Critical assessment on business strategy from aviation to retail industry during COVID-19 Pandemic: A Walmart case

Nilufer Nilufer

School of Business, Ibn Haldun University, Ulubatlı Hasan Cad., No: 2 Basaksehir, 34494 Istanbul, Turkey

A R T I C L E   I N F O

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A B S T R A C T

Covid-19 has deeper effects on our current understanding of business strategy and its implementation. Strategic management practices became more mandatory. In fact, it is a continuous process exploiting the opportunities for the sake of competitive advantages. From the aviation industry to retail, the new normal will continue to affect the value chain process of traditional companies. As a case in this study, Walmart is a well-known company with its cost leadership strategy. Cost is controlled by its most efficient value chain system, which includes all the activities from the buying of raw material to sending a product to the market. This efficient working approach and cost leadership strategy of the organization make it competitive across the globe. The company has a hand on to deal with the challenges from the internal and external environment due to changing technology and people demand. This literature-based study tries to cover the business strategy of Walmart, especially the low-cost leadership strategy and management activities in the value chain system.

I N T R O D U C T I O N

The accelerated COVID-19 pandemic shattered the world economy and had given a potential shock to almost all the business. Especially industries like aviation and the other business which is directly or indirectly related to air traffic suffered the most. When we say aviation industry it includes Passenger Airlines, Aircraft manufacturing companies, Cargo Airlines, Airport managing companies, catering and other service providing companies, together significantly contribute to the market growth. The businesses related aviation industry like tourism industry, hotel businesses, restaurant chains even a taxi driver and other vendors outside an airport are losing their source of finance.

The main factor which affects the aviation industry after this pandemic is the decline in tours and travels which results in canceling lots of domestic and international flights to reduce the spread of the virus. Other than that, governments are canceling the visas for foreigners and lock down the affected areas is also affecting the aviation industry badly. The executives sitting on the top-level airport management, the board directors of airlines, the mangers of catering services who developed strategies according to their mission a year ago is not working anymore. They might have planned B for minor emergencies but they would have never considered this sudden pandemic in the world. As a result of this pandemic the industry is facing huge challenges in the battle of surviving and loss in these few months is not enough to recover soon. So, to cope with these challenging circumstances the aviation industry comes up with some plans to survive and provide their services to the community.

At this pandemic, it was beneficial for the aviation industry to work with the regulators, so it worked with the government to address the pandemic challenges and tried to find out the recovery plans for the entire aviation industry. They developed strategies to take the balanced approach which takes into consideration the need for the people to continue the necessary travel and at the same time does not oblige airlines to fly empty, otherwise, if they would fly empty aircraft this would be a heavy cost.

* Corresponding author. ORCID ID: 0000-0001-7199-0337

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It is important to develop an appropriate strategy to compete the global market because it ensures that the organization has developed and retained necessary skills to compete the strategy successfully. A strategic management approach suggests that if an organization stands still, it will be run over by the competition.

This study aims to provide a general understanding of COVID-19 pandemic’s effect on aviation industry and develop a fundamental understanding of Walmart case with its evaluation of business strategies.

A general approach to aviation industry during COVID-19

European airline transportation sector plays a very significant role especially for international trade and tourism. European airline companies are highly affected from high competition in the airline transportation sector (Dincer et al., 2017).

The air traffic experienced a severe decline in demand as a result of the global pandemic in the aviation industry. Just in the Lufthansa group of airlines, the number of traffic falls from 10.9 million passengers in March 2019 to just 5.7 million in March 2020 almost 48% drop. The International Air Transport Association asks airport authorities across the globe to temporarily waive the airport slots. The changed the slot requirement in this pandemic to 80% which is very less compared to the normal circumstances. In the beginning, they changed the slot requirement to 80% but later on even this strategy didn’t work and the goal was unattainable. The rules developed by the IATA is more flexible in these exceptional circumstances, which allow the airlines to adjust their schedules according to extraordinary demands (https://www.faa.gov/data_research/aviation_data_statistics)

The airlines experienced zero bookings and people ask for the refunds and many carriers reported 50% no shows across the market. As a result, the industry reacted with heavy measures like they gave the unpaid leaves to their crew, increased the freezing pays and they planned to ground the aircraft to further reduction of costs. Huge airline companies like Lufthansa removed their giant plans to operate like Airbus A380s from the fleet and they will use medium-capacity aircraft, so profitability can be achieved with fewer passengers.

The future is unpredictable some experts say there is a chance of the second wave of the breakout, so the airline management is unable to figure out the clear solution of continuing the business not at least before October 2020. They have a plan, once the situations get a little bit normal then they will resume the business activities with measure precautions. It is not like that not a single aircraft is flying, the industry operates very few for the passengers who need to travel like the critical situations. The airport management working close to the embassies to arrange the repatriation flights. They also open the airports for air ambulances, air cargos, military flights, lifeline services to remote communities, and many more.

The extreme situation of the pandemic forced aviation management to take the major steps for the safety of the people who fly for some reason. They took steps to be much careful about their inbound and outbound screening, they improved the communication system to transfer the information in a quick and better way, and emergency response activities. The aviation management took additional measures of hygiene in the plan and waiting areas. They allow the staff to work from home and relax the working hours for the staff who were at high risk.

Air Traffic during pandemic

The air traffic is global trade that’s why the major measures should be taken to make it sound and safe. It is in the best interest of the aviation industry to coordinate with relevant organizations such as WHO and the International Civil Aviation Organization to carry out the daily operations. Like in the airports they had started social distancing, they started to screening, banned flights to particular countries, special gates for the flights coming from severely impacted countries, and created triage area. The airports implemented flexible office hours and meal breaks to further ensure safety and security.

As the industry is facing a falling demand, the top management of airport works with their airline partners, suppliers, retailers such as food and beverage concession to come out from these challenging circumstances. Suppliers and retailers provided necessary services as a drop in the number of passengers. Together they work to find out the solutions for the need to operate flexibly to come through this pandemic.

There is 70 to 80 percent of fixed costs of an airport to that of the overall base cost, whether there is one flight or operating in full potential. As the decline in the traffic reached 90% in April, aircraft remained on the ground but burning cost each month forex ample the Lufthansa’s cost is 1.03 billion euros per month. That’s why it was a very tough job for the management to still operate with such a cost. Because of the result of falling demand, the aviation industry has limited choices to reduce the cost. To some extent, they took actions like postponing capital expenditures, pay cuts, and furloughing non-essential workers. As a result of limiting expenditure to level, they became able to stay open as long as possible to serve the communities.

According to the Air Transport Action Group, there is a total of $2.7 trillion direct and indirect economic impact globally. The direct impact includes job creation, the staff which serves the people at the airport, in plan and navigation providers. Such as check-in personnel, baggage handling people, cargo, and catering facilitators. The IATA showed some alarming statistics of the aviation sector, for example, there is 75 million jobs are at risk and a 44% drop in revenue.
The pandemic hit the companies which produce aircraft, engines, and fuel suppliers. Moreover, people working in retail outlets in airports and tourism facilitators. Even the taxi drivers who were earning outside of the airports all are left with nothing in hand after this COVID-19. The major economic industries for countries like Turkey which are dependent on tourism and its value chain industries like hotel industries are all related to air transport activities. According to IATA, the global airline passenger revenues dropped by $314 billion in 2020 which is a 55% decline compared to 2019. The impact of COVID-19 will be for years and the industry will take decades to return pre-crisis level (IATA).

**Business Strategy and Walmart Case**

Walmart is an American multinational retail organization commonly known as Walmart works as a chain of grocery and supermarket stores all over the world. It was established by Sam Walton in 1962 and its headquarter is located in Bentonville, Arkansas. Walmart has 11,501 stores worldwide according to Statista as of January 2020 and 2.2 million employees in the fiscal year 2018 with a revenue of about 514 billion US dollars. It started its expansions into different countries with joint ventures and then by direct purchases of retail outlets or direct entry, currently it operates in 28 countries.

![Walmart's mission and vision](image)

**Mission**

"To help People to save money so they can live better"

**Goal**

"Becoming an International Brand"

**Vision**

"If we work together we will lower the cost for everyone. We will give the world an opportunity to see what it is like to save and have a better life."

**Slogan**

"Save Money. live better"

**Fig 1: Walmart’s mission and vision. Source: Walmart**

**Vision Statement**

The vision statement is considered to be the most important for business success, as the vision statement of Walmart says "To be the best retailer in the hearts and minds of the consumers and employees". The statement was defined by the founder of Walmart, Mr. Sam Walton since then the company follows the vision of its founder and the company's goals tighten to its vision statement. Les Macleod defines the importance of the vision statements, a well strategically crafted vision statement has a positive influence in transforming organization (Macleod, 2016). For the last many years, the company has already achieved the title of the best retailer, which completes the half portion of the statement but it still needs to achieve the image of Walmart in the hearts and minds of the people, which means its customers and workers. It's found out that a positive relationship between a vision statement and organizational performance parameters (Gulati et al., 2016). Thus a good vision statement is the key to organizational performance.

**Mission Statement**

The Mission statement "saving people money so they can live better" clearly states its business goal. As it is stated, the struggles of Walmart since its operation is to create economic value than its rival firms. Like other international companies, Walmart did face challenges in the way to achieve its business goals but remain in the market due to its quick responses and unique strategic management (Chekwa et al., 2015). It responded to the needs of the market, continued to grow with innovation and reinvention of itself and the retail industry. The firm already succeeds in saving people money by its low-cost strategy but as a firm, it still needs to work on the "live better" better. The reason why was in the notice that workers of Walmart were not getting wages as they should have and they suffered in protesting to get their rights. Further, as a monopoly in the retail industry, they give low prices to their suppliers, they need to consider, as doing so, are they doing justice with suppliers?

**Cost Leadership Strategy**

The world's number one retail organization is purely dedicated to its low-cost strategy. This everyday low cost is achieved through its supply chain management. Being a huge corporation in the retail industry it covers its costs from the suppliers. Walmart has strict inventory management costs and this cost is shifted further down to the supply chain (Mottner & Smith, 2009). As a result, the supplier bears the heavy costs of inventory holding, thus achieving the economic values over competitors. Further, its sustainability objectives are found beneficial for the cost leadership strategy and at the same time moving towards sustainability (Stankevičiūtė et al., 2012). For example reducing waste has the potential of saving different costs including packaging cost, making the product lighter thus saving transportation cost, saving shelf space, and many more. Energy-efficient stores help to store energy costs and testing new transport technology helps to reduce fuel cost plus logistic cost. Wada states companies having a high level of productivity only
achieve the lower costs when they control the input material costs that raw material and labor (Wada, 2018). That is what Walmart is doing.

To attract more consumers and for generating more revenues firms deploy different business strategies. Walmart, the dominant retail in the globe adopted a 'low price every day' strategy, under this strategy, it offers every day lower prices in the vast majority of products compared to other players in the market (Hoch et al., 1994). As they already sell the products at low prices, mostly they don't put products on discount, this creates price consistency and reduces customer's uncertainty. According to (Business planning solutions, Global insight Advisory Services division, 2007). A person with a low income can save up to 18 billion US dollar a year by shopping at Walmart stores.

Studies found out that the cost leadership strategy along with financial management has a significant role in the financial performance of the firm (Hunjra et al., 2017). Though cost leadership strategy has indirect benefits it helps the management to obtain the real outputs instead of forecasts. In Walmart, low cost is achieved by vertical integration of outsourcing related to the supplier. Selecting a vendor or supplier then monitoring them in a disciplined way is very important to any organization. Walmart, to differentiate itself in the international market focuses on the supply chain to make it efficient and have a focus on excellence in inventory management and corporate sustainability (Cleary & McLarney, 2019). The profits earned from the low-cost strategy is used on more research and development projects. Hence, higher investment results in higher growth of the firm.

**Differentiation**

Walmart stores offer distinctive products and services through its differentiation strategy. It produces unique offers and adds value to them by innovative ideas in the process of product development, giving a tough time to other conventional supermarkets to enter into the competition. The research concluded, in conventional supermarkets products like store brands, are higher in risk than the premium, economy, non-food, promotion intensive items and niche national brands due to the clear differentiation strategy of Walmart (Seenivasan & Talukdar, 2016). The huge adverse competitive impact with distinctive product range, technology, features, quality, broad skill sets, and business expertise, Walmart enjoys its differentiation from rivals. Once Walmart enters an area it takes 18-36 months to attain its breakeven point and afterward, it starts to hurt locally owned businesses for example big box stores (Hicks et al., 2012).

Quality of the product is a very important attribute of any business and the product is a key source to put a clear in mind. So, it is considered an important element of competitions in different markets including the supermarket industry. Competition is also good for consumers because firms increase the quality of their goods to be the best in the market. Matsa argues when Walmart entered the market the stock outs decreased by one third, and as a whole improvement in the product increased (Matsa, 2011). Holding stock is important because once a customer will not find a particular item in one store then it will not take time to change the store. Customers are very reluctant to change their routines and it's very risky for stores to run out of inventory, especially in such a case when giant Walmart stores never go out of inventories (Anderson et al., 2006).

Special organic food products increase profitability and help to brand. Since the need for organic and healthy food has a high demand not just small but huge retail stores like Walmart jumped into the organic food business (Hwang & Chung, 2019). So, to sustain the differentiation strategy the only private world's bigger employer now has a deep focus on providing fresh and organic products along with everyday low strategy.

**Value Chain Analysis**

Michael E Porter developed value chain analysis, a systematic tool for activities of the business which creates value and competitive advantages to the business. The value chain is a way to create superior value to our consumers, including designing, manufacturing, selling, and promoting activities. These basic activities are further divided into primary and secondary activities, combining all the activities supporting the tagline of Walmart, "Save money and live better. The strategic approach of Porter analyzes the dynamics of the environment and comes up with specific strategic ideas for each company. Several methods are used to analyze the company and its environment, one of them is Michael Porter's Model (Porter, 1985; Porter, 1997).
Primary Activities

Inbound Logistics and Outbound Logistics

Inbound logistics include suppliers, inventory management, material handling, warehouses, transport, and all the laborers. To keep the cost lower Walmart has a strategic long-term partnership with suppliers, so it buys in bulk from the suppliers which helps to manage the prices. As the organization is huge and based on its financial cloud it presses its suppliers for lower prices. This strategic partnership with the vendor helped Walmart to better manage the supply chain with real-time data of sales and stock status. Apart, it has a focus on efficient supply chain management and inventory management with high technology, which reduces its supply chain cost. The efficient management of inbound logistics reduces cost by 2.7% (Marques et al., 2020). For example, efficiency can be achieved by better use of trucks and by reducing the number of dedicated inbounds. Today digital transformation affects overall company performance and supply chain management activities (Hacioglu and Sevgioglu, 2019; Hacioglu, 2020; Hacioglu, 2019; Hacioglu, 2019 (b)).

Large companies have a large number of suppliers spread widely and it is not easy to manage material inflows, a complex task. In such cases companies like Walmart use delivery profiles, which reduces overhead costs. The delivery profile is a fixed delivery frequency for each supplier and it helps supply chain partners to plan easily (Schöneberg et al., 2010). These delivery profiles increase vehicle usage and reduce transportation cost along with less Carbon Dioxide emissions. The delivery profiles improve inventory coordination along the supply chain (Viswanathan & Piplani, 2001). Because it consolidates several replenishment orders, hence economizing the process of delivery. Further, Walmart uses different smart applications to manage the supply of material and inventory which also helps to keep the costs low. Once the products reach the warehouses, it takes 48 hours to distribute the products in different stores and they never keep the stores empty. The stores are filled with new products immediately, never letting the stores be stock out thus it creates efficiency for all the operations.

Operations

Walmart operates all over the globe in 28 countries and its operations are divided into three major categories which include Walmart International, Walmart in the US, and Sam’s Club. In operations, the raw material is given shape to finish products, here efficiency is very challenging for Walmart but the firm has a solution for it, a practice called Cross Docking. It is a process where most goods are directly transferred from incoming trucks to outgoing trucks. The Cross-Docking technique is becoming important in supply chain management because it replaces the storage and order picking which reduces huge costs (Yin & Chuang, 2016). It reduces the cost in three ways: 1) very little inventory holding cost, 2) saves time due to shorter delivery, and 3) needs very little storage space. Timilsina suggests, to be successful in the market a firm’s competitive advantage is not enough because the operations also need to be unique and distinctive (Timilsina, 2015). The huge retail Walmart didn’t get its superior business performance just because of competitive advantage but its competitively distinct operations. Further, the choice of the resources for the final output is very important, it is crucial for strategically and financially (Mariadoss et al., 2014). This is because the choice of resource has a high impact on the final product, thus influencing the business performance.
Marketing and Sales

The price element of Walmart is the marketing strategy which is reflected in its slogan 'save money, live better'. Promotion is very important for any firm to continuously tell about your product to customers, it will help them to remember because customers don't take much time to switch to another product. Advertising, trade marketing, public relations, direct and indirect sales are some of the ways to communicate with customers. However, keeping up with modern techniques for marketing purposes is very important because the growth of the internet has changed the behavior of consumers (Marušić, 2019). It uses traditional and modern channels to advertise and promote brands. For example, they use promotional videos and channels to social media. Its customer service is also a source of better reputation and brand image.

Supporting Activities

Technology

Use of technology in supply chain and customer service like smart apps for inventory management and shopping. Also, ecommerce websites for online shopping and many technology tools used by the management to keep them updated. These all increase Walmarts efficiency. Some examples of the technology they incorporated are mobiles upgrades, digital listing, online returns, robots, associates, automation and online:

- Using Radio Frequency Identification (RFID) in the supply chain management
- Used Advanced Texlon barcodes which facilitates cloud track sales price, inventory level, keeps the records of quantities sold and records the trends and predict the future.
- Suppliers use retail links, where they plan, execute, and analyze the business.
- Walmart informs people about its pro community, pro sustainability and pro health information on its website, ads and in its annual report.
- The Wal-Mart logistics team uses an Internet-based Transportation Link system that complements a Backhaul Betty telephone voice-response system to help them move goods. For example, to ensure greater supply chain visibility, satellite-based tracking technology is being installed in the Company's entire fleet of over-the-road trailers.
- Wal-Marts technological supply-chain sophisticated is intended to provide “value for customers, associates and shareholders.”

Human Resource Management

Though it has been criticized for its poor treatment with its employees and wage policies but recently it improved its human resource management. Now it invests like $ 2.7 billion in wages, training and education.

Infrastructure

We are well aware that that infrastructure of any firm plays an important role in its success. Walmart has a large infrastructure which includes its supply chain, management, human resource, its stores, distribution channels, modern technology and many more. Better use of these resources makes Walmart efficient and cost effective. As in recent years it invests more on technology and humans makes it more successful and faster growth.

Conclusions

Any firm's fade depends upon its strategic management; it defines the survival of the firm. Good Strategy, with sufficient resources, helps the firm to move in the right direction. A good strategy with an efficient approach is key to the success and growth of organizations. For the implementation of a good strategy a firm needs to do thorough environmental scanning, hence come up with an appropriate strategy. The future is very uncertain, just planning is not enough so organizations should consult the interest of stakeholders and while taking a decision should take consideration of the feedback from the stakeholders. Firms which have a cost leadership strategy like Walmart should focus on efficiency at every step. Since 1962 Walmart is enjoying being the number one retailer in the world with its super management strategies. It is not true that everything was going smoothly for Walmart, infect it faced lots of challenges’ within and outside of the organization, but how he came out of all the challenges is very important. To compete with the rivals in the market it adopted innovations in the supply chain system and product development. It struggled for every possible opportunity to make the operations and activities efficient so that they can achieve their everyday low-price target. They always keep them up to date with the changes in technology and the modern internet world. Meanwhile, they are growing day by day, still it's not very easy for Walmart to keep their unique interventions because lots of competitors are on the way. It's not easy because of changing the environment, changing customer's preferences, growing technology, changing shopping patterns, and changing business policies.

References


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