

Research on the Way Walmart Succeeded during the Pandemic

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ABSTRACT

During the year 2020, the world has suffered from a new outbreak virus called COVID-19, which was contagious and resulted in “lock down” policies in many countries and regions. These situations put huge pressure on the economic performance worldwide, in the meantime, many companies were seriously hurt by these policies and even went bankrupted. However, some companies took advantage of this pandemic in terms of their business growth. In this essay, the investigation will be based on how the world’s largest retailer’s corporation, Walmart, experienced success in the course of the COVID-19 virus. This essay will also introduce the differences between Walmart and certain companies that experience failures in the course of the pandemic. By analyzing the annual reports, quarterly reports, stock trends, and information provided on each firm’s investment-relation websites, patterns would be observed in the data themselves and what factors contributed to their comedy or tragedy. In the end, the conclusion comes out to be Walmart had its growth by expanding and updating its online platform to hold their consumers while lock down, Walmart had to do fewer discounts since during the pandemic people had few choices, and Walmart grew a reputation as a reliable supply source while founded in 1962.

Keywords: COVID-19, Walmart, Online shopping, Pandemic

1. INTRODUCTION

During the strict quarantine period of the coronavirus outbreak, people were stuck at home and couldn’t go out either because they worried about getting infected or ban by the government around the world. Since this quarantine happening, many businesses in the society were hurt strongly as no consumers were visiting their stores or travelling around. Many grocery stores, cinemas, hotels and department stores had experienced huge downfall or even bankruptcy. In this essay, it will deep into the strategies which could help a corporation to overcome the difficulties faced during a virus outbreak. To be specific, this essay will primarily focus on the performance of Walmart’s behaviors while also comparing to others who faced failure during the coronavirus. By filing each firm’s annual report and quarterly reports, the pattern which they went through will be presented; by going through all the posts they had created during the targeted period on their investment relation websites, all the adjustments and changes they made will be collectively shown; how the stock price of each firm various over time will be take consider as well.

Last but not least, why consumers choosing one instead of the others base on reputation, regions covered and supply chain will be analyzed, too. By summarizing all the factors that influence a company’s performance during a serious crisis, it will show what are the actions a business need to take when undergoing a similar situation thus reduce the fluctuation in economics and unemployment caused by business failure. In the meantime, it is also critical and valuable for investors to learn what kind of business they should invest in to minimize or avoid loses.

2. MEASURES

2.1. Expanding & Update Online Platform

After Amazon was founded in 1994, the two large firms in retailing have competed for years whereas Walmart leading in physical stores and Amazon mainly focus on online shopping and delivery. Not surprisingly, during a period where everyone has to stay in their houses, Walmart’s most determining decision to adapt to the pandemic is its growth on online platforms for its consumers.

To be specific, there are several ways Walmart implemented to promote online shopping behavior for its customers. Take SNAP as an instance, consumers who enrolled in a program called “Supplemental Nutrition Assistance Program (SNAP)” can use their benefits on the program to purchase at Walmart pick up points and complete the transactions online by using SNAP EBT,

and Walmart keeps expanding this program to growing numbers of states during the pandemic [1]. The screenshot on the left shows the Walmart pickup website, it shows customers should enter their ZIP Code to see whether the service is applicable in their region; and when could customers get their purchases[9].

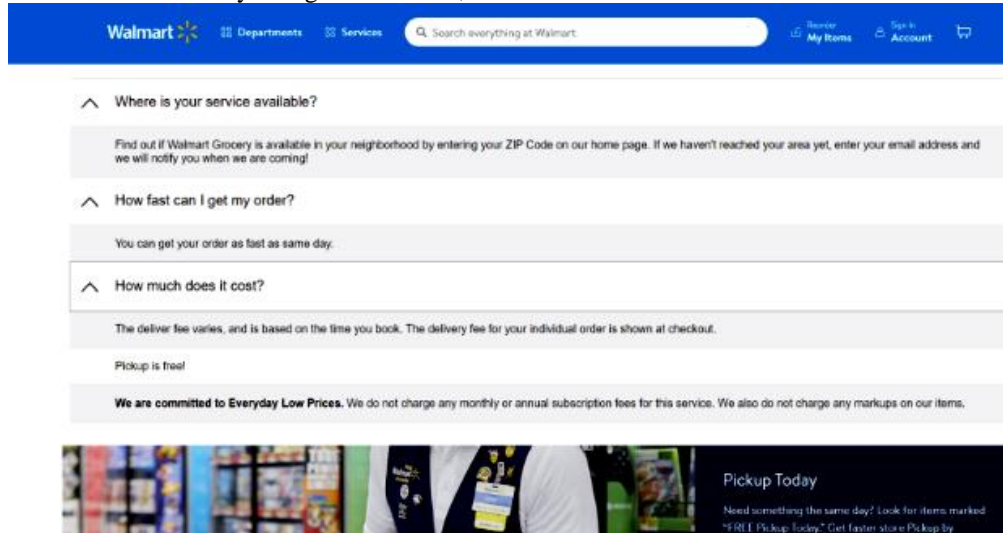


Figure 1: Walmart official pickup website showing what region has the service

Walmart is promoting its consumers to do no-contact shopping especially encouraging its pick-up program and paying online. The reason for Walmart to do this as a heavily-physical related company who owned lots of stores is the increasing maintenance cost in offline shopping settings. During the virus disaster, government regulation and safety reasons dragged up Walmart’s operating cost both by more requirements on manipulating stores especially cleaning and sanitizing and shorter opening hours for stores. According to the 10-K annual financial report published by Walmart Inc, Walmart had spent 25, 710 million dollars more on the section of “cost of sales” in the fiscal year when the pandemic took place than the previous one [2]. In detail, Walmart hired more than 400, 000 new employees in order to respond to all the new needs related to the virus [7]. These actions taken by Walmart increased its offline running cost and decreases the offline sales, so an running online business was the optimal choice for Walmart to do in that particular circumstance.

Overall, encouraging consumers to shop online rather than offline not only cared for their personal health condition but also helped Walmart to reduce their operation costs. At the same time, it is one of the most significant factors contributing to Walmart’s biggest-ever growth in online sales.

2.2. Selling Strategy & Government Stimulus

After the most serious and initial outbreak of the virus, the US government, for example, ease all the strict restrictions to some extent and provide citizens with some

checks that can only spend at offline physical stores in order to boost the economy back up such as Economics Impact Payments [3]. In the past, Walmart as an offline store and featured by big-package selling needs to provide customers with many kinds of discounts to increase sales. However, as the government advocating for those stimulus checks, consumers go into the stores and buy goods that are not only necessities but also discretionary. As they are using the checks given by the government, they are less sensitive to price therefore Walmart could reduce the discount it provides to consumers and increases revenues.

If dragging the attention back to what Walmart did during the most serious period, its strategy of selling items with large packages alone with consumers’ behaviors: when facing such a public health crisis, they tend to purchasing everything in large packs and the store all the things they need at home so that they can reduce the frequency they go out.

Another critical component of Walmart’s success during this period is its strong supply chain and storage system. Walmart has a great supply system which could incorporate with consumers’ massive suddenly increase in demand for a different type of goods. At the beginning of the pandemic, the things that were highly demanded are basic goods such as tissues, meat, sanitizers. Surprisingly, after a while, people started to purchasing goods for entertaining at home like laptops. With all these favorable changes along the way, Walmart did a great job to satisfy its consumers’ various wants.

If people are able to make purchases on Amazon and stay at home to wait until buy it, then there has to be a reason why certain consumers prefer Walmart physical stores than Amazon. Rather because they don't think online stores are trustworthy or they prefer the feelings to take a walk to the store. Since it was in fact hard for a newly developed Walmart+ to compete with Amazon on its one-day instant delivery system, Walmart went with a concept called Walmart+ pick up points where consumers could order what they want and pick it up by themselves at physical Walmart stores' pickup windows in which satisfied the wants of the part of consumers who would like to go to a physical store and alleviate their pressure on competing with Amazon's powerful delivery system [1].

Above all, Walmart took advantage of government policies and met with consumers' behaviors and needs to the road to success.

2.3. Comparison to Others that Failed

There are many companies that failed during the era of virus, one of these companies is called JC Penny, which was also a retail company similar to Walmart. JC Penny filed for Chapter 11 bankruptcy protection in May, 2020 which declared its failure [4]. There are many notable factors contributing to its bankruptcy other than the virus alone.

First of all, the supply system. Unlike Walmart, JC Penny focused on the sale of marketing apparel, home furnishings, jewelry, cosmetics, and cookware. These seems to be a variety of goods but it is far less than what Walmart has, consumers were choosing the one with an extremely variety of things so they can buy everything they need at once. JC Penny failed during the virus because it cannot meet the customer's demands. Whereas Walmart, it has a comprehensive supply system with basic necessities to goods to entertain in home.

Secondly, JC Penny mainly and narrowly put its attention on offline shopping malls when expanding, therefore it already suffering from losing customers and shutting down stores before the pandemic. As an offline retailer, JC Penny Company failed to adapt to the ongoing digital world around him. On the other hand, Walmart did a successful transition from heavily offline to business to

an offline plus online mode so that it could hold its consumers from losing them to another convenient online shopping platform. To be specific, the online platform that Walmart promoted during the pandemic is called "Walmart+" which ashhh been a competitive rival to Amazon.com so far.

Another typical type of industry which suffered the most from the pandemic is the film industry including The Walt Disney Company and Hollywood. These two are two of the most sizable leading firms in the filming industry. However, although they have the best resources, technologies and audience in its industry, they suffered from a great amount of loses during the fiscal year of 2020. According to the annual report provided by Disney, their net income decreased from 11, 584 million dollars in the previous year to negative 2, 474 million dollars in 2020, for instance [5]. Because their profits were getting hurt by the virus situation, their stock prices also got a deep downward trend in the first and second quarter in year 2020, which dropped from approximately 140 dollars per share to 85 dollars per share [6]. This sequence of business down turn put Disney Company into real difficulties during the period. The irreversible loses brought to Disney by the virus are primarily because of the business model of filming industry is their main profit generating mean is through selling copyright of their movies or other product and this way is really hard to be practical on the internet where information are shared among everyone. Same as the leading firm in their industry, the key to Walmart's success was its successful transition from focusing only on physical stores to Walmart+ online platform. Although they might need to compete with Amazon while expanding their online business, this is where their potential and target consumers would be during that special time.

To summarize this up, the shared reason why JC penny bankrupted and Disney made loses during the pandemic is either they retained in traditional business form or their business does not fit to the online features. Walmart wisely made the right choice, as seems as so far, to expand online and compete with Amazon. The picture on the left shows the Walmart's stock price trend within the most recent 5 years, the price was continuing rising during the year of 2019, but a steep drop suddenly happened in the beginning of 2020 which was caused by the pandemic [8].

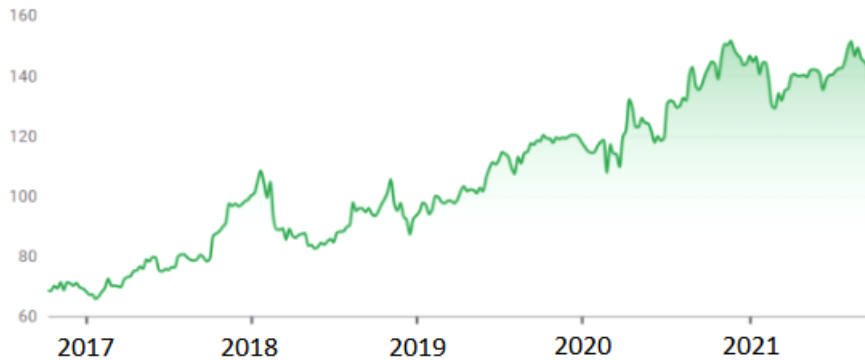


Figure 2: Walmart stock trend

3. CONCLUSION

In conclusion, Walmart experienced its growth during the pandemic by promoting an online platform which is an optimal choice during lockdown policies; taking advantages of government economic recovery programs which reduce the number of markdowns it has to provide to its consumers; obtaining a comprehensive supply and retail system which satisfy all customers’ needs so that they can get everything they want at once. All the analysis above is based on the information provided by the company’s or government official websites, although the information is reliable, it lacks on the portion of true experiences people go visit the shops or buy online. In order to make the study more comprehensive, surveys might be served to customers who had shopping experiences in both Walmart and JC Penny Company and ask about their personal opinions on which firm will they feel comfortable purchasing in and why. Other than that, because JC Penny Company is undergoing its restructuring process, so their investment-relation website is hard to access, therefore the information from JC Penny’s own perspective of their selling strategy is lacked in the essay. Future studies should focus more on behavior economics on the demand side to deep into what are more of the factors that influence consumers’ choice of one over the other company during an unexpected crisis.

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