

COVID-19 IMPACT ON TRADE ACTIVITY IN AN ECONOMIC ENTITY

CUC LAVINIA DENISIA¹, LĂCĂȚIȘ CLAUDIA AURORA*¹

¹"Aurel Vlaicu" University, Faculty of Economics, Arad, Romania

*Corresponding author's e-mail: claudia.lacatis@yahoo.com

Abstract: *Given the current situation caused by COVID-19, by closing the HO.RE.CA domain, schools and kindergartens, companies have come to own a large number of food stocks. In today's highly volatile economic and social circumstances, it is necessary to manage the entity's assets in the most efficient and effective manner possible so that it can survive and achieve its profit goals. In this article, we will analyze the impact of the virus on the food trade, its consequences and how to prevent risks. The study will also be based on annual financial statements that provide greater credibility to the research. At the same time, we will present the SMART objectives and the SWOT analysis of the entity, with the help of which we will describe the forecasts about the economic risk, new promotion strategies and what can be done in a period of the financial crisis.*

Key words: *trade, overstocking, forecasting, profitability, risk*

INTRODUCTION

The limitations imposed by the authorities on productive economic activities, distribution and trade, must be carefully made in order to take precautions on economic, financial or food crises at national and global level. Unfortunately, this virus has invaded countries that have been poorly prepared from a medicinal point of view (insufficiency of ATI hospitals, masks, gloves etc.), technological-educational (lack of devices for online school, telework) etc.

The scenario of isolating people, banning the use of enclosed spaces such as gyms, restaurants and more, has led people to turn to online commerce for various services and products [5]. From this point of view, small and medium-sized firms suffered because initially they did not have an online promotion system to attract customers.

Unfortunately, many businesses have fallen financially because they have not been able to carry out their economic, social, entertainment, cultural activity etc. Another negative effect was the food supply, many of which were perishable, which brought additional expenses that could be avoided.

In this case study, we will treat the impact of this virus on food trade, risk prevention analysis methods, objectives and its consequences that occurred in the entity referred to.

MATERIALS AND METHODS

In the context of the development of this article, we are considering the situation of an economic entity in the field of whole sale food trade in Arad. The research is based on the annual financial statements (balance sheet, profit and loss account and cash flow table) [1]. In a similar manner, tables and graphs will be developed to research personnel, marketing, management and accounting policy.

In view of the uncertainty of the economic market environment, it is necessary for the companies in this profile to source additional safety stocks of goods [2]. Of course, this entails risks of remaining with goods in stock, with higher storage costs and unused perishable goods.

RESEARCH RESULTS

Next, we will set out the general SMART objectives (specific, measurable, adaptable, relevant and temporal) together with their appropriate activities for a better conduct of food trade.

Table 1.

SMART general objectives of the economic society

Specific objectives		Activities	
O1	Identification of risks related to the distribution of goods in the COVID pandemic	A1	Market research, but also the search for new customers
O2	Preventing default ingats on due customers	A2	Receipt of customers on time
O3	Limiting the negative effects of the virus in the delivery of the goods	A3	Adoption of new ideas to promote the company, namely: home deliveries
O4	Setting the budget to improve the work	A4	Decrease in non-advantaged expenditure

Source: Result of own research

With these proposed goals, a well-organized plan is established for any economic entity that wants to improve its performance, prevent risks, limit the negative impact of the virus, adopt new strategies to promote the product, the company, etc.

In the following, we will do the SWOT analysis of the studied company, in order to form a vision of the company. It determines the elements of influence inside and outside the entity, also its position on the market.

Table 2.

SWOT analysis of the economic entity

Strengths	Weaknesses
<ul style="list-style-type: none"> -Cash reserves; -Old ness in the food trade market; -Loyal and satisfied customer; -Very good price-quality ratio of food. 	<ul style="list-style-type: none"> -The company's dependence on HO.RE.CA clients, to which their activity has been limited or closed; -The non-receiving of inert customers who have gone into insolvency or default.
Opportunities	Threats
<ul style="list-style-type: none"> -New promotion strategies through site, facebook, leaflets, radio, youtube; -Delivery to customers' homes; -Product diversification; -New loyal customers. 	<ul style="list-style-type: none"> -The risk of restricting economic activity due to the spread of the virus; -Closing the HO.RE.CA domain; -The emergence of foreign supermarkets with much lower prices; -New competitors.

Source: Result of own research

In view of the table above, we note the benefits and dangers of society in achieving the objectives. This analysis is a summary of the economic situation regarding the entity after the impact of COVID-19. Due to the fact that a prudent policy was adopted, the company managed to keep itself on the market, even to promote itself more than it did before [6].

Of great importance in any entity in the field of trade is turnover. In the light of this indicator, it is known whether the proceeds from goods and services were profitable as a result of the activity carried out [4]. According to the analysis methodology, we establish the evolution of the turnover of the company investigated before and during the pandemic period with COVID-19.

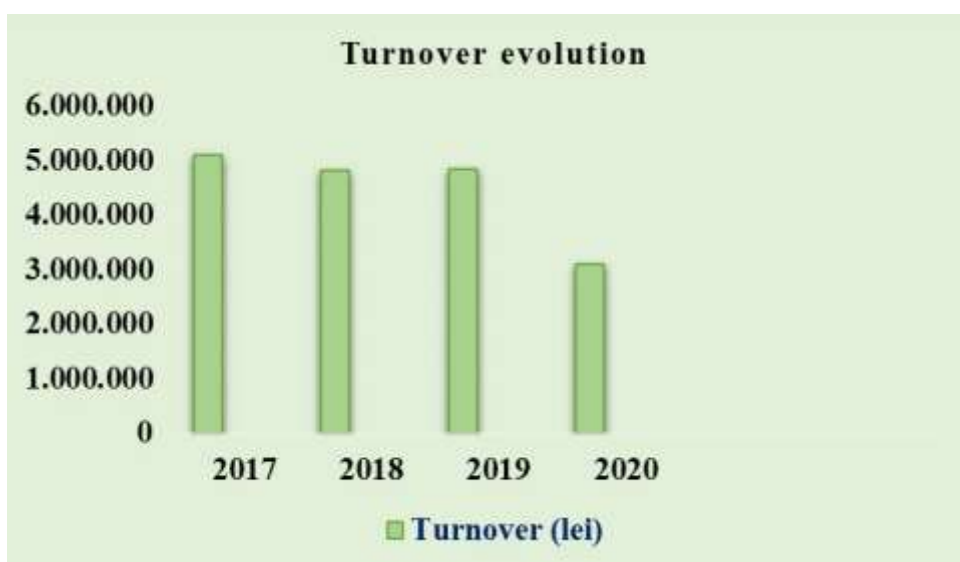


Figure 1. Impact of COVID-10 on turnover

Source: [8]

We note that turnover before the virus appeared is almost constant, but in 2020 there was a noticeable recession in sales, which led to a decrease in turnover.

Today, more and more fast food outlets, restaurants, food stores are selling online to continue economic activity, not to decrease sales and thus customers. It is worth noting that this food field does not have a major impact online like other areas such as electronics stores, clothing, etc [7].



Figure 2. Online trade

Source: [12]

Regarding the advantages and disadvantages of online food trade, we are considering a number of factors that influence this modern area of food sales and purchase[11]. These factors come from the external environment (market, competitors, customers, currency fluctuation), but also from the internal environment (entity, management, employees) [3].

Table 3.

Advantages and disadvantages of online food trade

Advantages	Disadvantages
<ul style="list-style-type: none"> -New customers; -Creating newproducts; -Home delivery; -Knowledge of the company by several people; -Increased sales. 	<ul style="list-style-type: none"> -Increased competition; -Low customer credibility; -High transport costs; -Additional expenses for promoting products through the media.

Source: [9]

Taking into account the uncertainty of the external environment, in the table above we presented the most important factors that positively and negatively influence the online food trade. In the pandemic context, HO.RE.CA entities, fast food, wholesale food distributors, as well as retail, have managed to adopt new strategies to attract customers to satisfy them with quality food and at an advantageous price.

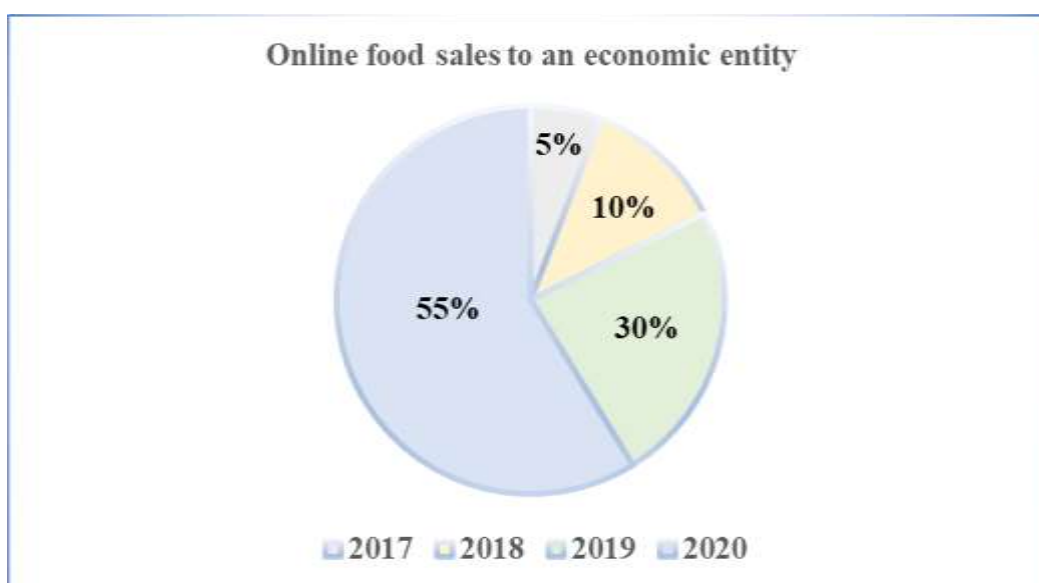


Figure 3. Evolution of online food trade

Source [10]

Due to the fact that the entities turned to online food sales, during the pandemic it led to an increase in the products delivered, price transparency and the creation of new loyal customers [13].

Since 2020, the pandemic has had a major impact on the HO.RE.CA. domain to food distribution firms in this segment. The number of people in the hospitality in the hospital business decreased significantly due to the fact that restrictions were imposed by the authorities, so people were no longer able to go to the restaurant, organize events, etc. All the restrictions and limitations on the spread of the SARS-COV-2 virus were for human health. Thus, the managers of hotels, event halls tried to continue their activity by building new terraces or igloos, keeping the distance between the people of the local. Those who did not have this opportunity, focused on online sales.

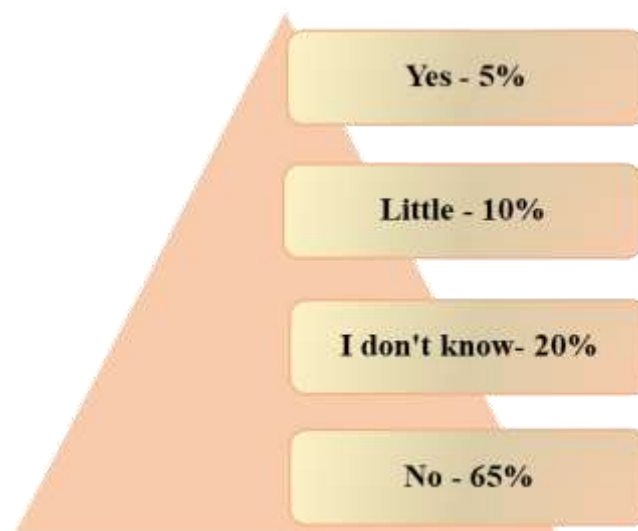


Figure 4. Do you think it has had a positive impact on closing the domain HO.RE.CA.?

Source: Result of own research

The closure of restaurants, event halls or canteens in enclosed and open spaces had a negative impact on those who frequented these places. The consequences were seen in the number of staff and customers, but especially in the figures in the sales.

CONCLUSIONS

Trade is a set of economic activities ensuring permanent links between producers and consumers in which the exchange of products is concerned by buying and selling them [14]. It was indeed affected by the emergence of the COVID-19 virus by the restrictions and limitations imposed on the activities carried out in the production, trade, distribution that had a negative global impact.

The major challenge in the sphere of trade is linked to the ability of traders to adapt to changes associated with digitalisation and to use information as efficiently and effectively as possible to increase their customer base. Thus, e-commerce was a rescue for many stores, which had to implement and increase online sales.

As we are allowed to cover, food trade is considered the foundation of international trade, where there are concerns for ensuring optimal conditions for carrying out these activities [15]. Unfortunately, online shopping is part of a small segment of food, even during quarantine or the restrictions imposed by the authorities on COVID-19.

It is also clear that the consumer's behaviour regarding the purchase of food has changed with the advent of the virus for a number of reasons. At the beginning of the pandemic, people tried to stock up on food, many of which were perishable, but others behaved normally, showing no moments of despair. Many people have reduced their spending on clothing, electronics, but not food, which is one of the most important factors in human life.

REFERENCES

- [1]. **CERNUȘCA L., GOMOI B.**, 2008, *Gestiunea financiar - contabilă a întreprinderii*, Editura Universității „Aurel Vlaicu”, Arad
- [2]. **GOMOI B.**, 2020, *Management financiar și al performanțelor*, Editura Eurostampa, Timișoara
- [3]. **GOMOI B.**, 2021, *Politici și opțiuni contabile-Suport curs electronic*
- [4]. **GOMOI B.**, 2017, *Incursiune aplicativă în contabilitatea entităților economice* Editura Eurostampa, Timișoara
- [5]. **PANTEA M.F.**, 2007, *Analiza economico-financiară a întreprinderii*, Editura Universității „Aurel Vlaicu”, Arad
- [6]. **RISTI L.**, 2009, *Contabilitate și gestiune fiscală*, Editura Economică, București
- [7]. **NICOLĂESCU C.**, 2010, *Noțiuni fundamentale de contabilitate*, Volumul I, Editura Mirton, Timișoara
- [8]. *** **CODLEA VIAL INTERNATIONAL SRL** din Arad Calea 6 Vanatori 55, CUI 16541010 (listafirme.ro)
- [9]. *** **Codlea Vial International** | Distribuitor produse alimentare congelate și refrigerate
- [10]. *** **CODLEA VIAL INTERNATIONAL S.R.L.** din judet ARAD, localitate ARAD | CUI 16541010 | Termene.ro
- [11]. *** **Comerțul în situații de criză: impactul Covid-19 asupra economiei globale - VTEX - Accelerate Commerce Transformation**
- [12]. *** **Comert cu alimente online – Căutare Google**
- [13]. *** **Ultima redută a comerțului a fost cucerită de online? Vânzările online de alimente și bunuri de îngrijire ar putea ajunge la 1 mld. euro în 2025, impulsionate de pandemie (zf.ro)**
- [14]. *** **Marfurile alimentare referat (qreferat.com)**
- [15]. *** **Vânzările online, colacul de salvare pentru comercianți în 2020 (deloitte.com)**