

How Much Impact Would have of the Omicron Variant of COVID 19 on Walmart Business Perceptions Over the Next a Couple of Months when European Economies Officially Reopen?

Gazi Farok*

Proctor, York University and Senator, Ryerson University, Canada

***Corresponding Author:** Gazi Farok, Proctor, York University and Senator, Ryerson University, Canada.

Received: July 18, 2022

Published: August 08, 2022

© All rights are reserved by **Gazi Farok**.

Abstract

Nowadays, it has risen in the spread of the Omicron variant of COVID-19 and it has a significant impacts on retail business. Walmart is a discount store, whose vision was to sell more for less. Currently Walmart is operating discount stores, supercenters, and neighborhood markets around the globe. Walmart has ambitious plans to increase its international sales in Europe over a couple of months after COVID-19. It has a logical target to assess the opportunities and build upon acquisitions in mostly France, Germany and the UK etc. The feasibility of business strategies to defend the European market for Walmart would overcome the impact of COVID 19.

Keywords: Variant; COVID 19; Retail; Investment; Economic

Introduction

Walmart is the largest global retailer and Foreign Direct Investment (FDI) is an investment from a business entity in one country into a business firm or corporation in another country with the intention of establishing a longtime interest. COVID-19 caused supply chain and product availability disruptions in retail business stores of Walmart. Customers cannot get their preferred product at their convenient locations of Walmart stores and they have changed their business behavior toward values, prices, qualities, and availability for retail shopping. There has been at least 10% growth of Walmart online customers in the UK during COVID-19. FDI can be made by deploying a feature of interest as well as a notion of direct control. This activity brings the sole advantage for a global firm like Walmart. Foreign direct investment (FDI) is defined as the investing of people, resources, proprietary technology and processes, money, and assets into an international market and replicating the corporation's own structure within that foreign market. This level of engagement will have suppliers from all over the world market for next 18 months to produce products/

services for European markets. FDI has international production and distribution strategies: setting up a distribution/warehouse facility in an international location, committing technologies, money and people to creating a distribution function in a foreign land and some final assembly activities (but not full production), usually including warehousing activities and specialized packaging. This is the highest risk of all levels of international business transactions and as such management demands that the highest return be achieved. This stage endures the most uncertainty where businesses will invest in resources to support their international market. Companies will have multiple suppliers from around the world manufacturing their products/services (Manjuris, 2021 [1]).

This mode of interest differentiates FDI from foreign portfolio investments where investors are used to hold securities from a foreign country. Portfolio investment and category strategies start with two inputs. The first one is a privileged view of what is happening with the consumer and the market. The second one is a deep understanding of the company's competitive advantages. Watching these bicameral inputs, Walmart can determine how

well-suited its current influential brands and upcoming brands are to capturing growth and therefore what strategic goals to set for them with FDI. The fast spread of the Covid-19 Omicron variant in Spain, France and some other parts of Europe has disrupted business for summer reopening. Retail stores like Walmart are going to reintroduce health restrictions, fueling fears etc. (Paul H, 2020 [7]). Walmart can fixup what new business models, product strategies, external partnerships, and market segmentations could generate exciting new portfolio growth either with company personnel or through licensing (Nidhi A., *et al.* 2020 [8]).

Impacts of COVID-19 variants

For Delta and Omicron variants of COVID-19, FDI fluctuations to the economic transition of the Commonwealth of Independent States (CIS), Georgia and South-East Europe shrank by more than half in 2020, to \$24 billion, their lowest level since 2003 (UNCTAD, 2021 [2]). It has been uprooting the global economy. The COVID-19 crisis had a negative impact on the European industry as well. In a survey by retail stores, supply chain and Solar Power Europe, the majority of companies that answered reported a significant decline in orders and client demand. An example is Walmart which has a European division located within the EU. The expected return from this unit is approximately 200%, well above the profit ROI expected in the US. This might explain why a box of baby diapers purchased in a Target's in France costs approximately 17.5 Euro (about \$25CAN), much more than a box of baby milk at the same outlet. Other examples of companies at this level are well known such as Apple, Microsoft, GM, Seimens etc. Another example would be Tim Horton's investing in Norway and Sweden to increase the number of stores in the region . This is a business entering a foreign economy to strengthen a part of its logistics and supply chain without changing its business strategies. Considering the global economy, the monthly average for new investments for the first half of the year was down during COVID-19. It was almost half of the monthly average for the whole of 2019, the largest decline on record, according to the United Nations' Conference on Trade and Development. The foreign direct investment in the U.S. and European Union fell by 61% and 29% respectively (Martin A., 2021 [11]). FDI has some fruitful commitments, creating an MNE (Multinational Enterprise), forecasting feasibility and investing in both production and marketing in a foreign land and setting up a foreign division or head office. So, FDI has positive impacts where

sovereign debt issues and sluggish demand are putting pressure on European economics. In conclusion, Walmart has foreign direct investment in Europe to increase its sales profits. It should focus on low price goods after COVID-19 when European economy officially reopened and that is exactly what customers are looking for. FDI in retail business Walmart etc., (Statista, 2021 [23]) has a number of limitations on different levels of step in- host government regulations, international licensing bodies and local business competitors etc.

Vaccination performances and business policies

Most of the European nations, the first vaccinations had begun immediately after authorizations were granted. They allocated the priority given to high-risk age groups and transmission groups. There are two primary approaches to saving lives using vaccines in Europe (OECD, 2021 [4]): a) Vaccinating vulnerable populations by priority basis (e.g. the elderly, frontline health workers, health professionals): It is an emergency pilot program for European nations to protect senior citizens and build a target group with required equipment to defend as front liners. It might reduce morbidity and mortality directly, decrease root level spreading by reducing the incidence of severe COVID-19 (BBC, 2021 [3]). b) Effective vaccination for a limited transmission: COVID-19 has affected millions of people (Rulf W., *et al.* 2021 [10]). Vaccination is very important to protect vulnerable populations directly. Those segments of the population most susceptible to transmitting the virus. Similarly, the existing vaccines might be less effective, if it slows the emergence of new variants. The choice of approach will be influenced by a number of factors, including the efficacy of the COVID-19 vaccine(s) in reducing severe disease in different population groups, and in limiting transmission, the extent of vaccine supply, and the level of transmission in the population. Usually, reducing transmission reduces viral replication (OECD, 2021 [4]). It can reduce the frequency of mutation and the potential emergence of new variants like delta and alfa. Retail business operation is very much important with respect to getting public interactions. Social distancing regulations, lockdown, curfew, quarantine, isolation, working from home, caring for children, government threats to public health by restricting daily life reduce the amount of available social and business support (Bertolt M., *et al.* 2021 [9]).

The European Union has a plan to vaccinate 70% of its adult population by the end of August 2021. As of 15 March 2021, more than 51 million doses of vaccine had been administered in the EU, with Denmark and Spain reporting the highest levels of vaccination per capita (respectively 10.1% and 8.4% of their population had received at least one dose) (Our World in Data, 2021 [5]). In the United Kingdom, a study by Public Health England found that the risk of COVID-19 among health care workers decreased by 65-72% after the first dose of the Pfizer/BioNTech vaccine, and more than 85% after the second dose. Politicians are expecting that it can stimulate economic growth between the eurozone and UK businesses. Additionally, the risk of infection decreased by 70% in those who received one dose and 85% in those who received both doses. Also, data from Public Health Scotland indicates that hospitalization risk decreased by 94% for individuals vaccinated with the Oxford/AstraZeneca vaccine and 85% for the Pfizer/

BioNTech vaccine (OECD, 2021 [4]). The studies in Portugal and some other countries of Europe derived that the Oxford/AstraZeneca vaccine is useful for people aged 70 and over. Both situations travel and social restrictions in preventing Covid-19 infections and reducing the need for people with the illness to get treatment at hospital. It is also added that a fifth more UK men than women die in COVID-19 and European economies are paralyzed by rapid spread of delta variants (Martin A., 2021 [11]).

Impacts in consumer markets

The highly spreading Omicron variant COVID-19 crisis has occurred to dramatic shifts in European consumers values, behaviors and attitudes. Walmart will have to train up it's employees to work hard to meet customer needs and it should have ever-evolving customer experience requirements in order to win-win relationships in retail sectors (Table A).

No	Sales	Marketing	Outcomes
1.	Hassle-free, shopping in high-hygiene environment, longer operating hours	Engagement for customers by when, where and how	Re-evaluate for money, price, quality, branding and merchandising
2.	Drive-through, first class e-commerce, on-the-go consumption	Provide incentives for first time and big amount shoppers e-retailers, multi-brand stores	Health, safety, fresh, rethink, brand-mix.

Table A: Business challenges for Walmart during Omicron variant (Nidhi A., et al. 2020 [8]).

Omicron variant is highly spread, and its infection rate is so high; it has made challenges for staggering health and humanitarian. During this crisis period, Walmart stores in Europe have acted on multiple fronts to protect their employees, customers, supply chains, product lines and financial performance. Walmart retail stores have been particularly affected, with frontline employees directly at risk. Economies reopening stages at Europe (BBC, 2020 [3]): Stage-1: Resumed indoor games etc; European league to make practice, Stage-2: Reopened of shops of all sizes following hygiene and social distancing mainly Walmart, Target, shopping malls etc., Stage-3: Reopened shops smaller than 800 sqm mainly car dealership, bicycle shop and bookshops.

In the Business contest, this pandemic has created a potential labor shortage and some industries have become less competitive. The higher the international business transaction, the higher the business risk. Specifically, youth and educated people can earn more in other countries compared to East European nations like

Portugal, Greek etc. Some European governments have taken a plan to donate the surplus vaccines to poor countries and European Commission has announced that they would share some vaccines directly with selected countries and with COVAX. It is not clear as to how 'surplus', purchase agreement and which stages will be defined. In the meantime, government officials in the United Kingdom have suggested that supplies will only be shared once the entire UK population has been vaccinated (OECD, 2021 [4]). These vaccine donation concepts might be helpful to accommodate a retail business environment in the East European poor countries as well. Walmart as the most sophisticated multinational company is trying to position its business for the next 18 months period after this crisis. Revenue growth strategy is the discipline of driving sustainable, profitable growth through a range of strategies around outcomes, promotions, trade management, brand publicities and pricing. One research statistics derived that only 10% to 15% in Italy, France, Spain, and the UK consumers were optimistic or

very optimistic about economic conditions after COVID-19 (Nidhi A., et al. 2020 [8]). Very recently, the highly contagious variant is threatening Walmart stores at European markets to spoil the summer (Xavier F., Mathew D., 2021 [6]). These economies depend on tourists from different countries mostly outside of Europe. Scandinavian countries (Northern Europe, Sweden etc.) are enjoying a mixed economy which is good in the business environment. Walmart should focus on health restrictions, infection rates at reopening time, government interventions and existing support, employment regulations and fringe benefits, health policies, economic perceptions and societal welfare among European countries. Considering all circumstances, it would be very challenging to deploy a plan for recurring the business decision in European markets after the omicron variant of COVID-19 as the CEO of Walmart.

Analysis of risks in current European market

It has a very strong and multiple opportunities, yet competitive business environment. However, with competition it comes in a lot of risks. There are a number of risks associated with conducting business in Europe such as the low export rates, corruption, and weak currency which comes from the level of sovereign debt. About 60% of Europe's trades have been intra-regional, meaning within neighboring countries. This may make it difficult for businesses to create relationships with companies in other countries.

Europe's banking system is also far more focused on short-term borrowing rather than long-term, making it even more difficult to operate a business within the continent (Roberts, 2020). Capital such as machinery, land, and equipment are examples in which a business would use long-term borrowing rather than short-term.

Brexit also has a major impact on conducting business in Europe, especially the UK. Brexit is the exit of the United Kingdom from the European Union. This means the UK will lack support from its neighboring countries in financial, political and economic ways. It makes the movement of people, products and capital much more complex. The UK exiting the European Union affects the market stability and financial integration in Europe (Kämmerer and Schäfer, 2021 [18]). There are also major political constraints with Brexit, such as complications with rules and regulations with neighboring countries, as well as coming to agreements for new laws which are to be created. Therefore, conducting business within the UK is now harder than ever.

Entering in a foreign market typically means a company must acquire a number of licenses, registrations and approvals to conduct business (Milne publishing, 2012 [26]). However, with corruption occurring much more often, certain countries or businesses are able to either bypass these government regulations, or illegally purchase them. Bribery is often one of the main corrupt activities occurring within Europe. Companies or politicians may offer money or gifts to bypass particular laws within the country. Foreign companies entering these markets are at a huge disadvantage when competing with these under-the-table transactions. There are a number of acts and regulations against corrupt practices such as US Foreign Corrupt Practices Act (FCPA) and the Organization of Economic Cooperation and Development (OECD) Convention on Anti-Bribery, however, it will take years before corruption in business is taken great care of (milne publishing, 2012 [26]).

Also, corruption in European business environments is occurring more often than ever, appearing mostly in countries such as Russia, Albania and Bosnia (Welch and Ciner, 2004 [12]). The main types of corrupt activities within these countries include bribes, manipulation, or money laundering (Chen, 2020 [13]).

Corruption in European markets becomes an issue when certain companies are acquiring capital, agreements or assets which give them a competitive advantage against other companies. These transactions can bypass the payments of millions of dollars and makes it much more difficult to compete against them.

Finally, looking at the largest and most severe risk of doing business in Europe right now, it's the level of sovereign debt. Europe's high level of debt comes from multiple governments which tend to fall to the European Central Bank when in need of help financially. This leads to a weakening of the Euro, and ultimately higher interest rates..A great example of this is Greece, who tends to look for financial assistance from the European Central Bank, however, has only put their monetary position in a worse place, as they have billions to owe. It makes it rather difficult for companies of a smaller degree to operate in Europe, with interest rates being rather high.

The Sovereign Debt Crisis created a huge ripple effect across Europe and created higher unemployment rates, greater income inequality, and has put much more people at risk of poverty (corporate finance institute, 2021 [14]). When unemployment

rates are higher than usual, it creates job scarcity and stress upon employees becomes higher. Therefore, conducting business in Europe, with higher stress levels on employees will lead to less productivity, and overall revenues.

Europe's sovereign debt is one of the largest risks associated with conducting business in Europe and foreign companies who wish to transition into the European market must take in the consequences the sovereign debt has inflicted.

When looking at our chosen MNE, Walmart, the potential risks associated with entering European markets have implications. First, with parts of Europe have lower export rates, it can make it difficult for Walmart to move certain goods between certain countries, especially when they need to form relationships with suppliers, distributors and manufacturers.

In addition, many countries in Europe such as Russia and Bosnia often use corrupt strategies to succeed such as bribes and manipulation, which at times, can make it difficult for Walmart to compete. Businesses in Russia may use bribes to avoid certain rules and regulations (Ganintegrity, 2020 [15]).

In sum up, looking at the severe debt many countries in Europe are in such as Greece, would have a major impact on Walmart moving into Europe. Large amounts of debt leads to weaker currency, making it harder for Walmart to transition their money from USD/CAD to Euros).With high amounts of debt in Europe, and a weak currency, it can lead to inflation. This makes it more difficult for companies such as Walmart to predict future supply and demand, especially with consequently higher prices (Beretta, 2020 [16]). As mentioned earlier, the great sovereign debt in Europe also has an effect on unemployment rates, making jobs much more scarce across the continent.

Interpretations of foreign direct investment (FDI)

When deciding whether or not Walmart would increase or decrease FDI in the European Union, there are a number of factors they would need to consider. First, they must assess the retail industry in each marketplace including the competitors in that market, this includes supermarkets, discount stores, and hardware stores. They must also look at whether the discount retail format, which they operate under, can play a unique role in these markets, or if a similar role is already represented. In addition, Walmart

should assess the political landscape and cost of doing business in each country in the European Union (including tax laws, labor rates, distribution network and potential for retail locations). Lastly, they need to understand whether or not setting up operations within the EU allows them to trade goods within each country across the union, without tax or trade implications.

First, we can take a look at some of the largest retail companies based in the EU, and where Walmart would fit. These companies include Schwarz and Aldi Group in Germany, Carrefour S.A in France, and Ahold Delhaize in the Netherlands (Farfan, 2019 [19]). These European retailers tend to sell approximately 8-9% of their business through the e-commerce channel (Ecommerce News, 2020 [20]). Now looking at Walmart on the other hand, 5.6% of their sales are done through e-commerce (PYMNTS, 2021 [21]). This demonstrates Walmart's underdevelopment in this retail channel and highlights the added cost of doing business as Walmart would be expected to ramp up their efforts in the online channel if they are to compete against these well-established European retailers. However, looking at Walmart's overall revenue, they generated nearly 5 times the amount Europe's largest retailer (Patriot, 2021 [25]) generated in 2019, giving them a major advantage (Statista, 2020 [22]). Walmart has access to much more capital investment than their potential European competitors. This enables Walmart to build the infrastructure needed to support growth of both bricks and mortar stores and on-line distribution.

We must also take a look at the similar retail formats that exist within countries of the EU. Walmart is a discount department store and would compete with companies of similar size and strategies. These companies include Lidl, Aldi, and Schwarz Group (Statista, 2021 [24]). Each of these companies are similar in terms of offering a simplified retail experience, with lower prices. They each sell a large range of products from fresh and frozen foods, to pet supplies and household essentials. If Walmart were to enter Europe and take on these companies, a pricing war may occur, ultimately creating an extremely competitive market with suppressed margins for everyone. A price war is seen in industries with companies of similar sizes, products, and strategies (Tanski-Phillips, 2020 [17]). Although Walmart is substantially larger than these competitors, a price war could make it challenging for Walmart to get a return on their investment in the early years of entry into these markets.

Next, Walmart would need to assess the political position and cost of conducting business in each country. This includes understanding the tax laws, the labor rates, assessing distribution networks and each of the potential retail locations. Businesses in the EU can have a free flow of goods and services within the single market (EU, 2021 [27]). Walmart would need to see how this applies to them, and in what ways it can benefit or hinder their success. It's important to note that setting up operations in EU countries may not necessarily allow them to trade goods across borders tax-free and could result in a significant setback for them. Walmart also must look at labor rates across different countries within the EU, and whether their low-cost model can support the wage structure needed to attract the labor force they require.

Conclusion

In conclusions, they'd need to research potential retail locations and whether they can find optimal positions in high density areas to support their traditional big box discount format. Retail locations must include lease costs that can fit into their cost model required to ensure each location is profitable. Walmart has often surveyed potential retail locations using a third party to avoid real estate cost from escalating knowing that the world's largest retailer is coming into the area. This strategy has been used successfully to keep real estate cost low as Walmart gets into new markets. This approach would be vital for Walmart to continue as they assess both entry into the European Union and selecting specific locations.

Bibliography

1. Manjuris M. "GMS 723: International Trade" (2021).
2. UNCTAD. "COVID-19 hits foreign investment in transition economies harder than other regions". World Investment Report, 2021 (2021).
3. BBC. "Coronavirus: How lockdown is being lifted across". Europe, UK (2021).
4. OECD. Taking Coronavirus (COVID-19) contributing to a global effort: Access to COVID-19 vaccines: Global approaches in a global crisis, 18 March, 2021 (2021).
5. Statistics and Research, Our World in Data, Coronavirus (COVID-19) Vaccinations, 2021, GCDL (2021).
6. Xavier F and Matthew D. "Delta Variant's Surge Puts Europe's Summer Reopening at Risk". *The Wall Street Journal* (2021).
7. Paul H. "Foreign Investment Plummets During Pandemic, Except in China". *The Wall Street Journal* (2020).
8. Nidhi A., et al. "Mckinsey and Company, Perspectives on retail and consumer goods". mckinsey.com (2020).
9. Bertolt M., et al. "Employee psychological well-being during the COVID-19 pandemic in Germany: A longitudinal study of demands, resources, and exhaustion". *International Journal of Psychology* 56.4 (2021): 532-550.
10. Rulf W., et al. "Regulatory concepts to guide and promote the accelerated but safe clinical development and licensure of COVID-19 vaccines in Europe, Allergy". *European Journal of Allergy and Clinical Immunology*, Ryerson University, Canada (2021).
11. Martin A. "Spread of Delta variant casts shadow over Europe's economic rebound". *Financial Times* (2021).
12. Welch J and Ciner C. "Conducting Business in Eastern Europe:: Risk-Return Perspectives of Senior Financial Executives". ScienceDirect (2004).
13. Chen J. "Corruption Investopedia" (2019).
14. European Commission Directorate-General for Trade. Investment - Trade - European Commission. (2021).
15. Russia Corruption Report Gan Integrity (2020).
16. Beretta E. "The fourfold relation between the essence of money, inflation, bubbles and debt—A theoretical macro founded analysis". *Economic Notes* (2020) 49:e12166.
17. Doing Business in Europe? Top Ten Issues. Doing Business in Europe? Top Ten Issues | PNC Insights. (2020).
18. Kämmerer JA and Schäfer HB. "Brexit. Cheltenham". UK: Edward Elgar Publishing (2021).
19. Farfan B. "Largest European Retail Chains of 2018". *The Balance Small Business* (2019).
20. "Ecommerce in Europe". *Ecommerce News* (2020).
21. PYMNTS.com. "Amazon, Walmart Nearly Tied In Share Of Retail" (2021).
22. Koptuyug E. "Schwarz Gruppe: revenue by sales division in Germany 2019 Statista" (2020).
23. Published by Statista Research Department, and 11, M. (2021, May 11). Walmart annual revenue 2012-2019 Statista (2021).

24. Statista. Discounters in Europe. Statista (2021).
25. What Is a Price War?: Overview, Pros, Cons, and More. Patriot Software (2021).
26. Jimenez G C and Pulos E. "Corruption in International Business. Good Corporation Bad Corporation Corporate Social Responsibility in the Global Economy" (2012).
27. European Sovereign Debt Crisis - Overview, Timeline, Causes. Corporate Finance Institute (2021).