

THE ECONOMIC ANALYSIS OF THE BUSINESS OPERATION OF TRADE COMPANIES IN THE REPUBLIC OF SERBIA DURING THE COVID-19 PANDEMIC

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ABSTRACT

This paper analyses the business operation of trade companies in the Republic of Serbia during the Covid-19 pandemic and the impact of the crisis caused by this virus on the work of these companies.

Namely, this crisis has caused serious problems in a short period in most sectors and altered the way they do business. It can be said that to a certain extent it caused damage to trade companies, with the effect of the pandemic differing by trade segments. For example, trade companies selling food products even achieved positive results in 2020, when compared to 2019. Accordingly, this paper aims to perceive the manner of business operation and achieved economic results of trade companies that operate in the territory of the Republic of Serbia during the period of existence of the Covid-19 virus.

Keywords: Covid-19 pandemic, trade companies, consequences, crisis

INTRODUCTION

The crisis caused by the Covid-19 virus represents an entirely new type of crisis with which no company has met so far. The implemented anti-pandemic measures based on social distance, lockdown policy, and the need to significantly reduce contacts among people in general, required trade companies to find solutions that would make it easier for them to adapt to the new situation. We can say with certainty that this crisis caused damage to many companies in different sectors. However, when it comes to the trade sector the effect of the pandemic has to a certain extent even been positive. Accordingly, in the continuation of the paper, the economic consequences of the Covid-19 pandemic will be pointed out, as well as the operation of trade companies in this period, through the analysis of achieved economic results.

ECONOMIC CONSEQUENCES OF PANDEMIC AND TRADE COMPANIES

The Covid-19 pandemic has had a significant impact on the economies all countries in the world and, as a result, on the activities of enterprises in all industries [6]. In a short period, it has caused huge problems that had a significant impact on every segment of companies' business operations. The Covid-19 crisis has affected the speed of business processes, their organization, and prioritizing topics, that is, areas [9]. The great decline of the economic activity, which occurred as a consequence of the aforementioned crisis, led to the deepening of the problem in the economic sphere. What can be said with certainty is that the pandemic shock hit the economy both on the side of aggregate demand and on the side of aggregate supply

which is atypical and makes the situation of overcoming the crisis especially difficult [7]. In addition, some of the visible consequences of this crisis are: decline in product demand and thus the reduction of production processes, increase of unemployment, decline of living standard, rising poverty but also the increase in social inequality. Long-term economic resilience is uncertain [1].

If the pandemic is not contained, the negative economic impacts could grow as the company's financial resources are depleted to address both the health aspects of the crisis and also the impact on the individuals and companies [1]. Hence, it can be said with certainty that the pandemic of the virus Covid-19 has had a negative impact on the level of income of most companies, in various sectors. Introduced measures to slow down the further spread of the said virus have especially contributed to this. Majority of sectors experienced some kind of change during the Covid-19 pandemic [5]. While some activities struggled with a large decline, some experienced a large increase in business volume, which implies that the pandemic crisis did not affect all activities uniformly [5]. One of the sectors that were hit the hardest, which at the same time suffered the biggest decrease in revenue with the occurrence of the Covid-19 virus is the sector of tourism and hospitality. Namely, companies dealing in sectors such as aviation, restaurants, clothes, hotels, and tourism have been especially hit with a decrease in revenue of 80-100% [4]. On the other hand, restrictions and the health situation made huge impact on pharmaceutical industry, food and other essential food retail, video game industry, online sales, logistics providers related to providing delivery to each individual consumer [5]. *Kamberovic et al.*, [2020, p. 13.] points out that in the aforementioned sector's revenues increased by 10-20%.

However, the appearance of the Covid-19 virus has significantly altered the way trade companies do business as well. Like others, these companies had to respect all the introduced measures and dedicate themselves to the creation of safe working conditions when it comes to the work of their employees and also for the stay of consumers in stores. Key measures in this area related to the following: mandatory wearing of protective masks, more frequent hand disinfection, limiting working hours, limiting the number of people in trade objects depending on the size of the object, the mandatory social distancing of at least 2 meters, more intense disinfection of stores [3]. Measures taken to prevent the further spread of the virus also included the closure of numerous stores (except for grocery stores) for a certain period.

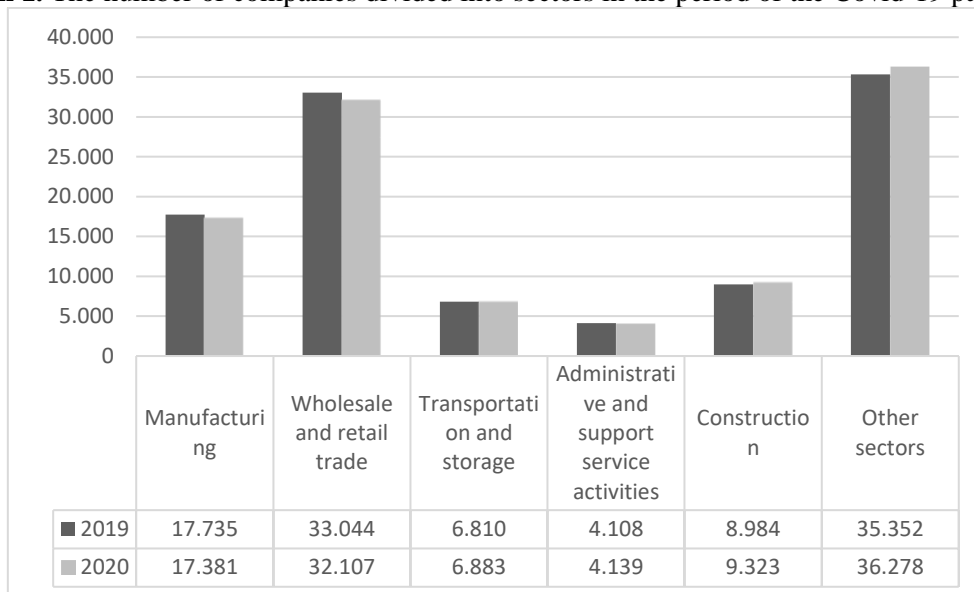
Habits, needs, and demands of consumers have also altered in that period. There was an increase in demand for specific food products, disinfection products, protective masks, etc. A large number of consumers avoided going to stores and redirected their purchases to the Internet. Numerous trade companies recognized this and began to offer their products via their sites accordingly.

Table 1. Net business results of Serbian companies by sectors of activity

	Net result (In millions of RSD)		Index
	2019	2020	2020/2019
Wholesale and retail trade	74.345	134.858	181,4
Manufacturing	116.268	130.894	112,6
Construction	33.878	58.484	172,6
Information and communication	37.551	44.921	119,6
Electricity, gas, steam supply	3.973	26.166	658,6
Agriculture, forestry and fishing	-4.652	9.712	n/a
Real estate activities	23.709	4.156	17,5
Mining	1.163	16,728	7,0
Arts, entertainment and recreation	6.491	1.370	21,1
Transportation and storage	11.389	-11.539	n/a
Accommodation and food service activities	1.332	-9.183	n/a

Source: Lazarević-Moravčević & Kamenković, 2021, p. 44

The table shows that trade companies achieved better business results in the year 2020, in comparison to 2019, regardless of the existence of the Covid-19 virus. The increase was primarily achieved by those trade companies where epidemiological restrictions contributed to the increase in demand, like trade companies selling food and beverages, medical equipment, pharmaceuticals, computer equipment. On the other hand, the crisis contributed to a certain number of companies reducing or completely suspending their further operations, as evidenced by the number of trade companies in 2020, which is lower than in 2019 (Graph 1).

Graph 1. The number of companies divided into sectors in the period of the Covid-19 pandemic

Source: authors according to: https://www.apr.gov.rs/upload/Portals/0/GFI_2021/Godisnji_bilten_2020/Prezentacija_BILTEN_SI2020_FINAL.pdf

Thus, the quarantine in which most people on the planet found themselves, as expected, significantly reduced economic activity as well as the decline of demand and supply worldwide [2]. It can be said that in comparison to other crises (such as the financial crisis in 2008), managers of trade companies have definitely become aware of the fact that they are facing a set of new challenges that make it difficult to predict and choose the existing solutions. What can contribute to making better results even in these circumstances is the ability and readiness to adapt to the current situation (for example, by offering products that will meet the current consumer demands), but also a responsible behavior toward the social community.

BUSINESS OPERATIONS OF TRADE COMPANIES IN THE PERIOD OF THE PANDEMIC

It can be said that, unlike other sectors, the occurrence of the Covid-19 virus did not greatly affect the trade sector. For example, since the pandemic was declared, a large number of companies was forced to lay off some of their employees due to financial situation. Some companies offered their employees the opportunities to work from home, while others have been forced to send employees on leave [8].

However, this was not the case with the trade sector, given that there was an increase in the number of employees in 2020 when compared to 2019 by 4502 employees (Table 2).

Table 2. Number of employees by sectors

	Number of employees	
	2019	2020
Wholesale and retail trade	223.116	227.618
Manufacturing	374.840	391.855
Construktion	78.003	81.546
Transportation and storage	99.912	101.935
Administrative and support service activities	83.165	83.122
Other sectors	315.326	331.878

Source: Lazarević-Moravčević & Kamenković, 2021, p. 45.

Proof that the pandemics have not had a major impact on trade companies is also the Report on one hundred most... business entities according to revenues in the Republic of Serbia, in which representatives from the trade sector occupy a large share (Table 3). The table shows trade companies operating on the territory of the Republic of Serbia, which are among the top 50 companies when it comes to operating

revenues in 2020. It can be noticed that in comparison to 2019 and 2020, higher revenues were generated mostly by companies selling food products, while the decline of operating revenues in 2020 when compared to 2019 can be particularly observed at gas stations. This can be explained by the fact that the introduction of measures prohibiting travel during a certain period in 2020 decreased the need for using cars and other vehicles, which reflected negatively on the operating revenues of these business systems.

Table 3. Trade companies on the list of “One hundred most... business entities according to operating revenues” in 2019 and 2020

The name of the company	Operating revenues (in 000 dinars)	
	2019	2020
<i>Delhaize Serbia doo, Beograd</i>	104.869.310	111.484.748
<i>Mercator-S doo, Beograd</i>	78.464.917	79.966.089
<i>Nelt Co doo, Beograd</i>	78.508.654	77.375.532
<i>Lidl Srbija, Nova Pazova</i>	37.851.394	57.014.189
<i>Mercata VT doo, Novi Sad</i>	36.557.487	55.486.913
<i>Mol Serbia doo, Beograd</i>	54.294.110	44.690.759
<i>Knez Petrol doo, Zemun</i>	43.692.381	40.569.817
<i>Agrolobe, Novi Sad</i>	28.646.513	32.379.751
<i>OMV Srbija doo, Beograd</i>	44.159.749	29.390.441
<i>Lukoil Srbija, Beograd</i>	35.879.726	29.200.400
<i>Delta Agrar doo, Beograd</i>	25.422.249	26.746.151
<i>Aman doo, Beograd</i>	21.810.939	24.965.263
<i>Univerexport doo, Novi Sad</i>	20.261.755	23.010.930
<i>Vega doo, Valjevo</i>	23.110.850	22.823.781
<i>Metro Cash & Carry doo, Beograd</i>	25.068.388	22.350.994
<i>PTP Dis doo, Krnjevo</i>	21.324.980	21.278.709
<i>Promist doo, Novi Sad</i>	16.499.482	21.259.909

Source: authors according to: https://www.apr.gov.rs/upload/Portals/0/GFI_2020/Sto_naj/STO_NAJ.pdf i https://www.apr.gov.rs/upload/Portals/0/GFI_2021/Sto_naj/STO_NAJ_FI2020.pdf

On the other hand, what trade companies had encountered in 2021 and what they have to face in the upcoming period is the price pressure, which is also the result of the new crisis. It results in the need to significantly increase the prices of almost all products. In addition, a certain number of trade companies also faced a deficit of various goods, because the introduced preventive measures made it harder to supply goods from abroad. The further course and duration of the pandemic are still uncertain, but it can be said with certainty that this crisis will leave a deep mark on the further functioning of every organizational system, and consequently trade companies.

CONCLUSION

The consequences caused by the Covid-19 pandemic crisis have not bypassed the trade sector.

However, the results represented in this paper show that its impact on this sector was weaker than expected and that it differs by trade segments. The trade segment which was significantly affected by the Covid-19 virus pandemic is gas stations which can be seen based on the above results. Next to gas stations, another of the affected segments are clothing stores, given that during a certain period of lockdown they were often closed, and another reason is that people only purchased existential products and disinfectants. On the other hand, indicators relating to trade companies that sell food products show that the effect of the pandemic on this segment of trade was positive. In addition, due to the need to maintain social distance a large number of consumers has increased the volume of online purchases, which encouraged some trade companies to implement or enhance the electronic sale of products.

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