger M. Heeler, and Cheryl Buff, "Consumer perceptions of bundles," *Journal of Product & Brand Management*, 18(3), 2009, 218-225.

<sup>41</sup> Simonin, Bernard L., and Julie A. Ruth, "Bundling as a Strategy for New Product Introduction: Effects on Consumer's Reservation Prices for the Bundle, the New Product, and Its Tie-In," *Journal of Business Research*, 33(3), 1995, 219-230.

<sup>42</sup> Sheng, Shibin and Yue Pan, "Bundling as a new product introduction strategy: The role of brand image and bundle features," *Journal of Retailing and Consumer Services*, 16(5), 2009, 367-376.

consumers will also be more likely to accept a new innovation or unfamiliar technology if it is presented in a bundle with a complementary good.<sup>43</sup>

### III. Bundling Strategies Used by Retailers

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A variety of bundling strategies is employed by retailers. We start by providing a market-wide summary, and we supplement our discussion with featured examples of bundles offered by retailers, illustrating the various attributes of bundles with real-world examples.

#### Market-wide Summary

**Figure 1** below provides an overview of the Mexican retail market, focusing on the top 20 Mexican retailers by revenue in 2022.<sup>44</sup> **Five** of these 20 companies offer paid membership programs. Paid retail memberships are less common than in the US market, in which nearly half of the top 20 retailers offer paid memberships.<sup>45</sup>

In Mexico, the prices of top retailers' paid memberships range from MXN **\$499** to over **\$1500** annually, substantially lower than the prices of retail memberships in the US.<sup>46</sup> For example, the Walmart Pass membership in Mexico costs MXN \$499/yr, compared to the cost of a Walmart+ membership in the US of MXN \$1,632/yr. A portion of this nominal price difference is explained by cost of living differences between the two countries. The cost of consumer packaged goods in Mexico is estimated to be 23% lower than in the US.<sup>47</sup> The remainder of the price difference is due to the narrower range of benefits currently included in retail memberships in Mexico, discussed in more detail below.

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<sup>43</sup> Reinders, Machiel, Ruud T. Frambach, and Jan P.L. Schoormans, "Using Product Bundling to Facilitate the Adoption Process of Radical Innovations," *Journal of Product Innovation and Management*, 27(7), 2010, 1127-1140.

<sup>44</sup> <https://500empresas.expansion.mx/table>, last accessed March 2024. Retail companies were selected by restricting to companies with "Sector" containing the word "comercio."

<sup>45</sup> See US Bundling Study, documenting 8 of the top 20 retailers offer paid memberships. Since the publication of the US Bundling Study, Target (the 7<sup>th</sup> largest US retailer in 2022) launched a paid membership program ("Get Ready: Target Circle is Getting Even Better with Three New — and Easy — Ways to Shop and Save," Target press release, March 5, 2024, available at <https://corporate.target.com/news-features/article/2024/03/target-circle-loyalty-program>, last accessed March 2024).

<sup>46</sup> See US Bundling Study, Figure 1.

<sup>47</sup> David Argente, Chang-Tai Hsieh, and Munseob Lee, 2023, "Measuring the Cost of Living in Mexico and the United States," *American Economic Journal: Macroeconomics*, 15 (3): 43-63.

**FIGURE 1: TOP 20 MEXICAN RETAILERS AND PAID MEMBERSHIP PROGRAMS**

#	Company	2022 Mexican Retail Sales (MXN\$Millions)	Paid Membership Programs and Annual Fee
1	Walmart de México	\$819,169	Walmart Pass: \$499 MXN/yr
2	Grupo Comercial Chedraui	\$259,326	<i>n/a</i>
3	Grupo Coppel	\$247,532	<i>n/a</i>
4	FEMSA Comercio (Oxxo)	\$233,958	<i>n/a</i>
5	El Puerto de Liverpool	\$176,034	<i>n/a</i>
6	Organización Soriana	\$166,013	<i>n/a</i>
7	Sam's Club	\$161,678	Membresía Clásica: \$500 MXN/yr Membresía Benefits: \$650 MXN/yr Membresía Plus: \$1,100 MXN/yr
8	Corporativo Fragua	\$97,918	<i>n/a</i>
9	FEMSA División Salud	\$74,800	<i>n/a</i>
10	Tiendas Elektra	\$70,400	<i>n/a</i>
11	Costco de México	\$70,000	Dorada: \$500 MXN/yr Negocio: \$500 MXN/yr Dorada Ejecutiva: \$1,100 MXN/yr Negocio Ejecutiva: \$1,100 MXN/yr
12	Grupo Sanborns	\$64,807	<i>n/a</i>
13	H-E-B México	\$58,500	H-E-B Prime: \$499 MXN/yr
14	Farmacias del Ahorro	\$55,000	<i>n/a</i>
15	Casa Ley	\$52,000	<i>n/a</i>
16	Grupo Inditex México	\$49,800	<i>n/a</i>
17	Grupo Palacio de Hierro	\$45,632	<i>n/a</i>
18	The Home Depot México	\$42,210	<i>n/a</i>
19	Mercado Libre de México	\$37,466	Meli+: \$129.90 MXN/mnth
20	La Comer	\$33,436	<i>n/a</i>

Sources: Top 20 retailers and annual sales from <https://500empresas.expansion.mx/table>; membership information from individual company websites.

The paid memberships listed in Figure 1 above were introduced at different times. The traditionally members-only stores entered the market in the early 1990s. While the other retailers entered the Mexican market in the late 1990s but did not introduce paid subscriptions until post-COVID.

- **Sam’s Club and Costco**—both traditionally members-only warehouse stores—entered the Mexican market in the early 1990s.<sup>48</sup>
- Walmart entered the Mexican market in 2000.<sup>49</sup> The **Walmart Pass** membership rolled out nationwide in Mexico in **2021**, soon after the introduction of the Walmart+ in the US.<sup>50</sup>
- H-E-B entered the Mexican market in 1997.<sup>51</sup> The **H-E-B Prime** membership was introduced in July **2021**.<sup>52</sup>
- Mercado Libre, a digitally-native retailer, was founded in 1999.<sup>53</sup> The **Meli+** membership launched in August **2023**.<sup>54</sup>

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<sup>48</sup> The first Sam’s Club in Mexico opened in 1991 (<https://corporate.walmart.com/about/international/walmart-mexico>, last accessed April 2024). In 1992, Mexican retailer Price Club was founded; in 1993, Price Club merged with Costco to form PriceCostco (Fernanda Pintle, “Así se veía Costco cuando abrió su primera tienda en 1983 en un hangar de San Diego,” *Business Insider Mexico*, June 23, 2022, available at [https://businessinsider.mx/costco-primera-tienda-mexico-price-club-historia\\_negocios/](https://businessinsider.mx/costco-primera-tienda-mexico-price-club-historia_negocios/) (last accessed April 15, 2024)).

<sup>49</sup> <https://corporate.walmart.com/about/international/walmart-mexico> (last accessed April 13, 2024).

<sup>50</sup> Sarah Perez, “Walmart+ launches Sept 15, offering same-day delivery, gas discounts and cashierless checkout for \$98/yr,” *TechCrunch*, August 31, 2020, <https://techcrunch.com/2020/08/31/walmart-plus-launches-sept-15-offering-same-daydelivery-for-98-per-year-plus-gas-discounts-and-cashierless-checkout/> (last accessed September 23, 2023).

<sup>51</sup> Karen Raugust, “Exploring H-E-B: Making Inroads in Mexico,” *Produce Bluebook*, April 21, 2021, available at <https://www.producebluebook.com/2021/04/21/exploring-h-e-b-making-inroads-in-mexico/> (last accessed April 13, 2024).

<sup>52</sup> H-E-B 2021 Informe Anual, p.17, available at <https://hebazdocumentos.blob.core.windows.net/rhdocumentos/Informe%20HEB%202021%20Final.pdf> (last accessed April 15, 2024); H-E-B México Facebook Post “Únete a H-E-B Prime,” July 12, 2021, available at <https://www.facebook.com/hebmexico/photos/a.10150151260849163/10158571933769163/> (last accessed April 15, 2024).

<sup>53</sup> William Barnett, Gary Mekikian, Christy Johnson, “The Rise of Mercado Libre,” *Stanford Business Case Studies*, 2020, available at <https://www.gsb.stanford.edu/faculty-research/case-studies/rise-mercado-libre> (last accessed April 13, 2024).

<sup>54</sup> Christopher Calderón, “Meli+: Mercado Libre le hace la competencia a Amazon con su nuevo servicio de suscripción,” *El Financiero*, August 30, 2023, available at <https://www.elfinanciero.com.mx/empresas/2023/08/30/merli-mercado-libre-le-hace-la-competencia-a-amazon-su-nuevo-servicio-de-suscripcion/>, last accessed April 15, 2024.

## Common Membership Features

Figure 2 below summarizes the range of bundled benefits included in retail memberships in Mexico.

- All of the members include exclusive or discounted **fulfillment** options, such as free shipping with order minimums.
- Only **one** membership offers **streaming** media subscriptions: Meli+ (Mercado Libre’s paid membership program) offers subscriptions to Disney+ and Star+ streaming services.<sup>55</sup>
- Brands also operating in the **US** offer **different** membership features in each country. For example, the Walmart+ membership in the US includes streaming subscriptions to Paramount+ and Pluto TV; in contrast, the Walmart Pass membership in Mexico does not include streaming.
- **Three** retailers offer **health and wellness** benefits, such as discounted prescriptions, free vision or hearing screenings, and access to the store’s optical center which provides discounted eyeglasses.
- As seen in the US market, each membership offers a **heterogeneous selection of benefits**, offering some of these benefits but not others.

FIGURE 2: SUMMARY OF BUNDLED BENEFITS OFFERED BY RETAILERS WITH PAID MEMBERSHIP PROGRAMS

Features Available Exclusively (or at a Discount) to Members	Number of Brands Offering Feature	Walmart de México	Sam’s Club	Costco de México	H-E-B México	Mercado Libre
Fulfillment Options	5	X	X	X	X	X
Bundled Benefits via Partner Brands	2		X			X
Media Subscriptions	1					X
Health and Wellness Benefits	3	X	X	X		
Store Brand Products	3		X	X	X	
Monthly Store Credit	2	X				X

Source: individual company websites.

<sup>55</sup> Meli+, Mercado Libre, available at [https://www.mercadolibre.com.mx/suscripciones/melimas#origin=banner\\_menu\\_web&DEAL\\_ID=&S=MKT&V=1&T=BM&L=BM\\_loyalty\\_MELI+&me.bu=9&me.audience=all&me.content\\_id=BM\\_LOYALTY\\_MELIMAS\\_NOUSUARIOS\\_NEWCOLO](https://www.mercadolibre.com.mx/suscripciones/melimas#origin=banner_menu_web&DEAL_ID=&S=MKT&V=1&T=BM&L=BM_loyalty_MELI+&me.bu=9&me.audience=all&me.content_id=BM_LOYALTY_MELIMAS_NOUSUARIOS_NEWCOLOR&me.component_id=banner_menu_web_ml&me.logic=user_journey&me.position=0&me.bu_line=36&me.flow=146)R&me.component\_id=banner\_menu\_web\_ml&me.logic=user\_journey&me.position=0&me.bu\_line=36&me.flow=146, last accessed March 5, 2024.

## Examples Seen in the Market

In addition to being employed by retailers, bundling strategies are seen across customer-facing industries in Mexico, including media, telecommunications, banking and travel.

**Mercado Libre** provides the largest online commerce platform in Latin America. Mercado Libre’s online-only presence and emphasis on financial software sets it apart from other leading retailers in the Mexican market.<sup>56</sup> Mercado Libre’s MXN\$129.90



MXN monthly membership, Meli+, includes free shipping with order minimum of MXN \$299, and streaming subscriptions at Disney+ and Star+.<sup>57</sup> The inclusion of benefits from partner brands is an opportunity for both Mercado Libre and the partner brand to provide products to consumers that may not be purchased on a standalone basis, in a cost-effective manner.



In the wireless sector, **AT&T Mexico** allows members to subscribe to a number of partner platforms, including Netflix and Spotify, with an AT&T number.<sup>58</sup>

**Telcel**, a Mexican wireless communications provider, offers a loyalty program, CírculoAzul Telcel, that costs MXN \$5.04 for a year-long membership. Among other features, members enjoy health care, auto and travel benefits.<sup>59</sup>



**Citibanamex**, Mexico’s second largest bank, also extends unique bundled benefits as part of their credit card packages. For example, Citibanamex’s platinum credit card accumulates 10% in reward points for every purchase made using the card.<sup>60</sup> Rewards points can be used on entertainment events, retailer purchases, travel, and dining. Unlike bundle benefits observed in the American market for



<sup>56</sup> Russell Brandom, “Why Amazon Isn’t the Amazon of Latin America,” *Rest of World*, August 31, 2023, available at <https://restofworld.org/2023/exporter-amazon-mercadolibre/>, last accessed April 13, 2024 .

<sup>57</sup> Meli+, *Mercado Libre*, available at [https://www.mercadolibre.com.mx/suscripciones/melimas#origin=banner\\_menu\\_web&DEAL\\_ID=&S=MKT&V=1&T=BM&L=BM\\_loyalty\\_MELI+&me.bu=9&me.audience=all&me.content\\_id=BM\\_LOYALTY\\_MELIMAS\\_NOUSUARIOS\\_NEWCOLO R&me.component\\_id=banner\\_menu\\_web\\_ml&me.logic=user\\_journey&me.position=0&me.bu\\_line=36&me.flow=146](https://www.mercadolibre.com.mx/suscripciones/melimas#origin=banner_menu_web&DEAL_ID=&S=MKT&V=1&T=BM&L=BM_loyalty_MELI+&me.bu=9&me.audience=all&me.content_id=BM_LOYALTY_MELIMAS_NOUSUARIOS_NEWCOLO R&me.component_id=banner_menu_web_ml&me.logic=user_journey&me.position=0&me.bu_line=36&me.flow=146), last accessed March 5, 2024.

<sup>58</sup> <https://www.att.com.mx/acerca-de-entretenimiento.html>

<sup>59</sup> Beneficios y Promociones – CírculoAzul, *Telcel*, available at <https://www.telcel.com/personas/planes-de-renta/circulo-azul/beneficios>, last accessed April 15, 2024

<sup>60</sup> Tarjeta de Crédito Platinum Citibanamex, Citibanamex, available at <https://www.banamex.com/es/personas/tarjetas-credito/tarjeta-platinum.html>, last accessed April 15, 2024

banks addition, Citibanamex also offers different types of insurance benefits including homeowner and life insurance.<sup>61</sup>

**Reforma**, a major Mexican newspaper, provides discounts on entertainment events and other rewards along with subscription.<sup>62</sup> Rewards include receiving newspaper before 7:30 am, access to exclusive events and sites, and discounts.



## IV. Consumer Survey

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To provide an in-depth evaluation of the features included in retail memberships, we conducted a survey of 1,001 customers, using a variety of survey techniques to evaluate consumers' attitudes towards, expected utilization of, and willingness to pay for specific attributes of memberships. Our survey covers four paid memberships offered by some of the largest Mexican retailers: Walmart Pass, Sam's Club, Costco, and H-E-B Prime.

In order to ensure respondents were familiar with big-box stores, we restricted to respondents who would consider shopping at a big-box store, and who had the decision-making power over their household's retail membership purchase decision.<sup>63</sup>

In the survey, we focused on the following attributes found in one or more big-box memberships:

- Membership price per year;
- Free shipping with order minimum;
- Monthly store credit to spend in the store;

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<sup>61</sup> Promociones y Descuentos Citibanamex, Citibanamex, available at <https://www.banamex.com/sitios/promociones/>, last accessed April 15, 2024.

<sup>62</sup> <https://www.reforma.com/clubdesuscriptores/beneficios.asp>

<sup>63</sup> Respondents were not allowed to complete the survey if they reported that they “rarely or never” shopped at big-box stores and “likely would not” or “definitely would not” consider shopping at a big-box store. Respondents were only allowed to complete the survey if they had significant influence over their household's decision to purchase a big-box membership (eliminating respondents with slight or no influence). Responses were further screened if respondents quit the survey partway through, or if they completed the survey so rapidly that it was unlikely they read the survey questions. After these screening steps, there were 1,001 completions of the survey.



- Video streaming services (Netflix, Disney+, and Star+);
- Health and wellness benefits such as savings on prescriptions, free eye exams, and access to store vision center with discounted eyeglasses;
- Availability of store credit card with cashback rewards at the store;
- Store distance from home;
- Buy online pickup in store (BOPIS) or curbside; and
- Access to store brand products not available to non-members.

## A. Membership and Multi-homing

The majority of respondents (**85%**) had a paid membership at one or more of the big-box stores in our survey (the remaining 15% did not have memberships at any of these four stores).<sup>64</sup>

**Figure 3** below lists the number of respondents, out of the total sample of 1,001, who are members of each of the four stores. In addition, the figure summarizes the propensity of respondents to “multi-home” or subscribe to more than one retail membership. We find that it is common for members of any one big-box store to purchase a membership at an additional store, with an average of **81%** of members of big-box stores included in our survey choosing to be members at more than one big-box store. **Figure 3** provides additional detail on the rate of multi-homing between each pair of stores. For example, among Walmart Pass subscribers in the survey, 76% also subscribe to Sam’s Club, and 69% also subscribe to Costco. The lowest amount of overlap is seen with H-E-B Prime, likely due to the regional nature of the H-E-B chain.<sup>65</sup>

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<sup>64</sup> See Appendix Figure 3 for counts of respondents by number of memberships purchased at the big-box stores in our survey.

<sup>65</sup> H-E-B has 84 store locations in Mexico (including Mi Tienda and eFC locations), concentrated in the northeast. See <https://hebmexico.com.mx/>, last accessed April 13, 2024.

FIGURE 3: RESPONDENTS' MEMBERSHIP IN BIG-BOX STORES

Membership	# Members	# Members with more than one membership	% Members with more than one membership	Also Members of:			
				Walmart Pass	Sam's Club	Costco	H-E-B Prime
Walmart Pass	336	294	88%		76%	69%	33%
Sam's Club	677	487	72%	38%		61%	19%
Costco	536	458	85%	43%	77%		23%
H-E-B Prime	163	155	95%	69%	80%	75%	
		<b>Average:</b>	<b>81%</b>				

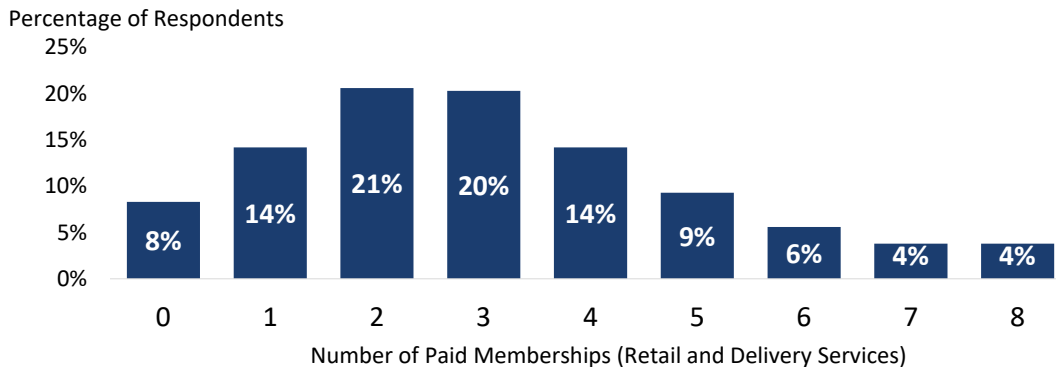
Source: Consumer survey.

### Additional Retail Memberships

Although not a primary focus of our survey, we additionally asked respondents whether they currently owned memberships at Amazon Prime, Meli+, Rappi Delivery, and UberPass.

Considering these additional brands alongside the four big-box stores, we find that the vast majority of respondents (**92%**) had at least one paid membership among the full set of brands considered. Furthermore, the majority of respondents multi-home. Of the respondents with paid memberships, **78%** have two or more such memberships, 57% have three or more memberships, and **22%** have **five or more** memberships. **Figure 4** below summarizes membership rates among respondents.

FIGURE 4: RESPONDENTS' NUMBER OF PAID RETAIL AND DELIVERY MEMBERSHIPS



Source: Consumer survey.

Although Amazon is not among the top retailers in Mexico based on dollar sales, the subscription was popular among respondents, with 67% of respondents reporting Amazon Prime memberships. Of the Amazon Prime members in the survey, the vast majority multi-homed: **93%** had at least one other paid membership with another retailer. **Figure 5** below provides a detailed breakdown of the membership overlap between the big-box store, Amazon Prime, and Meli+.

**FIGURE 5: OVERLAP BETWEEN MEMBERSHIP IN BIG-BOX STORES, AMAZON PRIME, AND MELI+**

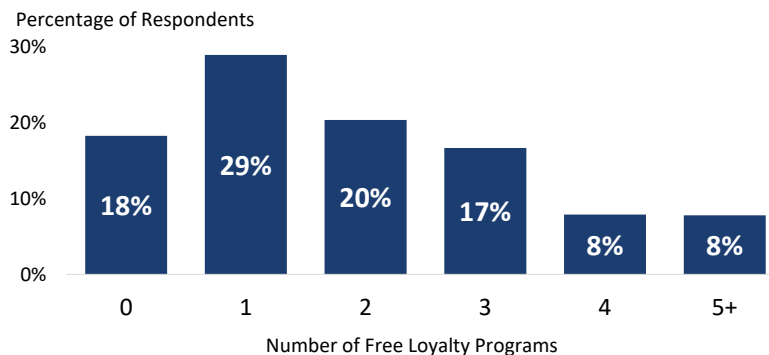
Membership	# Members	# Members with more than one membership	% Members with more than one membership	Also Members of:					
				Walmart Pass	Sam's Club	Costco	H-E-B Prime	Meli+	Amazon
Walmart Pass	336	326	97%		76%	69%	33%	35%	82%
Sam's Club	677	610	90%	38%		61%	19%	25%	73%
Costco	536	509	95%	43%	77%		23%	26%	76%
H-E-B Prime	163	161	99%	69%	80%	75%		54%	75%
Meli+	203	198	98%	57%	84%	68%	43%		80%
Amazon	667	621	93%	41%	74%	61%	18%	24%	
			<b>Average:</b>	<b>94%</b>					

Source: Consumer survey.

## Free Loyalty Programs

We additionally investigated respondents' participation in the following free loyalty programs: MiChedraui, Spin Premia, Soriana Plus or Soriana Ya, Puntos Sanborns, El Club de Beneficios, Privilegia Ley, and Monedero Naranja. We found multihoming less common than for paid retail or delivery memberships. With paid memberships, owning 2 or 3 memberships is more common than owning only one; this is not true among free loyalty programs, where it is most common to belong to only a single such program. We still find, however, that the majority of respondents are willing to participate in multiple loyalty programs.

**FIGURE 6: RESPONDENTS' NUMBER OF FREE LOYALTY PROGRAMS**



Source: Consumer survey.

## Income Breakdown of Members

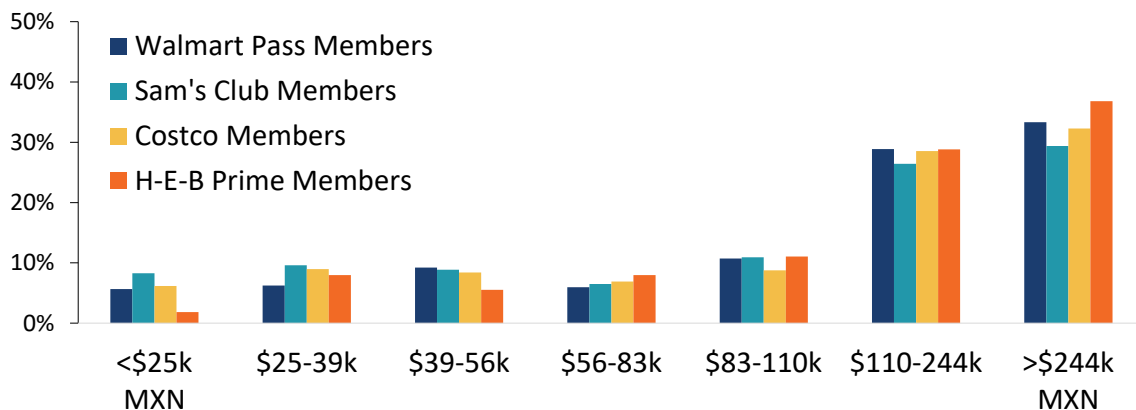
The US Bundling Study documented a difference in income distributions between members of each of the four big-box stores studied. In particular, Costco members were significantly more likely than non-members to be in the highest income bracket, where as Sam's Club members were significantly *less* likely than non-members to be in the highest income bracket. In the US market, this is consistent with the idea of certain brands having a premium or prestige status, and other brands being seen as

discount options, and such brands would potentially draw customers from different segments of the market.

In Mexico, the income distribution of members is similar across all four brands studied. **Figure 7** below shows the distribution of incomes for members of each big-box store. Members of any of the four stores are more likely to be in higher income brackets, and less likely to be in lower income brackets. Brand-specific breakdowns are provided in **Appendix Figure 4** through **Appendix Figure 7**, comparing the income distribution of members versus non-members.

The similarity of the income distributions among members of the four big-box stores suggests that each of these stores is competing for a similar segment of the market, rather than specializing in catering to specific market segments. As we discuss further in the next section, while brand has an important effect on consumers' decision making, the presence of other features also has a strong ability to sway the purchase decision (see Figure 8). Together, these findings suggest that product differentiation via the inclusion of additional bundled membership elements may be particularly important in the Mexican market.

**FIGURE 7: DISTRIBUTION BY INCOME OF MEMBERS IN BIG-BOX STORES**



Source: consumer survey.

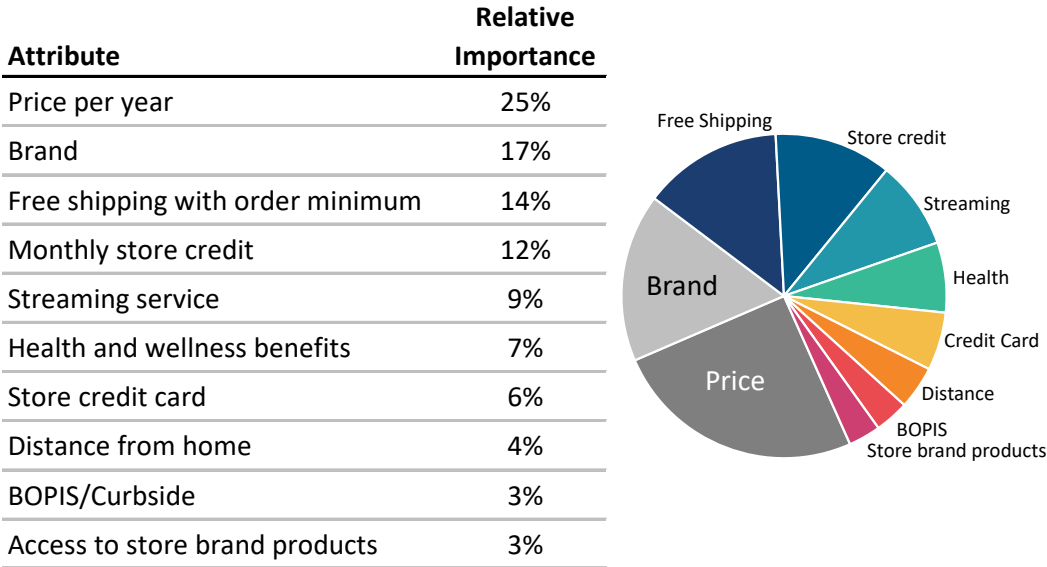
## B. Importance of Product Features to Customers' Purchase Decisions

To assess how consumers make tradeoffs between products, we employed a conjoint choice task survey methodology. In the conjoint choice task, respondents were asked to select among four hypothetical big-box membership subscriptions, based on randomized values of price, brand, bundled benefits included with the membership, and other membership features. **Appendix Figure 1** lists the product attributes and possible levels tested in the survey. **Appendix Figure 2** provides an example of a conjoint choice task presented to respondents.

The conjoint methodology allows us to observe which product features are most likely to drive a customer’s choice between products, referred to as the “relative importance.” **Figure 8** below shows the relative importance of each of the attributes studied in the survey. The percentage values can be interpreted relative to each other (for example, an attribute with “relative importance” of 20% is twice as important as an attribute with “relative importance” of 10%).

As can be seen in the figure, the most important elements driving customers’ decisions are the brand of the store and the membership price per year. This suggests that offering competitive pricing is very important for retail subscription memberships.

**FIGURE 8: RELATIVE IMPORTANCE OF MEMBERSHIP ATTRIBUTES**



Source: Consumer survey.

### C. Consumers’ Willingness to Pay for Membership Attributes

In addition to assessing the relative importance to the consumer’s purchasing decision, the conjoint survey methodology allows us to assess the dollar value consumers place on each product feature, referred to as the “willingness to pay” (“WTP”). The WTP is measured by assessing the tradeoffs customers made between different hypothetical product bundles, given the different price points presented.

**Figure 9** below presents the WTP for each of the membership attributes studied, showing the value consumers are willing to pay for each level of that attribute, in MXN per year. The WTP amounts for each attribute are measured relative to the implicit MXN \$0 consumers would pay when the attribute

is not offered at all.<sup>66</sup> For example, we find that the WTP for a Netflix subscription is MXN \$224. This means that consumers would be willing to pay an extra MXN \$224 per year for a retail membership, all else equal, if it includes a Netflix subscription.

**FIGURE 9: WILLINGNESS TO PAY FOR MEMBERSHIP ATTRIBUTES  
(ALL AMOUNTS IN \$MXN)**



Source: Consumer survey.

Below, we discuss some of the key takeaways from the WTP assessment, tying these findings into the larger discussions of customer welfare.

### Price Discrimination and Synergies

We find that consumers’ WTP for streaming services is far less than the standalone price of these subscriptions. For example, consumers in the survey would be willing to pay an additional MXN **\$224** per year for a membership that included a Netflix streaming subscription. Purchased separately, a Standard Netflix subscription would cost MXN **\$2,628** per year.<sup>67</sup>

<sup>66</sup> For the “store distance from home” attributes, the WTP amounts are measured relative to a store located more than 20 kilometers from home, which is normalized to MXN \$0.

<sup>67</sup> <https://help.netflix.com/en/node/24926/mx>, last accessed April 15, 2024. The “Standard with ads” plan costs \$99 MXN/month; the “Standard” plan costs \$219 MXN/month, and the Premium plan costs \$299 MXN/month.

Based on the difference between the WTP and the full price of a standalone membership, we can infer bundling may allow companies to reach customers who may not have otherwise purchased the product because the standalone price was too high. This is an example of “price discrimination,” in which a seller charges different prices to different customers for the same product.<sup>68</sup> This structure benefits sellers by allowing them to capture additional customers (reducing so-called “deadweight loss”). This structure can also benefit customers if they are able to access the good for a lower price than they would have been able to pay on a standalone basis (increasing so-called “consumer surplus”).

Specifically, selling a bundle of goods for less than the sum cost of the individual goods comprising the bundle is a type of second-degree price discrimination.<sup>69</sup> This strategy may reduce the seller’s per-unit costs, since the marginal marketing costs are minimized when the product is bundled, as the bundle benefits from each component product’s marketing efforts.<sup>70</sup> Second-degree price discrimination also gives sellers a cost-effective method to implement market segmentation: separating customers into groups that can be targeted with different strategies (in this case, the market is segmented by whether the customer is willing to purchase the standalone goods or requires price savings from the bundle).<sup>71</sup>

## Consumer Surplus

Consumer surplus quantifies the net benefit that consumers receive when they purchase a good or service at a price lower than what they would be willing to pay. In other words, consumer surplus corresponds to the extra satisfaction consumers derive from a purchase.

Following the approach in the paper “Economic Valuation of Product Features” by Allenby, Brazell, Howell, and Rossi, we compute consumer surplus based on the conjoint survey responses.<sup>72</sup> For this calculation, we define a “feature rich” state of the world containing the four big-box stores covered by our survey with the actual prices charged and attributes included with each membership. We contrast this against a “feature poor” state of the world, which we configure as missing one of the competitors. In other words, we measure the consumer surplus for Costco by asking the question, “If Costco closed, but you could still have a membership with Walmart Pass, Sam’s Club, or BJ’s, what surplus have you lost?”

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<sup>68</sup> Mankiw, Gregory, *Principles of Economics: 8<sup>th</sup> Edition*, (Boston: Cengage Learning, 2016), 303.

<sup>69</sup> Black, John, Nigar Hasimzade, and Gareth Myles, “Second-Degree Price Discrimination,” in *A Dictionary of Economics 3<sup>rd</sup> Edition*, (Oxford: Oxford University Press, 2009).

<sup>70</sup> Yan, Ruiliang, Chris Myers, John Wang, and Sanjoy Ghose, “Bundling products to success: The influence of complementarity and advertising,” *Journal of Retailing and Consumer Services*, 21(1), 2014, 48–53.

<sup>71</sup> McDonald, Malcolm, Martin Christopher, and Margrit Bass, “Market segmentation,” *Marketing*, 41–65, 2003, 46.

<sup>72</sup> Allenby, Greg M., Jeff D. Brazell, John R. Howell, and Peter E. Rossi, “Economic Valuation of Product Features,” *Quantitative Marketing and Economics*, 12(4), 2014, 421–456.

**Figure 10** below provides estimates of consumer surplus for members of each club store (as the concept of consumer surplus is based on people who purchased a product). We then scale the per-member surplus by the total number of members for each club store, to provide the total market-wide consumer surplus. Taken together, the total market-wide consumer surplus for all four retail memberships is approximately MX \$1.4 billion.

**FIGURE 10: ESTIMATED CONSUMER SURPLUS**

<b>Membership</b>	<b>Per-Member Consumer Surplus (MXN)</b>	<b>Number of Members</b>	<b>Total Consumer Surplus (MXN)</b>
Walmart Pass	\$400	2 M	\$788 M
Sam's Club	\$53	4 M	\$211 M
Costco	\$107	3 M	\$337 M
H-E-B Prime	\$54	1 M	\$52 M
<b>Total</b>		<b>10 M</b>	<b>\$1.4 B</b>

Notes and sources:

- Per-member consumer surplus estimated using consumer survey.
- Costco Mexican membership estimated as the number of global members, multiplied by the percentage of Costco’s global locations located in Mexico. In 2022, Costco had 65.8 million members worldwide (Costco 2023 Form 10-K, p. 5). In 2022, it had 838 locations globally, 40 of which are in Mexico (Costco 2023 Form 10-K, p. 41).
- The remaining brands do not publish estimates of their membership (neither worldwide nor for Mexico specifically). We estimate the total number of Mexican members based on proportions observed in consumer survey responses, scaled by estimated number of Mexican Costco members.

## D. Consumer Preferences

To assess consumer reactions to features of retail memberships, we employed a Kano survey technique, named after Noriaki Kano, who pioneered this framework in 1984.<sup>73</sup> Using the Kano survey technique, we asked respondents how they would feel if a given option was a feature of a retail membership subscription. Consumers could respond that they would be delighted, they would expect the feature, they would not care, they would tolerate the feature, or they would not be happy with this feature. We posed the Kano assessment separately for each of the big-box stores, since consumers evaluate each feature within the context of what they know about the brand.

<sup>73</sup> Kano, Noriaki, Nobuhiko Seraku, Fumio Takahashi, and Shin-ichi Tsuji, “Attractive Quality and Must-Be Quality,” *Journal of the Japanese Society for Quality Control*, 41(2), 1984, pp. 39-48.



## Consumer Reactions to Membership Attributes

Below, **Figure 11** through **Figure 14** present the distribution of consumer reactions to each membership feature, for each of the four big-box stores, as evaluated by members of that store. Across all four big-box stores, the following patterns emerge:

- Among all four brands, **very few respondents reacted negatively** to membership attributes (as seen from the rightmost two columns in the figures below, indicating “I would tolerate it” or “I would not be happy” responses).
- Among all the product features examined, **free shipping** and **monthly store credit** received the highest level of delight from customers.
- **Netflix** received a more positive reaction than Disney+ and Star+, receiving a higher proportion of “I would be delighted” responses. Out of all attributes, **Disney+** and **Star+** received the highest proportion of “I do not care” responses.
- Walmart Pass, Costco, and Sam’s Club members expressed **proportionally similar levels** of delight and expectation with regards to the additional membership features. H-E-B Prime members were more likely to rate features “as expected,” despite the absence of many of these features from the H-E-B Prime membership.
- We observe **heterogeneity among individual consumer reactions** to each of the membership attributes, as seen by the variety of consumers delighted, expecting, or indifferent to each attribute (as seen in the leftmost three columns in the figures below).

**FIGURE 11: CONSUMER REACTIONS TOWARDS ATTRIBUTES OF WALMART PASS MEMBERSHIP**

**WALMART PASS MEMBERS:**

How Would You Feel if This Option Was Included With a Walmart Pass Membership?	I would be delighted	I would expect it	I would not care	I would tolerate it	I would not be happy
Free shipping with order minimum	64%	32%	3%	1%	0%
Monthly store credit	64%	31%	4%	1%	0%
Netflix	61%	29%	10%	0%	0%
Disney +	54%	32%	13%	1%	1%
Star +	52%	32%	13%	1%	1%
Health and wellness benefits	61%	33%	5%	0%	0%
Store credit card with cashback on store purchases	64%	29%	7%	0%	0%
Buy online pickup in store or curbside	57%	37%	5%	0%	1%
Access to store brand products	56%	36%	7%	1%	0%

Source: consumer survey.

**FIGURE 12: CONSUMER REACTIONS TOWARDS ATTRIBUTES OF SAM'S CLUB MEMBERSHIP**

**SAM'S CLUB MEMBERS:**

<b>How Would You Feel if This Option Was Included With a Sam's Club Membership?</b>	<b>I would be delighted</b>	<b>I would expect it</b>	<b>I would not care</b>	<b>I would tolerate it</b>	<b>I would not be happy</b>
Free shipping with order minimum	69%	28%	3%	1%	0%
Monthly store credit	71%	25%	4%	0%	0%
Netflix	66%	24%	9%	1%	0%
Disney +	57%	26%	15%	2%	0%
Star +	52%	27%	18%	2%	1%
Health and wellness benefits	66%	28%	5%	1%	0%
Store credit card with cashback on store purchases	65%	28%	6%	1%	0%
Buy online pickup in store or curbside	57%	35%	7%	1%	1%
Access to store brand products	57%	37%	5%	1%	0%

Source: Consumer survey.

**FIGURE 13: CONSUMER REACTIONS TOWARDS ATTRIBUTES OF COSTCO MEMBERSHIP**

**COSTCO MEMBERS:**

<b>How Would You Feel if This Option Was Included With a Costco Membership?</b>	<b>I would be delighted</b>	<b>I would expect it</b>	<b>I would not care</b>	<b>I would tolerate it</b>	<b>I would not be happy</b>
Free shipping with order minimum	69%	25%	6%	0%	0%
Monthly store credit	67%	29%	3%	1%	0%
Netflix	66%	25%	9%	1%	0%
Disney +	54%	30%	15%	1%	0%
Star+	50%	30%	19%	1%	1%
Health and wellness benefits	62%	32%	5%	1%	0%
Store credit card with cashback on store purchases	60%	32%	7%	1%	0%
Buy online pickup in store or curbside	51%	37%	11%	0%	0%
Access to store brand products	54%	39%	5%	1%	0%

Source: Consumer survey.

**FIGURE 14: CONSUMER REACTIONS TOWARDS ATTRIBUTES OF H-E-B PRIME MEMBERSHIP**

**H-E-B PRIME MEMBERS:**

<b>How Would You Feel if This Option Was Included With a H-E-B Prime Membership?</b>	<b>I would be delighted</b>	<b>I would expect it</b>	<b>I would not care</b>	<b>I would tolerate it</b>	<b>I would not be happy</b>
Free shipping with order minimum	50%	45%	2%	2%	0%
Monthly store credit	52%	39%	9%	1%	0%
Netflix	49%	44%	6%	2%	0%
Disney +	43%	48%	9%	1%	0%
Star +	46%	47%	6%	1%	1%
Health and wellness benefits	56%	37%	6%	1%	0%
Store credit card with cashback on store purchases	52%	43%	4%	1%	0%
Buy online pickup in store or curbside	52%	41%	6%	0%	1%
Access to store brand products	55%	38%	7%	1%	0%

Source: Consumer survey.

## Both Members and Non-Members Would be Delighted by the Inclusion of New Bundled Benefits

In the US Bundling Study, members of each retail subscription were more likely to express delight at the membership’s feature, even after controlling for respondent income and the total number of big-box retail memberships the respondent owns. This result suggests that people who have chosen to pay for a membership are more pleased with the features than people who have not purchased it. Moreover, in the US Bundling Study, this effect was similar across all memberships studied.

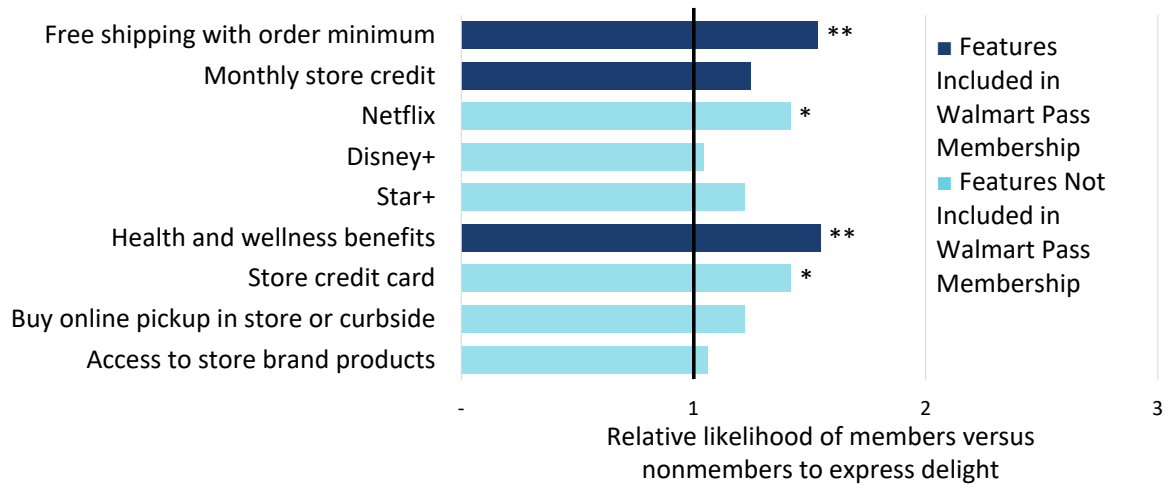
A different pattern emerges in the Mexican market, potentially due to the developing nature of the omnichannel retail market in Mexico. With the exception of Sam’s Club, we no longer observe members significantly more likely to be delighted than non-members; instead, we see roughly equal levels of delight among members and non-members, suggesting that potential buyers would be highly receptive to the introduction of additional features into memberships. We discuss each brand in turn.

**Figure 15** below presents the likelihood that Walmart Pass members will respond to membership attributes with delight, relative to non-members. The chart can be read as follows: a value of 1, indicated with a black line, means that members and non-members are equally likely to respond with delight. Values above 1 indicate that members are more likely to be delighted: for example, a value of 2 would mean members are twice as likely as non-members to be delighted.

In the chart, features actually included in a Walmart Pass membership are colored in dark blue, and other features are colored in light blue. For two of the membership attributes actually included in Walmart Pass memberships (free shipping with order minimum, and health and wellness benefits), Walmart Pass members are statistically significantly more likely to be delighted than non-members,

even after controlling for income and the total number of memberships owned by the respondent.<sup>74</sup> For the other membership attributes, Walmart Pass members and non-members are statistically equally likely to be delighted.

**FIGURE 15: RELATIVE LIKELIHOOD THAT WALMART PASS MEMBERS WILL RESPOND WITH DELIGHT AS COMPARED TO NON-MEMBERS**

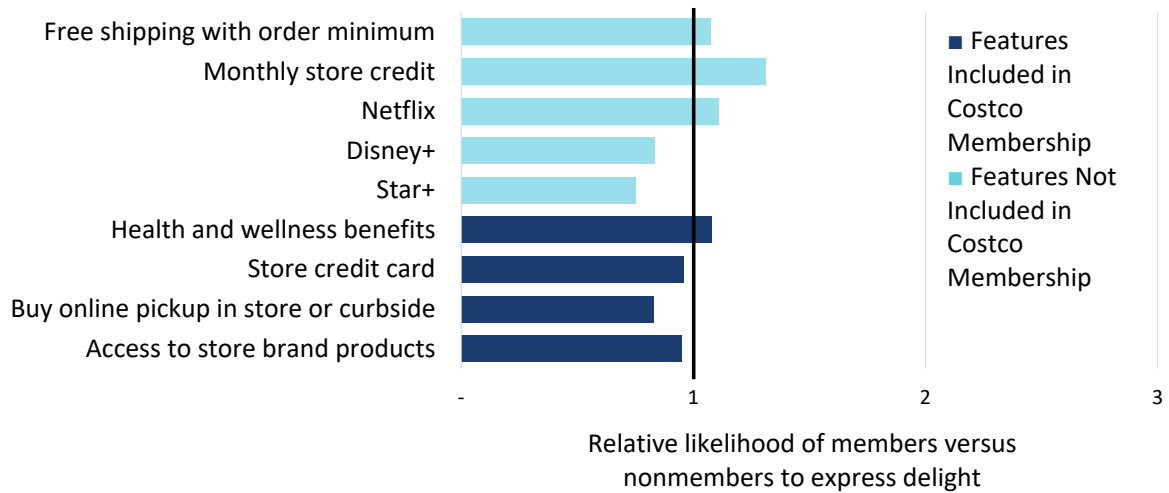


Source: Consumer survey. Next to each bar, stars indicate that members have a statistically significantly different probability of responding with delight, as compared to non-members, based on a logistic regression also controlling for income and number of big-box memberships owned: \*\*\*, \*\*, and \* indicate statistical significance at the 99%, 95%, and 90% levels, respectively.

<sup>74</sup> Based on a logistic regression controlling for income and number of big-box memberships owned.

**Figure 16** below provides results for Costco. For all attributes, regardless of whether they are included in a Costco membership, Costco members and non-members are equally likely to be delighted by the feature.

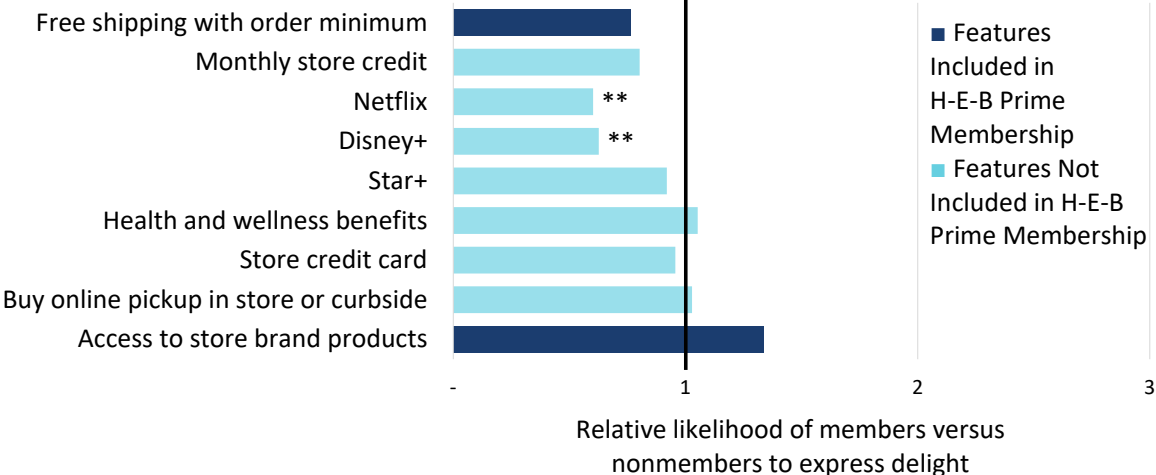
**FIGURE 16: RELATIVE LIKELIHOOD THAT COSTCO MEMBERS WILL RESPOND WITH DELIGHT AS COMPARED TO NON-MEMBERS**



Source: Consumer survey. Next to each bar, stars indicate that members have a statistically significantly different probability of responding with delight, as compared to non-members, based on a logistic regression also controlling for income and number of big-box memberships owned: \*\*\*, \*\*, and \* indicate statistical significance at the 99%, 95%, and 90% levels, respectively.

**Figure 17** provides a breakdown for H-E-B Prime members. For most membership attributes, H-E-B Prime members are equally likely to be delighted than non-members. The exceptions are two of the streaming features—Disney+ and Star+—for which H-E-B Prime members are statistically significantly *less* likely to be delighted than non-members. This suggests that current H-E-B non-members may be induced to purchase a membership if these kinds of streaming features were introduced, whereas current H-E-B members are happy with the existing set of features.

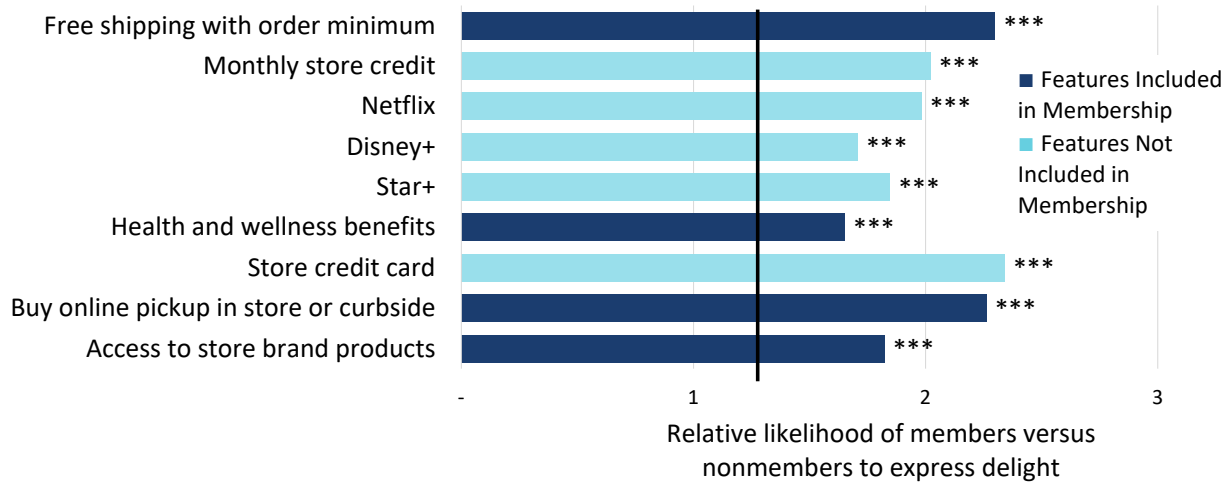
**FIGURE 17: RELATIVE LIKELIHOOD THAT H-E-B PRIME MEMBERS WILL RESPOND WITH DELIGHT AS COMPARED TO NON-MEMBERS**



Source: Consumer survey. Next to each bar, stars indicate that members have a statistically significantly different probability of responding with delight, as compared to non-members, based on a logistic regression also controlling for income and number of big-box memberships owned: \*\*\*, \*\*, and \* indicate statistical significance at the 99%, 95%, and 90% levels, respectively.

Finally, **Figure 18** displays the results for Sam’s Club members. This brand stands out among the four memberships studied; for every membership attribute, Sam’s Club members are statistically significantly more likely to be delighted than non-members. This applies to both features that are included in the membership and features that are not. This suggests that Sam’s club members not only enjoy the current attributes, but would be strongly receptive to the inclusion of additional features into their subscriptions.

**FIGURE 18: RELATIVE LIKELIHOOD THAT SAM’S CLUB MEMBERS WILL RESPOND WITH DELIGHT AS COMPARED TO NON-MEMBERS**



Source: Consumer survey. Next to each bar, stars indicate that members have a statistically significantly different probability of responding with delight, as compared to non-members, based on a logistic regression also controlling for income and number of big-box memberships owned: \*\*\*, \*\*, and \* indicate statistical significance at the 99%, 95%, and 90% levels, respectively.

### Each Customer Values Different Features

We find that customers value different attributes that could be included with each membership. In other words, the positive results in our survey are not dominated by a set of “always-delighted” respondents who react with delight to every single possible feature. Instead, each customer reacts with delight to the particular features that add most value to them, and this set varies by individual customer.

Customers’ heterogeneous preferences allow retailers to add bundled benefits to members in a cost-effective way. By including a wide variety of features that may not be used by every member, retailers are able to make features available at a low cost to all members.

**Figure 19** below illustrates customer preferences across pairs of features. Each box in the table indicates the degree to which customer reactions to Feature A is related to Feature B. The higher the number in the table, the higher the correspondence. A value of 1 means that for every single respondent, how they feel about Feature A would also predict exactly how they would feel about

Feature B: the customer would love both, or be indifferent to both. A value of 0 would mean there is no relationship between respondents' feelings about the two features.

The following patterns are evident:

- The **highest** degree of overlap is seen among the **streaming** services: for example, the same customers who would be delighted by a Disney+ subscription would also be delighted by a Star+ subscription (correlation of 78%, shaded in green in the table).
- The **lowest** degree of overlap is seen between the streaming subscriptions versus **other** membership features. In other words, respondents' reactions to streaming subscriptions is not predictive of their reactions to the other membership features. Although Netflix subscription and availability of store credit card have similar overall proportions of customers who would be delighted by these features, they are largely not the same customers (only 32% correlation).
- The **fulfillment options** (free shipping and BOPIS) see only a moderate degree of overlap, indicating that different fulfillment methods will not always appeal to the same groups of customers.
- **None** of the membership features gets the **same reactions** from customers as any other feature. This suggests that inclusion of additional features in memberships is a way for brands to differentiate their product offerings and appeal to different groups of customers.

**FIGURE 19: CORRELATION OF CUSTOMER REACTIONS TO MEMBERSHIP ATTRIBUTES**

	Free shipping with order minimum	Monthly store credit	Netflix	Disney+	Star+	Health and wellness	Store credit card	BOPIS/Curbside	Access to store brand products
Free shipping with order minimum		64%	42%	37%	30%	56%	47%	52%	57%
Monthly store credit	64%		39%	36%	33%	64%	60%	54%	67%
Netflix	42%	39%		68%	57%	41%	32%	37%	38%
Disney+	37%	36%	68%		78%	40%	35%	35%	37%
Star+	30%	33%	57%	78%		35%	34%	37%	38%
Health and wellness	56%	64%	41%	40%	35%		52%	48%	58%
Store credit card	47%	60%	32%	35%	34%	52%		48%	59%
BOPIS/Curbside	52%	54%	37%	35%	37%	48%	48%		69%
Access to store brand products	57%	67%	38%	37%	38%	58%	59%	69%	

Source: consumer survey.



# E. Frequency of Use

We asked respondents how frequently they would use each membership attribute, as well as how frequently they would shop at a big-box store. **Figure 20** below summarizes frequency of use among all respondents. For interpreting this table, we remind readers that the survey was conducted specifically among customers who would be willing to shop at big-box stores.<sup>75</sup> We also note that the different membership attributes cannot always be compared directly, due to natural differences in terms of how frequently most people would tend to use them. For example, people may watch streaming TV multiple times per week, whereas health and wellness benefits such as eyeglasses are needed less frequently.

Compared to US consumers, Mexican consumers express high expectations of **using all** of the benefits of their membership. The exception is Disney+ and Star+ services, which had the least expected usage.

**FIGURE 20: FREQUENCY OF USE OF MEMBERSHIP ATTRIBUTES**

ALL RESPONDENTS: How Often Would You Use This Attribute of a Big-Box Retail Membership?	Multiple		Every 2 to 3 weeks	Monthly	Every few months	Rarely or never
	times per week	Weekly				
Free shipping	29%	37%	18%	10%	4%	2%
Monthly store credit	23%	35%	16%	21%	3%	2%
Netflix	58%	21%	6%	8%	2%	5%
Disney +	48%	23%	9%	8%	4%	9%
Star +	43%	21%	11%	8%	5%	12%
Health and wellness benefits	19%	25%	21%	20%	11%	4%
Store credit card with cashback on store	25%	35%	19%	13%	4%	4%
Buy online pickup in store or curbside	19%	34%	23%	12%	6%	5%
Access to store brand products	24%	44%	19%	9%	2%	2%

Source: consumer survey.

## Frequency of Use and Consumer Preferences

We next summarize respondents by their reactions to each membership attribute, as well as their anticipated use of that feature, in **Figure 21** through **Figure 29** below.<sup>76</sup> Each graph is organized as a

<sup>75</sup> In order to ensure familiarity with the products and attributes, the survey was restricted to respondents who would consider shopping at a big-box store. Specifically, among respondents who reported they would use big-box stores rarely or never, we eliminated respondents who likely or definitely would not consider shopping at a big-box store.

<sup>76</sup> These figures average the Kano responses across all four big-box stores.

grid: moving left to right shows the range of customer reactions, from delight to dislike.<sup>77</sup> Moving top to bottom shows the range of expected use, from most to least frequent.

In general, we find that the more positively an individual responds to a subscription characteristic, the more they expect to use it. Individuals who respond with indifference to a feature tend to anticipate using it rarely or never, and vice versa.

However, when interpreting consumers’ anticipated utilization of products, we note that the literature has documented the consumers’ propensity to overestimate their use of a product.<sup>78</sup> Therefore it may be the case that when consumers are delighted by an attribute, they will over-estimate the amount they will actually use it, leading to a higher concentration towards the upper-left corner of the grid.

**FIGURE 21: CONSUMER PREFERENCES AND ANTICIPATED FREQUENCY OF USE**  
**FREE SHIPPING WITH ORDER MINIMUM**

<b>Expected Use Frequency:</b>	<b>I would be delighted</b>	<b>I would expect it</b>	<b>I would not care</b>	<b>I would tolerate it or not be happy</b>
Multiple times per week	22%	6%	1%	0%
Weekly	24%	11%	2%	0%
Every 2 to 3 weeks	12%	5%	1%	0%
Monthly	6%	3%	1%	0%
Every few months	2%	1%	0%	0%
Rarely or never	1%	0%	0%	0%

Source: Consumer survey.

<sup>77</sup> For simplicity, we consolidate the two negative responses—“I would tolerate it” and “I would not be happy”—due to low numbers of respondents selecting these options.

<sup>78</sup> See, e.g., Grubb, Michael D., “Overconfident Consumers in the Marketplace,” *Journal of Economic Perspectives*, 29(4), Fall 2015, 9-36.

**FIGURE 22: CONSUMER PREFERENCES AND ANTICIPATED FREQUENCY OF USE**

**MONTHLY STORE CREDIT**

<b>Expected Use Frequency:</b>	<b>I would be delighted</b>	<b>I would expect it</b>	<b>I would not care</b>	<b>I would tolerate it or not be happy</b>
Multiple times per week	17%	5%	0%	0%
Weekly	22%	11%	1%	0%
Every 2 to 3 weeks	9%	6%	1%	0%
Monthly	14%	5%	1%	0%
Every few months	1%	1%	0%	0%
Rarely or never	1%	0%	1%	0%

Source: Consumer survey.

**FIGURE 23: CONSUMER PREFERENCES AND ANTICIPATED FREQUENCY OF USE**

**NETFLIX**

<b>Expected Use Frequency:</b>	<b>I would be delighted</b>	<b>I would expect it</b>	<b>I would not care</b>	<b>I would tolerate it or not be happy</b>
Multiple times per week	43%	10%	4%	0%
Weekly	11%	8%	2%	0%
Every 2 to 3 weeks	2%	3%	1%	0%
Monthly	4%	1%	2%	0%
Every few months	0%	1%	1%	0%
Rarely or never	1%	0%	4%	0%

Source: Consumer survey.

**FIGURE 24: CONSUMER PREFERENCES AND ANTICIPATED FREQUENCY OF USE**

**DISNEY+**

<b>Expected Use Frequency:</b>	<b>I would be delighted</b>	<b>I would expect it</b>	<b>I would not care</b>	<b>I would tolerate it or not be happy</b>
Multiple times per week	36%	8%	3%	0%
Weekly	10%	10%	3%	0%
Every 2 to 3 weeks	3%	4%	2%	0%
Monthly	2%	2%	3%	0%
Every few months	1%	1%	1%	0%
Rarely or never	1%	1%	6%	1%

Source: Consumer survey.

**FIGURE 25: CONSUMER PREFERENCES AND ANTICIPATED FREQUENCY OF USE**

**STAR+**

<b>Expected Use Frequency:</b>	<b>I would be delighted</b>	<b>I would expect it</b>	<b>I would not care</b>	<b>I would tolerate it or not be happy</b>
Multiple times per week	32%	8%	3%	0%
Weekly	9%	9%	2%	0%
Every 2 to 3 weeks	3%	5%	3%	0%
Monthly	2%	2%	4%	0%
Every few months	1%	2%	2%	0%
Rarely or never	1%	1%	8%	1%

Source: Consumer survey.

**FIGURE 26: CONSUMER PREFERENCES AND ANTICIPATED FREQUENCY OF USE**

**HEALTH AND WELLNESS**

<b>Expected Use Frequency:</b>	<b>I would be delighted</b>	<b>I would expect it</b>	<b>I would not care</b>	<b>I would tolerate it or not be happy</b>
Multiple times per week	13%	5%	1%	0%
Weekly	15%	9%	1%	0%
Every 2 to 3 weeks	13%	7%	1%	0%
Monthly	13%	6%	1%	0%
Every few months	6%	3%	2%	0%
Rarely or never	2%	0%	1%	0%

Source: Consumer survey.

**FIGURE 27: CONSUMER PREFERENCES AND ANTICIPATED FREQUENCY OF USE**

**STORE CREDIT CARD WITH CASHBACK SAVINGS**

<b>Expected Use Frequency:</b>	<b>I would be delighted</b>	<b>I would expect it</b>	<b>I would not care</b>	<b>I would tolerate it or not be happy</b>
Multiple times per week	19%	5%	1%	0%
Weekly	21%	12%	2%	0%
Every 2 to 3 weeks	9%	8%	2%	0%
Monthly	8%	4%	1%	0%
Every few months	2%	1%	1%	0%
Rarely or never	1%	1%	2%	0%

Source: Consumer survey.

**FIGURE 28: CONSUMER PREFERENCES AND ANTICIPATED FREQUENCY OF USE  
BUY ONLINE PICKUP IN STORE OR CURBSIDE**

<b>Expected Use Frequency:</b>	<b>I would be delighted</b>	<b>I would expect it</b>	<b>I would not care</b>	<b>I would tolerate it or not be happy</b>
Multiple times per week	13%	5%	1%	0%
Weekly	19%	13%	2%	0%
Every 2 to 3 weeks	11%	10%	2%	0%
Monthly	5%	5%	2%	0%
Every few months	2%	3%	1%	0%
Rarely or never	1%	2%	3%	0%

Source: Consumer survey.

**FIGURE 29: CONSUMER PREFERENCES AND ANTICIPATED FREQUENCY OF USE  
ACCESS TO STORE BRAND PRODUCTS**

<b>Expected Use Frequency:</b>	<b>I would be delighted</b>	<b>I would expect it</b>	<b>I would not care</b>	<b>I would tolerate it or not be happy</b>
Multiple times per week	17%	6%	1%	0%
Weekly	22%	19%	2%	0%
Every 2 to 3 weeks	8%	9%	1%	0%
Monthly	4%	4%	2%	0%
Every few months	1%	1%	1%	0%
Rarely or never	0%	0%	1%	0%

Source: Consumer survey.

## V. Conclusion

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We have documented a variety of bundling strategies employed by retailers as well as service providers in other sectors such as mobile communications, media, credit cards, and others. As we have shown, bundled benefits are a common strategy applied by many brands, with different brands exhibiting heterogeneous levels of bundled offerings.

Based on our survey assessing consumer reactions to bundled elements, we find the following:

- Customers typically enjoy the inclusion of additional features in retail memberships, although customer reactions are not uniform.
  - We observe very few respondents reacting negatively to the inclusion of features in membership bundles.
  - Both members and nonmembers respond with delight at the inclusion of potential additional membership features, suggesting the Mexican market is receptive to the expansion of feature-rich customer benefit programs.
- Customers often subscribe to multiple memberships.
  - This reinforces the conclusion that in general, consumers do not feel constrained by provider choice limitations. If provided with a bundle component from a non-preferred brand, consumers feel free to also patronize their preferred brand.
- Membership features—as well as prices—drive consumers’ purchase decisions.
  - Price plays the most important role in respondents’ purchase decisions, suggesting the necessity for retailers to price their memberships competitively.
  - Other membership features—such as video streaming, free shipping, or store credit card—all have roughly similar ability to sway consumers’ purchase decisions between retail memberships.
- Market-wide consumer surplus for all four retail memberships is approximately MXN \$1.4 billion.

# Appendix A: Survey Methodology





APPENDIX FIGURE 1: MEMBERSHIP ATTRIBUTES STUDIED IN SURVEY

Attribute	Levels
Brand	<ul style="list-style-type: none"> <li>• Walmart Mexico</li> <li>• Sam's Club Mexico</li> <li>• Costco Mexico</li> <li>• H-E-B Mexico</li> </ul>
Price per year	<ul style="list-style-type: none"> <li>• MXN\$500 to \$1550.</li> </ul>
Free shipping with order minimum	<ul style="list-style-type: none"> <li>• Order minimum ranging from \$299 MXN+ to \$999 MXN+</li> <li>• Not available (--)</li> </ul>
Monthly store credit	<ul style="list-style-type: none"> <li>• \$100 MXN to \$600 MXN</li> <li>• Not available (--)</li> </ul>
Streaming service	<ul style="list-style-type: none"> <li>• Netflix</li> <li>• Disney+</li> <li>• Star+</li> <li>• Not available (--)</li> </ul>
Health and Wellness Benefits	<ul style="list-style-type: none"> <li>• free vision and hearing exams</li> <li>• access to store optical center with discounted eyeglasses</li> <li>• pharmacy discounts</li> <li>• Not available (--)</li> </ul>
Store credit card	<ul style="list-style-type: none"> <li>• 3% cashback on store purchases</li> <li>• Not available (--)</li> </ul>
Store distance from home	<ul style="list-style-type: none"> <li>• Less than 10 kilometers</li> <li>• 10 to 20 kilometers</li> <li>• Over 20 kilometers</li> </ul>
Buy online pickup in store or curbside	<ul style="list-style-type: none"> <li>• Available (✓)</li> <li>• Not available (--)</li> </ul>
Access to store brand products	<ul style="list-style-type: none"> <li>• Available (✓)</li> <li>• Not available (--)</li> </ul>



## APPENDIX FIGURE 2: EXAMPLE OF CONJOINT CHOICE TASK

Please think about the next time you would purchase or renew a store club membership. Which of the following memberships do you most prefer? (To get more information on features, hover over the blue text).

Store/club				
Access to store-brand products		✓		✓
Free shipping		Free for \$999 MXN+	Free for \$299 MXN+	Free for \$400 MXN+
Buy online pickup in store or curbside	\$50 MXN per order	free with \$600 MXN+	free	
Streaming service		Disney+ and Star+	Disney+ and Star+	Netflix
Gas savings at store	✓	✓		
Store Credit card		3% cashback for store purchases		3% cashback for store purchases
Distance from home	Over 10 kilometers	5 to 10 kilometers	Less than 5 kilometers	5 to 10 kilometers
Membership fee per year	\$500 MXN	\$950 MXN	\$650 MXN	\$1,100 MXN
	MOST PREFERRED	MOST PREFERRED	MOST PREFERRED	MOST PREFERRED

## Appendix B: Additional Survey Results

### Number of Big-Box Memberships Purchased

APPENDIX FIGURE 3: RESPONDENTS' NUMBER OF MEMBERSHIPS OWNED AT BIG-BOX STORES IN SURVEY

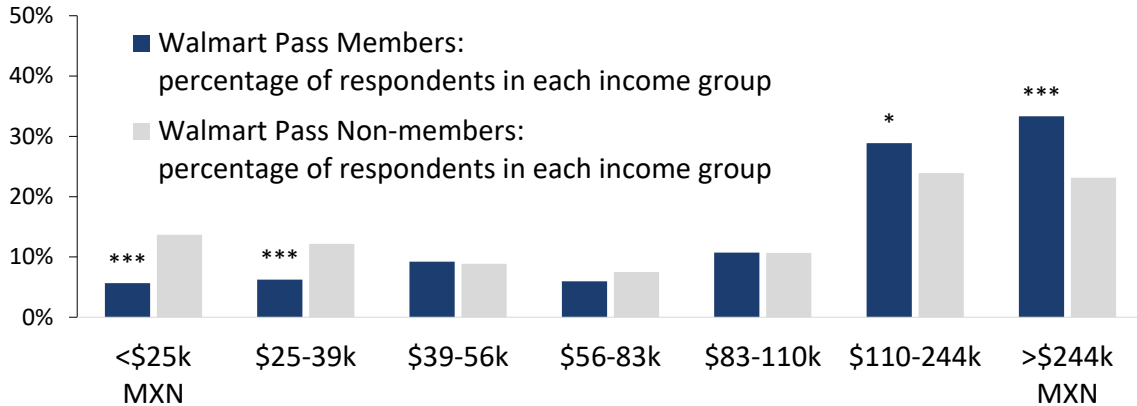
Number of Big-Box Memberships	Number of Respondents	Percentage of Respondents
0	147	15%
1	318	32%
2	302	30%
3	146	15%
4	88	9%

Source: Consumer survey.

## Breakdown of Respondents by Income

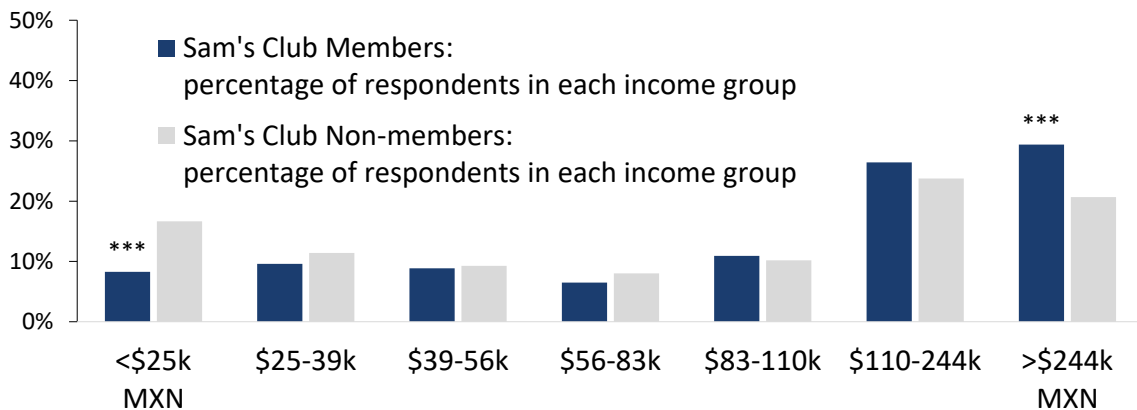
Members of paid retail memberships more likely to have higher income than non-members. **Appendix Figure 4** through **Appendix Figure 7** below show the income distribution of members versus nonmembers, for each membership separately.

**APPENDIX FIGURE 4: DISTRIBUTION OF INCOME, WALMART PASS MEMBERS VERSUS NONMEMBERS**



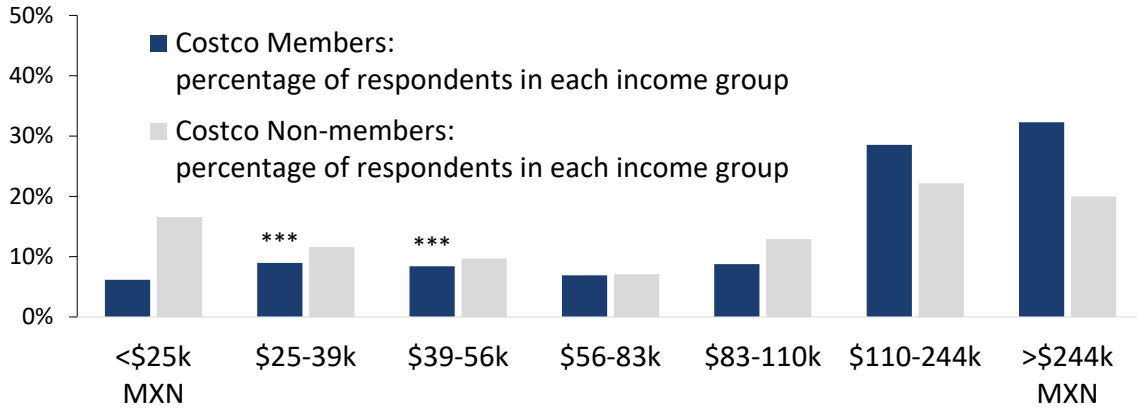
Source: Consumer survey. Above each bar, stars indicate that the proportion of store members in this income bracket is statistically significantly different than non-members, based on chi-square tests: \*\*\*, \*\*, and \* indicate statistical significance at the 99%, 95%, and 90% levels, respectively.

**APPENDIX FIGURE 5: DISTRIBUTION OF INCOME, SAM'S CLUB MEMBERS VERSUS NONMEMBERS**



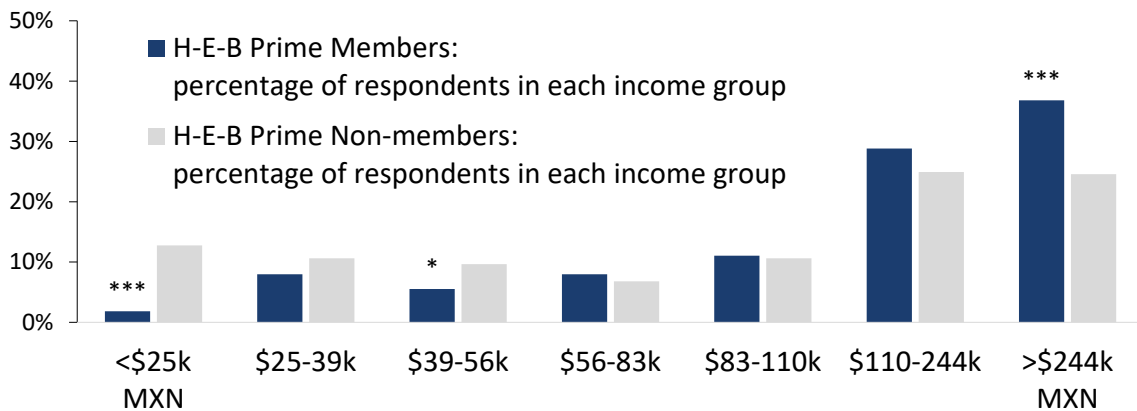
Source: Consumer survey. Above each bar, stars indicate that the proportion of store members in this income bracket is statistically significantly different than non-members, based on chi-square tests: \*\*\*, \*\*, and \* indicate statistical significance at the 99%, 95%, and 90% levels, respectively.

**APPENDIX FIGURE 6 DISTRIBUTION OF INCOME, COSTCO MEMBERS VERSUS NONMEMBERS**



Source: Consumer survey. Above each bar, stars indicate that the proportion of store members in this income bracket is statistically significantly different than non-members, based on chi-square tests: \*\*\*, \*\*, and \* indicate statistical significance at the 99%, 95%, and 90% levels, respectively.

**APPENDIX FIGURE 7: DISTRIBUTION OF INCOME, H-E-B PRIME MEMBERS VERSUS NONMEMBERS**



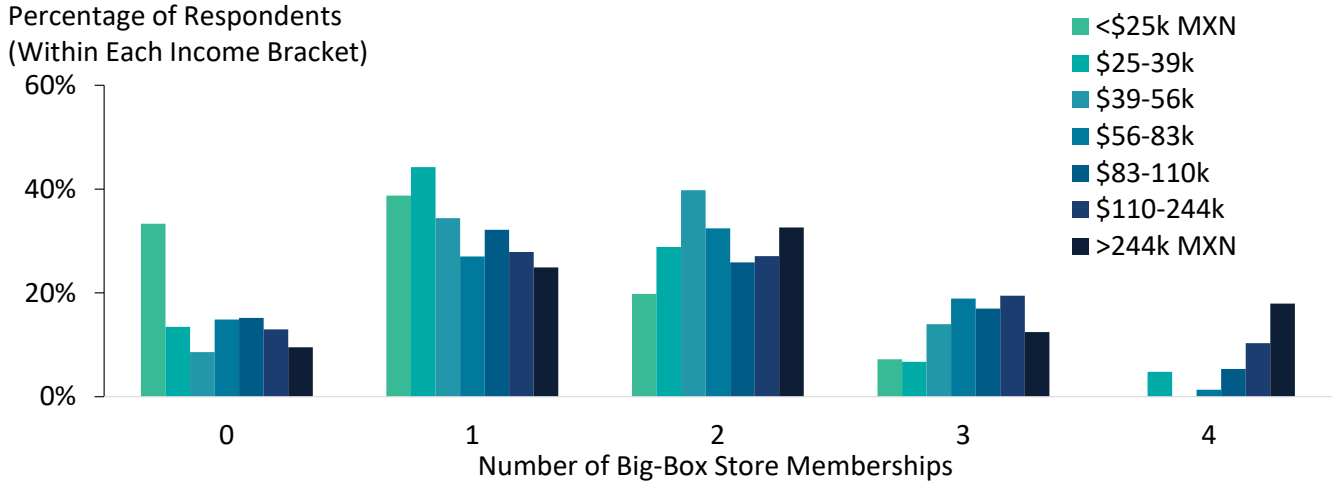
Source: Consumer survey. Above each bar, stars indicate that the proportion of store members in this income bracket is statistically significantly different than non-members, based on chi-square tests: \*\*\*, \*\*, and \* indicate statistical significance at the 99%, 95%, and 90% levels, respectively.

**Appendix Figure 8** below breaks down the number of big-box memberships purchased by respondents within each income bracket. Respondents with household income less than \$39k MXN are the least likely to purchase a big-box membership.<sup>79</sup> Of the respondents with four memberships, these respondents were most likely to fall in the highest income bracket (over \$244k MXN) are the most likely to purchase four subscriptions.<sup>80</sup>

<sup>79</sup> The difference in likelihood is statistically significant at the 99% level.

<sup>80</sup> The difference in likelihood is statistically significant at the 99% level.

APPENDIX FIGURE 8: NUMBER OF MEMBERSHIPS PURCHASED BY RESPONDENTS, BY INCOME



Source: Consumer survey.

## Additional Kano Results

APPENDIX FIGURE 9: ALL CONSUMER REACTIONS TOWARDS ATTRIBUTES OF WALMART PASS MEMBERSHIP

ALL RESPONDENTS:

How Would You Feel if This Option Was Included With a Walmart Pass Membership?	I would be delighted	I would expect it	I would not care	I would tolerate it	I would not be happy
Free shipping	63%	31%	5%	1%	0%
Monthly store credit	63%	30%	6%	1%	0%
Netflix	58%	26%	15%	1%	0%
Disney +	51%	26%	19%	3%	1%
Star +	47%	26%	23%	3%	1%
Health and wellness benefits	59%	32%	8%	1%	0%
Store credit card with cashback on store purchases	60%	31%	8%	1%	0%
Buy online pickup in store or curbside	51%	38%	10%	1%	1%
Access to store brand products	52%	39%	8%	1%	0%

Source: Consumer survey.

**APPENDIX FIGURE 10: NON-MEMBERS REACTIONS TOWARDS ATTRIBUTES OF WALMART PASS MEMBERSHIP**

**NOT A MEMBER OF ANY BIG-BOX STORE:**

<b>How Would You Feel if This Option Was Included With a Walmart Pass Membership?</b>	<b>I would be delighted</b>	<b>I would expect it</b>	<b>I would not care</b>	<b>I would tolerate it</b>	<b>I would not be happy</b>
Free shipping	59%	31%	10%	1%	0%
Monthly store credit	57%	33%	8%	2%	0%
Netflix	52%	24%	22%	1%	1%
Disney +	40%	26%	26%	5%	3%
Star +	33%	21%	37%	7%	3%
Health and wellness benefits	63%	24%	11%	2%	0%
Store credit card with cashback on store purchases	55%	31%	11%	2%	1%
Buy online pickup in store or curbside	37%	41%	19%	1%	1%
Access to store brand products	44%	43%	12%	1%	0%

Source: consumer survey

**APPENDIX FIGURE 11: ALL CONSUMER REACTIONS TOWARDS ATTRIBUTES OF SAM'S CLUB MEMBERSHIP**

**ALL RESPONDENTS:**

<b>How Would You Feel if This Option Was Included With a Sam's Club Membership?</b>	<b>I would be delighted</b>	<b>I would expect it</b>	<b>I would not care</b>	<b>I would tolerate it</b>	<b>I would not be happy</b>
Free shipping	67%	29%	4%	1%	0%
Monthly store credit	67%	27%	5%	1%	0%
Netflix	62%	22%	13%	1%	0%
Disney +	53%	24%	19%	2%	1%
Star +	48%	27%	22%	3%	1%
Health and wellness benefits	64%	28%	6%	1%	0%
Store credit card with cashback on store purchases	60%	30%	8%	1%	0%
Buy online pickup in store or curbside	51%	38%	9%	1%	1%
Access to store brand products	53%	39%	6%	1%	0%

Source: consumer survey

**APPENDIX FIGURE 12: NON-MEMBERS REACTIONS TOWARDS ATTRIBUTES OF SAM'S CLUB MEMBERSHIP**

**NOT A MEMBER OF ANY BIG-BOX STORE:**

<b>How Would You Feel if This Option Was Included With a Sam's Club Membership?</b>	<b>I would be delighted</b>	<b>I would expect it</b>	<b>I would not care</b>	<b>I would tolerate it</b>	<b>I would not be happy</b>
Free shipping	63%	29%	6%	1%	1%
Monthly store credit	59%	33%	7%	1%	1%
Netflix	54%	18%	24%	1%	1%
Disney +	44%	18%	31%	5%	2%
Star +	37%	18%	36%	7%	3%
Health and wellness benefits	62%	24%	11%	3%	1%
Store credit card with cashback on store purchases	52%	31%	13%	2%	1%
Buy online pickup in store or curbside	37%	43%	16%	2%	2%
Access to store brand products	48%	39%	10%	1%	1%

Source: consumer survey

### APPENDIX FIGURE 13: ALL CONSUMER REACTIONS TOWARDS ATTRIBUTES OF COSTCO MEMBERSHIP

#### ALL RESPONDENTS:

How Would You Feel if This Option Was Included With a Costco Membership?	I would be delighted	I would expect it	I would not care	I would tolerate it	I would not be happy
Free shipping	70%	24%	5%	1%	0%
Monthly store credit	66%	28%	4%	1%	0%
Netflix	65%	22%	11%	1%	0%
Disney +	54%	27%	16%	2%	1%
Star+	48%	28%	21%	2%	1%
Health and wellness benefits	62%	31%	6%	1%	0%
Store credit card with cashback on store purchases	59%	31%	8%	1%	1%
Buy online pickup in store or curbside	49%	38%	12%	1%	1%
Access to store brand products	53%	40%	6%	1%	0%

Source: consumer survey

### APPENDIX FIGURE 14: NON-MEMBERS REACTIONS TOWARDS ATTRIBUTES OF COSTCO MEMBERSHIP

#### NOT A MEMBER OF ANY BIG-BOX STORE:

How Would You Feel if This Option Was Included With a Costco Membership?	I would be delighted	I would expect it	I would not care	I would tolerate it	I would not be happy
Free shipping	67%	24%	5%	1%	1%
Monthly store credit	59%	32%	7%	1%	1%
Netflix	61%	16%	20%	1%	1%
Disney +	45%	24%	23%	5%	3%
Star+	37%	19%	35%	4%	5%
Health and wellness benefits	59%	29%	10%	1%	1%
Store credit card with cashback on store purchases	53%	28%	14%	2%	3%
Buy online pickup in store or curbside	35%	38%	22%	3%	2%
Access to store brand products	41%	47%	9%	2%	1%

Source: consumer survey

### APPENDIX FIGURE 15: ALL CONSUMER REACTIONS TOWARDS ATTRIBUTES OF H-E-B PRIME MEMBERSHIP

#### ALL RESPONDENTS:

How Would You Feel if This Option Was Included With a H-E-B Prime Membership?	I would be delighted	I would expect it	I would not care	I would tolerate it	I would not be happy
Free shipping	54%	33%	12%	1%	0%
Monthly store credit	53%	33%	13%	1%	0%
Netflix	51%	27%	19%	2%	1%
Disney +	44%	29%	24%	2%	1%
Star +	39%	30%	26%	3%	1%
Health and wellness benefits	53%	30%	15%	1%	0%
Store credit card with cashback on store purchases	48%	34%	15%	2%	1%
Buy online pickup in store or curbside	42%	38%	18%	1%	1%
Access to store brand products	44%	39%	15%	1%	0%

Source: consumer survey

**APPENDIX FIGURE 16: NON-MEMBERS REACTIONS TOWARDS ATTRIBUTES OF H-E-B PRIME MEMBERSHIP**

**NOT A MEMBER OF ANY BIG-BOX STORE:**

<b>How Would You Feel if This Option Was Included With a H-E-B Prime Membership?</b>	<b>I would be delighted</b>	<b>I would expect it</b>	<b>I would not care</b>	<b>I would tolerate it</b>	<b>I would not be happy</b>
Free shipping	50%	30%	18%	1%	1%
Monthly store credit	50%	33%	15%	2%	0%
Netflix	45%	23%	29%	2%	1%
Disney +	37%	22%	35%	5%	1%
Star +	27%	26%	38%	7%	2%
Health and wellness benefits	52%	27%	20%	1%	1%
Store credit card with cashback on store purchases	46%	31%	20%	2%	1%
Buy online pickup in store or curbside	33%	37%	29%	1%	1%
Access to store brand products	36%	43%	19%	1%	1%

Source: consumer survey