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The Ninth International scientific conference  
- DIGITALIZATION OF SOCIETY - NEW MARKETING CHALLENGES -

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**Monika ARSOVA, MSc**  
"Goce Delcev" University – Faculty of Economics – Stip,  
Republic of Macedonia,  
arsovamonika@gmail.com

**Prof. Riste TEMJANOVSKI, PhD**  
"Goce Delcev" University – Faculty of Economics – Stip,  
Republic of Macedonia,  
riste.temjanovski@ugd.edu.mk

## **CONSUMER BEHAVIOR AND CHALLENGES IN THE NEW DIGITAL ENVIRONMENT**

### **ABSTRACT**

Consumer behavior is an important element for any company, as the overall success of the company depends on the consumer. There is no doubt that the Internet has made major transformational changes in their behavior. Today, consumers are oriented towards the electronic purchase of products, which immediately causes a change in the way the business works, ie the satisfaction of their needs and desires requires more digital access. The greatest impact on the emergence and expansion of digitalization in consumer behavior had the pandemic caused by Covid 19. The necessary innovative ways of working and behaving were imposed daily, so the digital aspects were observed on both sides, both in demand and the offer.

One of the most common digital forms of consumer behavior is e-commerce, which has gained global momentum in recent years. Changing shopping habits like the older generations to the youngest, consumers decide to buy different types of products electronically, providing the most necessary and luxury goods. From that point of view, companies that want to "survive in the game" are forced to react quickly and adapt to the "pulsation" of the digital environment. E-shopping is part of the everyday life of the consumer from highly developed economies, while for the consumer from developing countries this type of approach to shopping is a completely new concept, but still in significant growth.

Undoubtedly, the digital model of consumer behavior leaves its mark on the entire modern society. This approach creates a new, revitalized digital ecosystem that differs greatly from old shopping habits. For companies in these countries, the electronic

offering of products and services is a new challenge that they must meet to keep pace with the digital global world.

**Key words:** e-commerce; consumer behavior, digital society, internet technology

## **INTRODUCTION**

In recent decades, Internet marketing strategies have grown rapidly. In response to those changes that occur on a daily basis, consumers have adapted their behavior on the Internet. [1] The changes that have taken place on both sides, both in consumers and in supply, have led to the emergence of new consumer behaviors and habits in a digital environment characterized by personalization in strategies. [2] In conditions of digital ecosystem, where most of the activities are influenced by digitalization, if the business wants to understand the needs and desires of consumers and their behavior, the basis of their business models should be the consumer experience; influencer marketing; word-of-mouth marketing and other Internet strategies. [3] Working in a digital environment gives companies the opportunity to analyze and track consumer behavior easier, more efficiently, cheaper and faster. Through that analysis, every business takes care to discover which are the dominant factors that have an impact on consumer behavior, and also which influences are the most important and most common for "activating" these factors. [4]

In this type of environment, consumers are particularly interested in gaining more followers and communicating with the consumer community. That is, the opinion and attitudes of other consumers are especially important when making decisions by the consumer. On the business side, they must take care of good public relations as well as take care of the positive image that the company should achieve. [5] The existence of the digital environment requires major changes in every entity that operates in it, but this type of behavior has long been formed and operated. In fact, the digital impact on consumer behavior has been around for a long time through various forms.

## **1. CONSUMER BEHAVIOR**

Consumer behavior involves analyzing how individual customers, groups, or organizations select, purchase, use, and dispose of ideas, goods, and services to meet their needs and wants. It refers to the actions of consumers in the market and the basic motives for those actions. [6] The importance of its analysis stems from the fact that the obtained results provide a basis for further behavior of the company, ie its marketing department. From the consumer behavior depends what will be the marketing concept, ie the strategy of the company, what will be the production policy of the company and of



course the profits that the company will make depend on it. Marketers can understand the likes or dislikes of consumers and design their future products based on that.

By monitoring consumer behavior, you can actually see what they want, what they buy, why they buy it, how often they buy a given product, the reason that is most often present when buying that product. Consumer behavior analysis should provide some data: [7]

- What consumer thinks and feels about the different alternatives;
- What influences the consumer to choose one of the given options;
- Consumer behavior at the time of purchase;
- How the consumer's environment (family, friends, relatives) influences his purchase decision

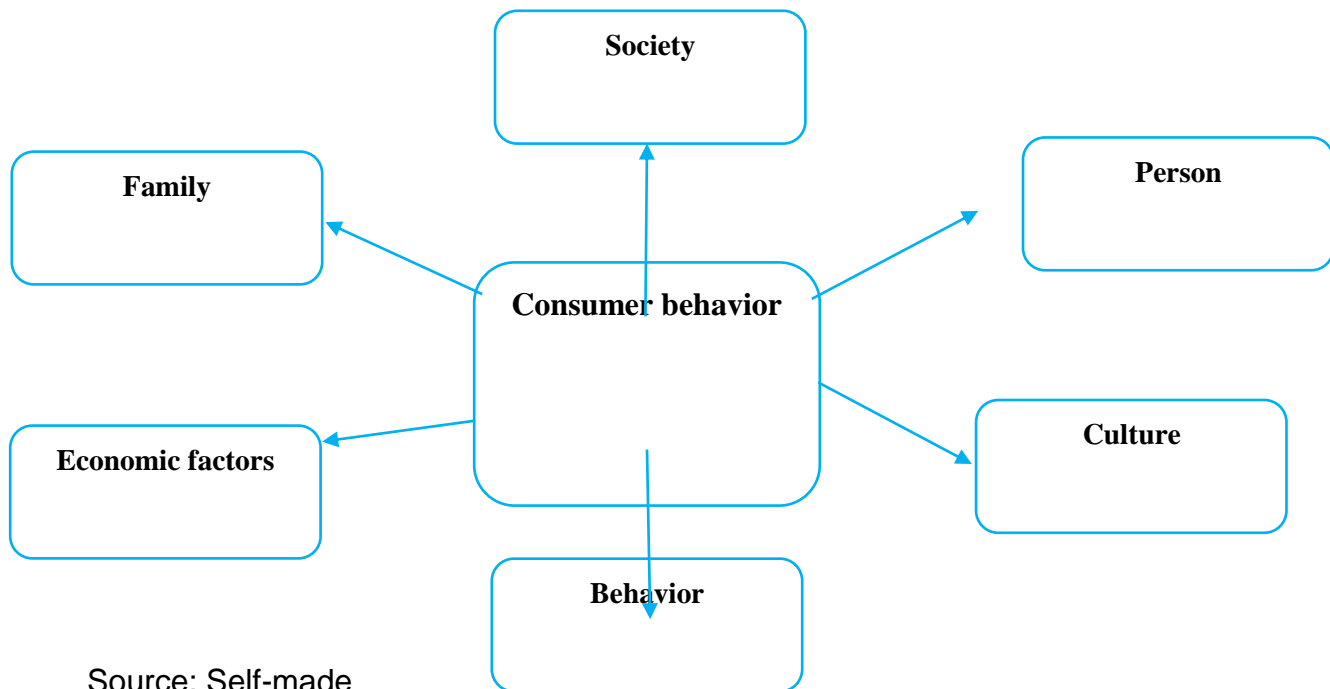
Consumer behavior, ie the analysis of their behavior should give an answer how they behave in moments of choice and consideration of alternatives. Conducting this analysis requires a lot of resources, time, effort and energy that need to be invested, but then the results obtained provide the basis for developing a good strategy of communication with consumers.

Consumer behavior is influenced by a number of factors, each of a different nature and of course with different intensity of action. [8]

- Marketing factors, such as product design, packaging, promotion, positioning in the consumer's consciousness and of course its distribution.
- Personal factors, such as age group, gender, level of education, level of income, etc.
- Psychological factors such as the motivation to buy, the perception of the product itself and attitudes.
- Situational factors such as the environment at the time of purchase, social environment and time as a factor.
- Social statuses related to social status, reference groups, family.
- Cultural factors that include religion, subculture, etc.

There are a number of definitions and divisions in the literature as to which factors have an impact on consumer behavior. In essence, the main factors that have an impact are those listed in Figure 1.

Figure 1: Factors influencing consumer behavior



Source: Self-made

In modern marketing, consumer behavior has an important place along with a positive brand image. Through the past and current behavior of consumers, the company has the opportunity to predict their future behavior. This is especially important for companies that face a high degree of competition, where each of them wants to sell their products. The connection of a good understanding of consumer behavior with the image of the company has a positive effect on the financial result that it will achieve. [9]

Both the literature and the practice point to several types of consumer behavior that are most common. Of course, the type of behavior, as well as the decision making will depend on the product being purchased. The following are the four most common types of consumer behavior. [10]

**Complex consumer behavior** - occurs especially when consumers buy an expensive product. In this situation consumers are very much involved in the buying decision and thoroughly research before committing to investing. In complex buying behavior, the buyer will go through a learning process. You will first develop product beliefs, then attitudes, and then make careful purchasing choices.



**Consumer behavior that reduces dissonance** - Consumer involvement is high. This is due to both the high price and the rarity of the purchase. Another important point is that there is not much choice and of course the small number of alternatives differs very little.

**Usual consumer behavior** - there is little consumer involvement in the purchasing decision. In this case, the consumer notices only a few significant differences between the brands. When consumers buy products that they use for their daily routine, they do not think much. They either buy their favorite brand or the one they use regularly - or the one available in the store or the one that costs the least.

**Consumer behavior with diversity** - consumer involvement is low. There are significant differences between brands. Here consumers often make a lot of brand switching. Product switching costs are low, so consumers may want to try new products just out of curiosity or boredom. They are moving to a new brand because of the desire for diversity.

Consumer behavior is a variable that is under the constant influence of many factors and that changes on a daily basis, hence requires great attention. In recent years, the impact of digitalization is huge and penetrates into every pore of society and it is normal that consumer behavior is influenced by it. In the following we will look at the impact that digitalization has on consumer behavior, and further affect the companies themselves that need to follow those trends.

## **2. DIGITALIZATION AND ITS IMPACT ON CONSUMER BEHAVIOR**

The very development of technology, as well as the advent of the Internet have a huge impact on consumer behavior, that is, they have changed their behavior. [11] A very important point for marketing is the impact and motives that are realized from the use of the Internet by consumers. That is, what changes their behavior after using digital tools. [12] Digitalization over the years has made such an impact that today the consumer profile has changed. New generations of consumers are more informed, ready to move across the entire digital environment. [13] A number of changes that have taken place through the impact of globalization and digitalization have led to changes in consumer behavior as well. One of the main changes that have occurred in their behavior is the transition to electronic commerce, ie electronic purchase of products and their delivery to a home address. The beginnings of e-commerce are long ago, but the percentage of realized electronic purchases was small then.

That is, in 1998 only 0.2% of all retail purchases were made online, while at the end of 2019 that percentage was 12% of total retail sales in the United States. [14] To bring about this change over the years have influenced a number of activities by companies worldwide. Most of them have become digitally present, ie they have started

communicating with consumers on a daily basis through various digital marketing channels. Such communication provided by these channels is much more common, more secure and of course with a greater thread for personalization. **[15]**

Worldwide research shows that digitalization and all its processes in the future will have an even greater impact on consumer behavior. According to research firm Gartner, several digital trends will continue to influence and change consumer behavior in the future. **[16]**

- Platforms for sales and e-commerce will be improved;
- Services related to products will generate more revenue for companies;
- Multiple links, networks and advertising channels are linked to trading platforms;
- The positions of the competitors are starting to be lost, ie in the e-commerce the third parties appear;
- With digitalization, the buying path is unified because information flows and background systems constantly communicate with each other.

Each of these trends adds innovations within the business to which both parties need to adapt. The change in consumer behavior requires change in the company in order to answer those questions and be successful. Today's consumers have certain specifics that the company has to respond to. It is presented in Table 1 below.

**Table 1:**

**Consumer behavior versus the behavior and actions of marketers in digital environment**

<b>Consumer behavior</b>	<b>Actions from marketers</b>
Consumers have sophisticated questions	By using keywords in their content, marketers can rank in the search engines and be selected in the search results.
Consumers want to see things visually	Focus their marketing campaigns on the visual elements to convey the message. With the art of visual marketing, they can create a visual scene that attracts attention and evokes consumer action..
Consumers rely on other people's opinions	This is where the strong value of word-of-mouth marketing comes into play. Knowing that consumers can not be fooled by self-praise, brands must rely on influential people or credible bloggers whose word is not easily understood in the market.
Consumers research and seek facts	Greater emphasis on the viral campaign, because today the consumer does not want to be tortured and read a text. In these cases, podcasts and videos play a particularly important role.

Source: <https://www.zilliondesigns.com/blog/consumer-buying-behavior-digital-vs-real/>

The listed behaviors and characteristics of consumers versus the behaviors of companies show that an effort must be made by the company to satisfy today's consumer. In each of the actions of the company is noticed the use of modern, digital tools through which the different goals of both the company and the consumer are achieved. Their behavior must be seen through the prism of the digital world, ie everything they do is digitized to that extent and in that way the companies themselves must respond.

### **3. CONSUMER BEHAVIOR IN A PANDEMIC CAUSED BY VIRUS COVID 19**

The pandemic caused by Covid-19 is far from a health crisis, its impact has spread everywhere in all spheres of social life. Part of the puzzle is the impact of the pandemic on consumer behavior. It is expressed through various forms and ways, which for the companies was something new and some companies see it as an opportunity, while others as a threat. The first aspect that is noticed in the behavior of the consumers with the appearance of the pandemic is the reduced purchase of luxury goods, ie the use of financial means to provide the necessary goods. [17]

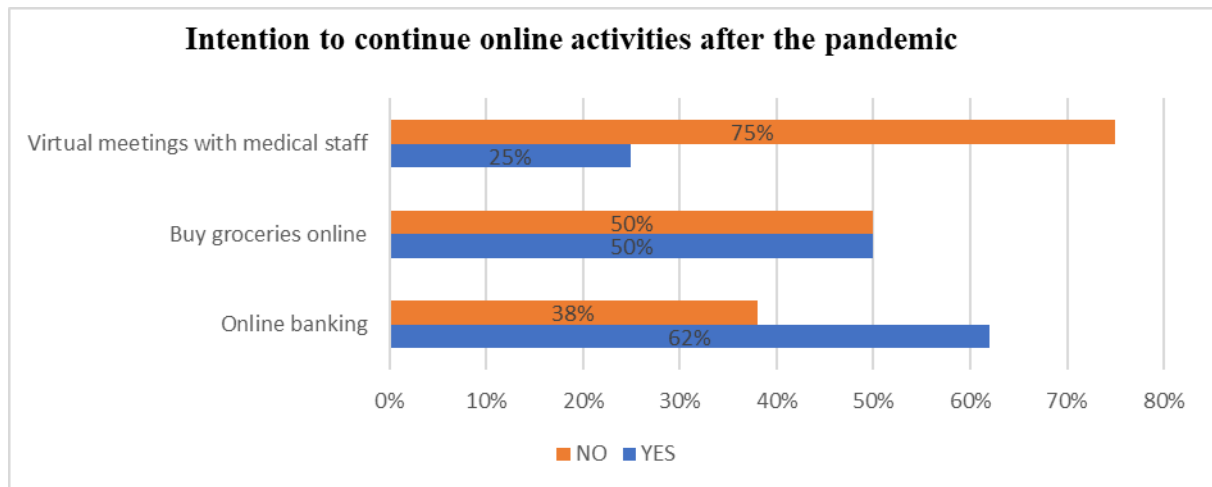
Research related to the feelings, thoughts and attitudes of consumers are the most important, ie it is the most important psychological factor that has its impact on consumer behavior. It is necessary and essential to conduct research on consumer behavior in such conditions from two aspects: the first aspect concerns the understanding of behavior that is directly related to the pandemic; the second aspect refers to the ability of companies to develop new marketing strategies. **[18]** Numerous studies show that household income has a huge impact on their spending, ie it is noted that there is a positive correlation between them. Such research conducted during these two years since the pandemic has emerged reveals certain claims: **[19]**

- ✚ Higher levels of anxiety as well as fear of Covid 19 are a real cause of changes in consumer behavior, where the purchase of essential goods has been observed;
- ✚ Higher levels of stress would lead consumers to save money or, alternatively, increase the need to spend money on necessities (ie utilitarian shopping).

In terms of digitalization and the impact on consumer behavior in the pandemic caused by Covid 19, it can be noted that the existence of curfews, lockdown in most countries, self-isolation of the population have led to faster adoption of digital habits. According to a Deloitte study, in 2020, in which 36,150 respondents from 23 countries participated, there was an increase in online shopping, banking, video streaming in response to given situations. Over 40% of respondents said that during the pandemic they made their purchases online. About 14% of respondents answered that they had virtual meetings (video or telephone) with their doctors and medical staff. In the Deloitte survey, they asked their respondents about their habits, ie whether they would continue such behavior even after the pandemic, ie when most things will return to normal and they will be able to live approximately the same as before. Their answers are presented in Chart 1. **[20]**

Graphic 1:

**Consumer intentions to continue after the pandemic with online shopping**



Source: <https://infogram.com/1p3ezemqky7gywb0rer3g2vknnsd3n1ryp/>

Most of the respondents do not want to continue the trend of online connection with the medical staff, probably due to the fact that it is about health, so the visit and physical contact with them is important to them. Regarding the online shopping of groceries, the opinions of these respondents are divided, ie half of them think that they will continue to provide the necessary goods and groceries, and the other half thinks that they will return to the old way with physical shopping. Regarding online banking as one of the common activities, the respondents in the largest percentage, ie 62% of them believe that they will continue to use the trend of online banking that is already gaining momentum in both developed and developing countries. Through various applications for mobile, laptops and digital devices in the bank branches themselves, this segment of life can be done online to a large extent without the physical presence of the user.

It remains to be seen how consumers will actually behave and what habits imposed during the pandemic they will adopt and apply in the future. But there is no doubt that the habits of online, digital connection to the rest of the world will remain their behavior. The impact that digitalization has on consumer behavior dates back to the onset of the pandemic, but its acceleration, ie the application and adaptation to this new reality, has accelerated.

## **CONCLUSION**

Digitalization through its various forms affects everyday life, ie causes changes in various aspects, including consumer behavior. The importance of this issue stems from the fact that the operation of companies, and thus the economy itself, depends on them. What will be the behavior of the consumer depends on many factors, ie they in different periods behave differently in their buying behavior. Different situations and conditions can cause consumer behavior, and one of them is the occurrence of natural disasters such as the pandemic caused by Covid 19. Its impact has caused huge changes in consumer behavior as well as the overall social behavior and regulation. One of the changes that has taken place is the greater digitalization of processes and conditions that has subsequently contributed to the change of consumers themselves. What they caused with the new behavior caused changes in the behavior of the companies, ie on the supply side. This need is imposed on the companies, ie the further life of the company depends on whether it will respond to their requests, desires and behaviors. However, such an imposed need of companies provides good results for them as well, with digitalization providing an opportunity to save costs, then quickly respond to the needs of consumers and their satisfaction. Constant communication with consumers provides an opportunity to create, plan and implement a consistent strategy that does not require a large number of corrective actions that is facilitative for companies. Digitalization is happening within the whole society, ie today we are talking about a modern, digital society where the companies themselves must fit in together with the consumers. This whole system of connection, constant communication that is smooth and reliable gives the opportunity to achieve better results and raise their satisfaction among all stakeholders.

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**Assistant profesor Snezana IVIC-KOLEVSKA, PhD**

PHI Re-Medika, Skopje

[snezanaivickolevska@hotmail.com](mailto:snezanaivickolevska@hotmail.com)

Contact phone: +389 75 263 293

**Assis. prof. Mimoza STAMENKOVSKA, PhD**

European University Skopje

Faculty of Dental Medicine

[mimoza\\_2311@hotmail.com](mailto:mimoza_2311@hotmail.com)

Contact phone: +389 71 257 742

**M-r d-r Dijana JOSEVA**

European University Skopje

Faculty of Dental Medicine

[dijana.angeleska@eurm.edu.mk](mailto:dijana.angeleska@eurm.edu.mk)

Contact phone: +389 77 744 241

**MEDICAL SIGNIFICANCE OF DETECTION AND TYPING OF HUMAN  
PAPILLOMA VIRUS BY POLYMERASE CHAIN REACTION IN CERVICAL  
SPECIMENS IN WOMEN OF REPRODUCTIVE AGE**

**ABSTRACT**

Human papillomavirus (HPV) infection is the most common sexually transmitted virus today. Human papillomavirus infections and cervical cancer, which are associated with certain types of the virus, are a public health problem worldwide. Early diagnosis of HPV infections and detection of viral genotypes are important for successful treatment and prevention of cervical cancer.

The aim of this study was to detect and typify human papilloma virus in the female population of reproductive age.

During the work, a polymerase chain reaction was used to identify and accurately typify HPV in cervical specimens of patients treated in the gynecology ward at the Private Re-Medica Hospital for a period of two years (2020-2021).

The total number of tested samples was 312 (2020) and 360 (2021). In 2020 the number of positive patients was 135 (43.27%), and in 2021 118 (32.78%). Most positive patients were aged 20 to 29 years, 55 (40.74%) and 30 to 39, 54 (40%) in 2020 and in

2021 aged 30 to 39, 49 (41.53%). ) and 20 years. up to 29 years 41 (34.74%). Of the total number of positives, one type of HPV was most often detected, 59.26% (2020) and 65.25% (2021). Two types of HPV were detected in 22.22% (2020) and 20.34% (2021), respectively. The most commonly detected types are types 16, 31 and 52. Most positive patients had values above 5 log HPV DNA, which is clinically very important in further treatment and prognosis.

**Keywords:** Human papilloma virus, cervical specimens, detection, typing, cervical cancer.

**Доц. д-р Снежана ИВИЌ-КОЛЕВСКА**

ПЗУ Ре-Медика, Скопје

[snezanaivickolevska@hotmail.com](mailto:snezanaivickolevska@hotmail.com)

Контакт тел: +389 75 263 293

**Доц. д-р Мимоза СТАМЕНКОВСКА**

Европски Универзитет Скопје

Факултет за дентална медицина

[mimoza\\_2311@hotmail.com](mailto:mimoza_2311@hotmail.com)

Контакт тел: +389 71 257 742

**м-р д-р Дијана ЈОШЕВА**

Европски Универзитет Скопје

Факултет за дентална медицина

[dijana.angeleska@eurm.edu.mk](mailto:dijana.angeleska@eurm.edu.mk)

Контакт тел: +389 77 744 241

## МЕДИЦИНСКО ЗНАЧЕЊЕ НА ДЕТЕКЦИЈА И ТИПИЗАЦИЈА НА ХУМАН ПАПИЛОМА ВИРУС СО ПОЛИМЕРАЗНА ВЕРИЖНА РЕАКЦИЈА ВО ПРИМЕРОЦИ ОД ГРЛОТО НА МАТКАТА КАЈ ЖЕНИ ВО РЕПРОДУКТИВНА ДОБ

### АПСТРАКТ

• **Вовед:** Инфекцијата со хуман папиломавирус (ХПВ) е најчестиот сексуално пренослив вирус денес. Инфекциите со хуман папиломавирус и карцином на грлото на матката, кој е поврзан со одредени типови на вирусот, се проблем на јавното здравје во светот. Раната дијагноза на ХПВ инфекциите и откривањето на вирусни генотипови се важни за успешно лекување и превенција на карцином на грлото на матката.

• **Цели:** Целта на оваа студија беше откривање и типизација на хуман папилома вирус кај женската популација во репродуктивно доба.

• **Методи:** Во текот на работата се користеше полимеразна верижна реакција за идентификација и прецизно типизирање на ХПВ во примероци од грлото на матката пациентки третирани во гинеколошкото одделение во Приватната болница Ре-Медика во период од две години (2020-2021).

• **Резултати:** Вкупниот број на тестирани примероци беше 312 (2020) и 360 (2021). Во 2020 година бројот на позитивни пациентки бил 135 (43,27%), а во 2021 година 118 (32,78%). Најголем број позитивни пациентки биле на возраст од 20 до 29 години, 55 (40,74%) и 30 до 39, 54 (40%) во 2020 година и во 2021 година на возраст од 30 до 39, 49 (41,53%) и 20 години. до 29 години 41 (34,74%). Од вкупниот број на позитивни, најчесто е откриен еден тип на ХПВ, 59,26% (2020) и 65,25% (2021). Два типа на ХПВ беа откриени кај 22,22% (2020) и 20,34% (2021), соодветно. Најчесто детектирани типови се типовите 16, 31 и 52. Најголем број позитивни пациенти имало со вредности над 5 лог ХПВ ДНК, што е клинички многу важно во понатамошниот третман и прогнозата.

**Клучни зборови:** *Human papilloma virus*, примероци на грлото на матката, откривање, типизација, карцином на грлото на матката.

## ВОВЕД

Инфекцијата со хуман папиломавирус (ХПВ) се смета за најчеста сексуално пренослива инфекција (СПИ).<sup>1</sup> Таа е особено распространета кај младите жени и мажи и нејзината инциденца е директно поврзана со сексуалната активност.<sup>1,2</sup> Инфекциите со хуман папиломавирус и карцином на грлото на матката, кој е поврзан со одредени типови на вирусот, се проблем на јавното здравје во светот. Постојат повеќе од 200 различни генотипови на ХПВ, кои клинички се категоризираат како со низок или висок онкоген ризик.<sup>2</sup> Генотиповите со низок онкоген ризик (ХПВ 6 и ХПВ 11) предизвикуваат аногенитални брадавици, кои се многу чести бенигни лезии. Генотиповите со висок онкоген ризик (ХПВ 16 и ХПВ 18) предизвикуваат диспластични лезии, кои се сметаат за директен претходник на голем број малигни тумори, особено на грлото на матката, анусот и орофаринксот. ХПВ инфекцијата, како и лезиите што таа ги предизвикува, може да се детектираат со низа техники на РСР, цитологија и колпоскопија.<sup>3</sup> Високата инциденца на рак на грлото на матката и постоењето на јасно утврдена претходна лезија доведе до спроведување на програми за скрининг повеќе отколку пред четири децении, што резултира со значителен пад на стапката на рак на грлото на матката. Воведувањето во текот на последната деценија на вакцинација на девојчињата со вакцини кои ги сочинуваат најчестите генотипови го намали ризикот од ХПВ инфекција и појавата на брадавици или малигни лезии уште повеќе.<sup>3</sup> Сепак, фактот дека доказите укажуваат на постојана висока инциденца кај ризичните групи за овие инфекции (особено имunosупримираны пациенти и високо сексуално активни субјекти), како и порастот на други малигни тумори поврзани со ХПВ, нè принудуваат да подготвиме нови стратегии за превенција.<sup>4</sup> Третман и превенција на генитална ХПВ инфекција и нејзината поврзана патологија, се со цел да се поттикне најпрактичната примена на превенција на инфекции предизвикани со ХПВ вирусот. Раната дијагноза на ХПВ инфекциите и откривањето на вирусни генотипови се важни за успешно лекување и превенција на карцином на грлото на матката.

## Цели:

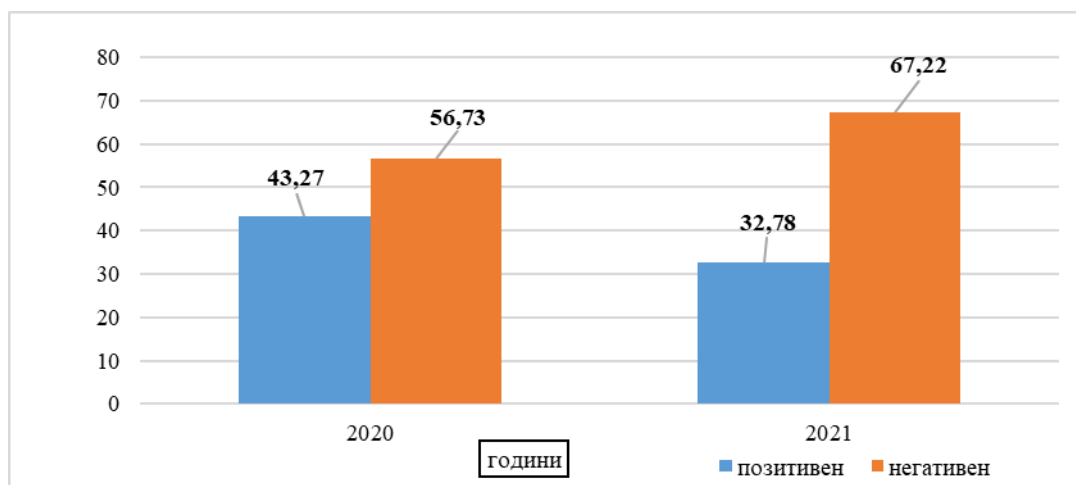
Целта на оваа студија беше откривање и типизација на хуман папилома вирус кај женската популација во репродуктивно доба кои беа лекувани на оддел гинекологија во ПЗУ Ре-Медика во период од две години (2020 и 2021).

## Материјал и методи:

Во текот на работата се користеше полимеразна верижна реакција за идентификација и прецизно типизирање на ХПВ во примероци од грлото на матката пациентки третирани во гинеколошкото одделение во Приватната болница Ре-Медика во период од две години (2020-2021). Во тек на работата беа користени посебни brush четкички за земање на материјал од грлото на матката кои се транспортирани и чувани во медиуми за вируси до целосна обработка на испитуваниот материја. Екстракција е правена според протоколот на производителот на екстракциони кит за екстракција на DNA со SaMag STD extraction kit (SaMag STD Extraction Kit, Sacace Biotechnologies, Italy)<sup>5</sup>. Во тек на амплификација беа користени протоколи на производителот на Real Time PCR кит за квантитативна детекција и генотипизација на и тоа следните 14 високоризичните типови *Human Papillomavirus*: 16, 18, 31, 33, 35, 39, 45, 51, 52, 56, 58, 59, 66 и 68 ( HPV Genotypes 14 Real-TM Quant Handbook. Sacace Biotechnologies, Italy)<sup>6,7</sup>.

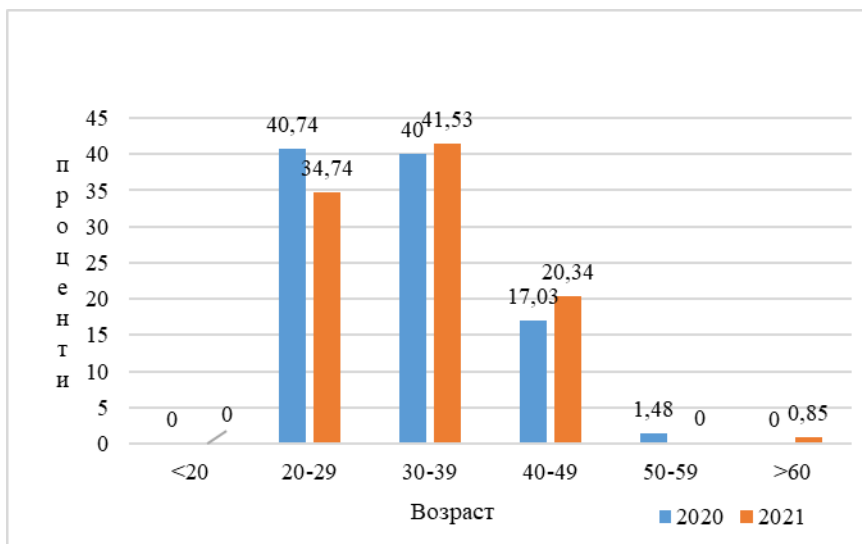
## Резултати и дискусија:

Вкупниот број на тестирани примероци беше 312 (2020) и 360 (2021). Во 2020 година бројот на позитивни пациентки бил 135 (43,27%), а во 2021 година 118 (32,78%) (Графикон 1.).



Графикон 1. Приказ на испитувани пациентки по години и процентуална застапеност на позитивен наод

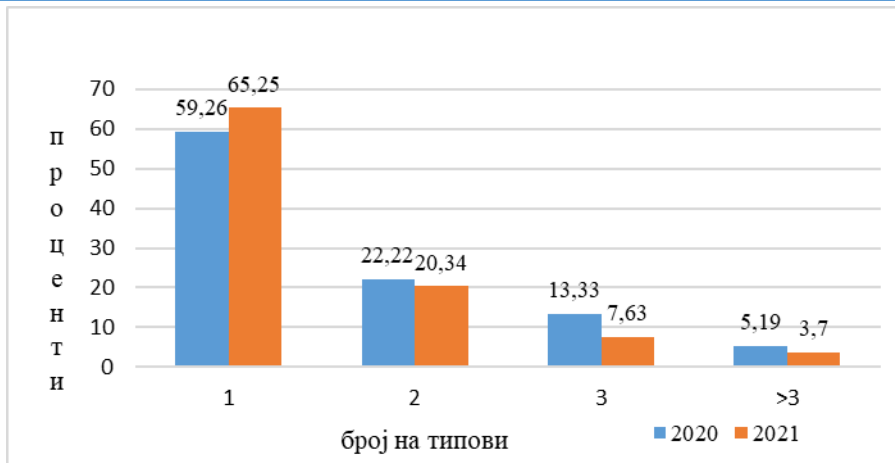
Најголем број позитивни пациентки биле на возраст од 20 до 29 години, 55 (40,74%) и 30 до 39, 54 (40%) во 2020 година и во 2021 година на возраст од 30 до 39, 49 (41,53%) и 20 години. до 29 години 41 (34,74%) (Графикон 2.).



Графикон 2. Приказ на процентуална застапеност на позитивни пациентки по возраста

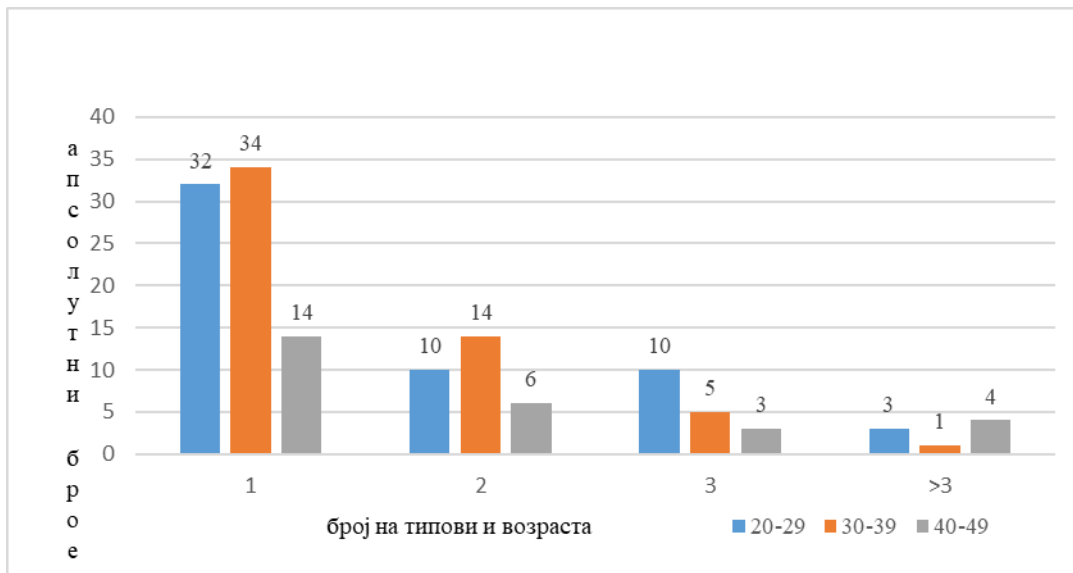
Од вкупниот број на позитивни, најчесто е откриен еден тип на ХПВ, 59,26% (2020) и 65,25% (2021). Два типа на ХПВ беа откриени кај 22,22% (2020) и 20,34% (2021). Повеќе од 3 типа ХПВ беа присутни кај помал број на испитувани пациентки што во проценти изнесува 5.19 (2020) и 3.7 (2021) (Графикон 3.).





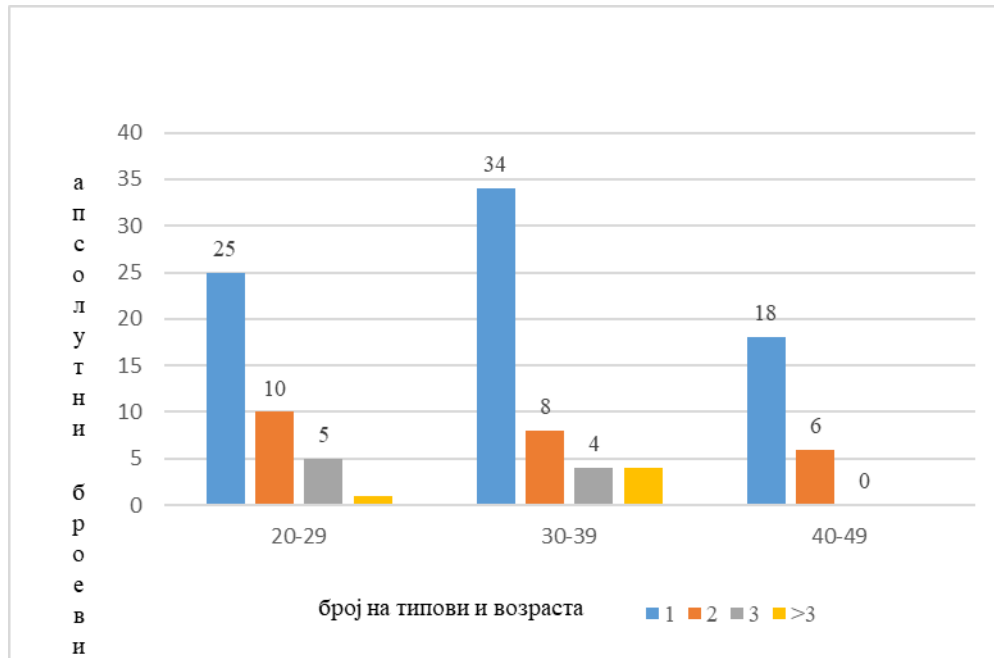
Графикон 3. Приказ на процентуална застапеност на позитивени пациентки и број на изолирани типови на ХПВ

Во однос на возраста на испитуваните пациентки во 2020 година, еден тип на ХПВ беше присутен на возраст помеѓу 30 и 34 години (34) и 20 и 29 години (32), додека на возраст помеѓу 40 и 49 беа два пати помалку (14). Два типа на ХПВ беа присутни најчесто на возраст 30 и 39 (кај 14), односно 20 и 29 години (10), а три типа на ХПВ беа изолирани кај 10 пациентки на возраст помеѓу 20 и 29 години дуplo повеќе отколку на други категории на испитуваната возраст. Повеќе од три типа на ХПВ беа присутни кај повозрасни пациенти и тоа на возраст помеѓу 40 и 49 години (4) (Графикон 4.).



Графикон 4. Приказ на застапеност на позитивени пациентки и број на изолирани типови на ХПВ според возраста во 2020

Во периодот на 2021 година, еден тип на ХПВ беше присутен на возраст помеѓу 30 и 34 години (34) и 20 и 29 години (25), додека на возраст помеѓу 40 и 49 беа помалку (18). Два типа на ХПВ беа присутни најчесто на возраст 20 и 29 (кај 04), односно 30 и 39 години (8), а три типа на ХПВ беа изолирани помеѓу 20 и 29 (5), односно 30 и 39 години (4) без статистичката значителност. Повеќе од три типа на ХПВ беа присутни кај 4 пациентки на возраст помеѓу 30 и 39 години (Графикон 5.).



Графикон 5. Приказ на застапеност на позитивени пациентки и број на изолирани типови на ХПВ според возраст во 2021

Според години во кои е направено испитувањето, поврзаноста помеѓу застапеноста на број на присутни типови на ХПВ и година на старост на пациентки не е статистички значителна. Во двете години најчесто беше изолиран 1 тип на ХПВ во сите категории на иституваната возраст. Два типа беа најчесто изолирани во периодот помеѓу 20 и 39 години, додека повеќе од три типа беа најчесто изолирани на возраст помеѓу 40 и 49 години (4) во 2020 година, односно на возраст помеѓу 30 и 39 години (4) во 2021 година (Графикони 4. и 5.).

Најчесто детектирани типови се типовите 16, 31, 52 и 56. Зачестеност на присуство на врста на типот и возраста за нивно присуство според наши резултати најчесто беше присутна кај пациентки на возраст помеѓу 20 и 29 години (11 пациентки во 2020 и 8 пациентки во 2021 година), додека типот 31 статистички е значително присутен почесто кај пациентките на возраст помеѓу 30 и 39 години (14 пациентки во 2020 и 11 пациентки во 2021 година). Типот 52 почесто беше присутен во гинеколошкиот материјал земен од

пациентки на возраст помеѓу 20 и 29 години во 2020, додека кај пациентки испитувани во 2021 нема значителна статистичка разлика во врска со возраста бидејќи истиот број (7 пациентки) беа на возраст од 20 и 29 години и 30 и 39 години (Табела 1.). Исто така, од табела 1 се забележува дека типот 56 е присутен кај пациентки на возраст помеѓу 20 и 29 години и тоа, кај 14 пациентки испитани во 2020 година и 9 пациентки во 2021. Присуство на останатите испитувани типови е под бројка која е статистички значајна за испитувана популација на пациентки кои се во репродуктивно доба од својот живот. Високо ризичен тип 18 за малигни промени на грлото на матка кај испитуваните пациентки во двете години се забележува во мали бројки (Табела 1.).

**Табела 1.**

**Застапеност на типови ХПВ според возраста  
на испитувани пациентки**

год ина	2020			2021		
тип ХПВ возраста	2 0-29	3 0-39	4 0-49	2 0-29	3 0-39	4 0-49
16	1 1	1 2	4	8	7	0
18	3	3	1	2	2	3
31	1 0	1 4	1 1	9	1 1	5
33	4	4	3	1	2	1
35	4	2	1	0	2	0
39	5	1	3	5	5	0
45	6	0	1	4	4	5
51	9	7	0	5	3	5
52	1 1	5	5	7	7	0
56	1 4	8	3	9	8	4
58	9	9	1	4	4	3
59	7	2	2	6	6	1
66	3	5	0	2	5	2
68	6	6	1	1	4	1

Најголем број позитивни пациенти имало со вредности над 5 лог ХПВ ДНК, што е клинички многу важно во понатамошниот третман и прогнозата.

Превенција на инфекција со хуман папиломавирус

### Општи мерки

Употребата на кондом може да го намали ризикот од ХПВ инфекција и нејзините придружни лезии.<sup>8,9,10,11,12</sup> Сепак, бидејќи кондомот не ја покрива целата генитална област, преносот не е целосно спречен и затоа нуди само делумна заштита. Се чини дека обрежувањето ја намалува преваленцата на инфекција кај мажите, го скратува времето на клиренс на вирусот и го намалува ризикот од инфицирање на женскиот партнер.<sup>8,9,13</sup> Ограничувањето на бројот на сексуални партнери може да го намали ризикот од ХПВ инфекција. Сексуалната апстиненција е единствениот сигурен начин да се спречи ХПВ инфекција.<sup>10,11</sup>

### Вакцини против хуманиот папилома вирус

Со спречување на перзистентна инфекција, профилактичката вакцинација против ХПВ е најдобрата превентивна стратегија против малигнитет и аногениталните брадавици.<sup>14</sup> Вакцините за ХПВ кои се моментално достапни се состојат од честички слични на вируси (VLP) добиени со генетска рекомбинација. Структурата на VLP е слична на капсидот на вирусот, кој предизвикува производство на заштитни неутрализирачки антитела против вистинскиот вирус. Бидејќи VLP не содржат вирусна ДНК, тие не можат да предизвикаат инфекција или придружни лезии.<sup>15</sup>

Постојат три профилактички вакцини регистрирани во Шпанија и овластени од Европската агенција за лекови (ЕМА): бивалентен Cervarix (HPV-2), четиривалентен Gardasil (HPV-4) и невалентен Gardasil (HPV-9). Фундаменталната разлика помеѓу трите вакцини е во бројот на VLP кои секоја ги содржи. Тие исто така се разликуваат по употребениот адјуванс. Објавено е дека титрите на антителата против VLP се удвојуваат кога VLP се формулираат со AS04 во споредба со алуминиум хидроксид.<sup>16,17</sup>

### **ЗАКЛУЧОК:**

Инфекција на генитален тракт кај женска популација во репродуктивно доба е најчеста со Хуман папилома вирус. Инфекциите со хуман папиломавирус и карцином на грлото на матката, кој е поврзан со одредени типови на вирусот, се проблем на јавното здравје во светот. Поради тие причини превенцијата е најважна кај двата пола подеднакво и треба на време и правилно да се спроведува.

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**Lence PETRESKA**

International Slavic University "G.R. Derzavin" – Sv. Nikole  
[mr\\_petreska@yahoo.com](mailto:mr_petreska@yahoo.com)

**Pavlina STOJANOVA**

International Slavic University "G.R. Derzavin" – Sv. Nikole  
[p\\_vitanova@yahoo.com](mailto:p_vitanova@yahoo.com)

## **REDEFINE POST-COVID-19 LOGISTICS AND SUPPLY CHAIN MANAGEMENT**

### **ABSTRACT**

COVID-19 has brought to light supply chain risks that many companies had not previously recognized or accounted for. Existing sourcing techniques, in particular, have been discovered to be inadequate as businesses have dealt with unexpected shifts in customer demand as well as significant reductions in manufacturing and transportation capacity. Furthermore, over-reliance on manufactured outputs from countries like China and India has raised concerns about global supply chain resilience in the face of international issues like COVID-19. The effects of the new coronavirus (COVID-19) pandemic are still wreaking havoc on supply chains. Decision-makers should investigate critical supply chain tactics and prepare policies to be adopted once the crisis has passed. In the post-COVID-19 era, this is a vital and practical decision-making issue for every supply chain looking to gain a competitive advantage. As a result, this project investigates and assesses essential supply chain strategies to maintain robustness and resilience in the post-COVID-19 age.

**Keywords** (20/2-12B), Covid-19, Logistic, Strategy, Supply chain, Third party logistics

### **1. INTRODUCTION**

When talking about the COVID-19 Pandemic, it must be noted that it has caused significant damage to various industries worldwide. As a result, the availability and supply of a wide range of raw materials, raw materials, and finished products were severely disrupted (Flynn et al., 2020). At the same time, confidence in the global



supply chain (GSC), which has proven to be very robust and disruptive in recent decades, has been completely lost. The COVID-19 Pandemic has resulted in unprecedented mechanical disturbances to most GSCs, such as pharmaceuticals, food, electronics, the automotive industry, and so on. The COVID-19 Pandemic, unlike previous significant disruptions, negatively affected the GSC in all its phases with significant turbulence in manufacturing, processing, transportation, and logistics, as well as substantial changes in demand. Improving supply chain resilience is crucial for reducing vulnerability in turbulent times (Xu et al., 2020). According to Xu et al. (2020), post-COVID-19 GSCs will tend to be shorter through renewed strategies that focus more and more on relocation and support.

The effects of the new coronavirus (COVID-19) pandemic are still wreaking havoc on supply chains. Decision-makers should investigate critical supply chain tactics and prepare policies to be adopted once the crisis has passed. In the post-COVID-19 era, this is a vital and practical decision-making issue for every supply chain looking to gain a competitive advantage (Paul et al., 2021). As a result, this project investigates and assesses essential supply chain strategies to maintain robustness and resilience in the post-COVID-19 age.

## **1. STRATEGY TO ADOPT REGARDING MANUFACTURING**

COVID-19's economic impact exposed deficiencies in global manufacturing and supply chain thinking that had been waiting to be addressed. Everything was OK when factories worldwide were functioning at total capacity, and supply chains were flowing quickly. Manufacturers took use of their low-cost, often sole-sourced supplier agreements to reduce the cost of goods and services offered to a growing client base (Ares, 2021). Companies are no longer required to keep safety stock of crucial supplies or finished goods on hand, thanks to just-in-time and lean production (Ares, 2021).

All of that came crashing down as manufacturers worldwide were forced to close, depriving businesses of a consistent supply of raw materials and crucial components. Companies that do considerable business with China are aware of the shutdown. Hence, many have placed huge inventory orders ahead of time to guarantee that they would have enough goods to last through the shutdown (Kilpatrick & Barter, 2020). For example, shortages of a specific type of integrated circuit made in Asia led Ford and other automakers to shut down whole assembly lines (Ares, 2021).

When it comes to just-in-time production, risk management questions the usefulness of retaining low inventories and encouraging a return to forward buying—stocking up on some materials in large bulk orders for a whole quarter or even a year in certain cases—again. That, too, comes with its own set of risks. Consumer preferences

and purchasing patterns shift rapidly, putting those inventory in danger of becoming outmoded or destroyed (Ares, 2021).

While COVID-19 may serve as a stimulus for enterprises to rethink their global supply chain strategy and expedite the implementation of Digital Supply Network models and capabilities, immediate responses to the problem must be taken. According to strategies regarding manufacturing, companies should pay attention to:

**Enhancing focus on workforce/labor planning.** As businesses in various locations resume operations, they must examine how to continue operations while implementing epidemic prevention and control measures and guarantee that they can return to a normal, healthy work rhythm as soon as feasible. Because of quarantines and travel restrictions, many facilities will take longer than usual to return to the total capacity. Not only will this necessitate increased labor planning, but it will also necessitate increased product quality when plants operate with fewer than a full complement of people (Kilpatrick & Barter, 2020).

**Focusing on Tier 1 supplier risk.** According to Kilpatrick and Barter (2020), companies should identify and comprehend their's key direct suppliers' capacity to satisfy supply requirements and associated risks. Tier 1 supplier inventory, production, and purchase order fulfillment status should all be visible to companies. Furthermore, companies should consult with important suppliers to determine how flexible they have in shifting production and order fulfillment to other regions. Moreover, companies need to be aware of how they will be treated in inventory and capacity constraints, as they are unlikely to be the only customer. Minimizing the supply chain's impact on the organization will need active communication and alternate plans (Kilpatrick & Barter, 2020).

**Illuminating the extended supply network.** It will be critical to gain as much visibility as possible into the status of key Tier 2 suppliers and beyond since this will impact key Tier 1 supplier order fulfillment performance. Furthermore, allowing ample time to negotiate with Tier 1 suppliers on alternate plans and proactively adjust supply chain plans to keep plants running at peak efficiency despite supply-side constraints is critical (Kilpatrick & Barter, 2020).

**Understanding and activating alternate sources of supply.** It's crucial for businesses with multi-sourced key inputs to act swiftly to activate secondary supplier relationships and obtain additional critical inventory and capacity. Within the ecosystem, there may be opportunities, such as establishing shared resource pools for raw materials inventory, which is a strategy that huge Chinese corporations have employed in the past in times of crisis (Kilpatrick & Barter, 2020).

**Updating inventory policy and planning parameters.** Companies have been implementing practices to reduce inventory across the supply chain and statistically set safety stock to cushion typical demand and supply variability for the past couple of

decades. The majority of businesses will lack inventory buffers to cope with the COVID-19 epidemic's scale of disruption. As demand and supply variability grow, safety stock parameters that were calibrated to historical performance are unlikely to be acceptable in the near future. Hence, companies must immediately evaluate how they will enhance their inventory strategy to reduce the risk of supply shortages, taking into account various elements such as supplier base risk, cash flow, perishability, and so on (Kilpatrick & Barter, 2020).

**Enhancing inbound materials visibility.** Companies should expect severe drops in their primary suppliers' on-time, in-full delivery performance. Having access to inventory status at the supplier's location and the production plans and shipment status of suppliers will enable companies to anticipate supplier shortages and respond appropriately (Kilpatrick & Barter, 2020).

**Preparing for plant closures.** Companies should have contingency plans for shutting down a plant and redirecting production to other locations in their network. Innovative, agile solutions will be necessary for some circumstances (Kilpatrick & Barter, 2020).

**Focusing on production scheduling agility.** According to Kilpatrick and Barter (2020), in raw and direct material inventory shortages, companies should prioritize which products they will manufacture, mainly if a component part is used in many finished goods. Companies should be prepared to adjust production plans based on existing inventory, changing demand, and what they can construct while also ensuring that they do not employ component parts that put their most critical items at danger of stock-out. In this setting, traditional planning and scheduling processes and frozen periods for effective production execution are unlikely to perform successfully. In the short term, a war room environment with the needed supply chain professionals focusing on this process could be a viable alternative for firms that don't have the resources to allow rapid re-planning and scheduling (Kilpatrick & Barter, 2020).

**Evaluating alternative outbound logistics options and secure capacity.** There is a significant backlog in logistics due to significant port congestion, a significant reduction in air freight capacity, and truck driver shortages, which will take time to rectify as logistics operations progressively return to normal. Companies must cooperate with their logistics partners to secure capacity (Kilpatrick & Barter, 2020).

**Conducting global scenario planning.** Companies must ensure that they are aware of potential risks in other locations and identify what actions and when are necessary to mitigate those risks. As a result, companies should consider doing business stress testing for various epidemic scenarios, including a minor localized outbreak, a worldwide epidemic, or even a global pandemic (Kilpatrick & Barter, 2020).

## 2. SELLING STRATEGY

Companies should listen to client needs, personalize offerings in real-time, and engage across all channels, digital and otherwise, to apply the proper selling strategy during the COVID 19 epidemic (Blatcher, 2020). Short-term strategy planning should be the priority for businesses. Shippers, forwarders, and carriers must come to terms with the new reality that has emerged from the crisis: digital selling. Despite the fact that this is not a new trend, COVID-19's enormous influence will hasten its acceptance. Companies must be able to work in real-time and have the tools necessary to analyze and derive meaningful insights from customer and market data. Speed is everything when preparing and putting this knowledge into requests and spot bids (Blatcher, 2020). According to the above, in terms of COVID-19, companies should be focused on adopting specific strategies listed below:

**Preparing for the rebound.** Many businesses are suffering as a result of COVID-19's supply chain problems. What will distinguish organizations that succeed after a catastrophe from those that do not is whether or not they are prepared for the recovery. Companies that can move faster than their competitors may be able to capture a larger portion of the unmet demand, strengthen connections with their most important customers, and maybe gain new ones. As business returns to normal, the pricing strategy will be a key consideration—both to handle regular supply-demand concerns and to preserve profitability while transportation expenses, and maybe other costs, are likely to be variable (Kilpatrick & Barter, 2020). According to Blatcher (2020), companies should implement strategic pricing, which is the most effective way to improve margins. With such extreme supply and demand volatility, origin and destination organizations must work in real-time and constantly give customized offers at the proper (profitable) pricing across all points of consumer connection, notably through digital channels (Blatcher, 2020). Companies are also having difficulty balancing their payables and maximizing the price of their services.

**Understanding the demand impact specific to the business.** For many consumer goods manufacturers, China is a critical market. Many merchants closed stores as containment measures were deployed, and employee safety and protection became a primary focus. Shopper traffic and purchases have both decreased dramatically. Due to reduced travel by Chinese tourists, luxury goods makers were the first to warn of lower sales, both in China and overseas. The short-term impact on tourist and consumer-oriented industries was expected, and the outbreak was first compared to the 2003 SARS outbreak. China is a significant industrial buyer of commodities and high-value components in numerous industries, in addition to consumer demand. Whether serving Chinese consumers or industrial customers, all businesses must determine whether this is merely a shift in demand or a loss of demand and adjust their business plans accordingly (Kilpatrick & Barter, 2020).

**Confirming short-term demand-supply synchronization strategy.** For certain companies selling into China, the impact may be felt more on the demand side than on the supply side. When demand declines dramatically, businesses must rapidly decide how they will adapt in terms of sales and operations planning. Some companies may choose to keep operating and develop inventories, absorbing fixed costs and planning for recovery, while others may be better off cutting production. Some companies may be able to boost demand or sell excess capacity but at a different price. Another strategy would be to make decisions about the product portfolio they would offer during the disruption time. Whatever strategy makes sense for a company's operation, it's critical that it's carefully analyzed and that the strategy and plan are fully aligned throughout the organization (Kilpatrick & Barter, 2020).

**Preparing for potential channel shifts.** During this epidemic, China has seen a tremendous surge in online shopping demand for everything, including fresh food and groceries. As a result, many businesses face issues, such as a lack of e-commerce capacity to satisfy demand, insufficient inventory assigned to the online channel (while excess is given to other channels), and a significant scarcity of last-mile delivery service capacity. Consumer-oriented businesses should consider the consequences of a potential shift in demand from traditional retail to online sales and act quickly to prepare (Kilpatrick & Barter, 2020).

**Evaluating alternative inbound logistics options.** Bringing goods into China faces the same issues as getting goods out of China: severe port congestion, a considerable reduction in air freight capacity, and truck driver shortages. During this moment of interruption, businesses must assess alternate routes to market and logistics options (Kilpatrick & Barter, 2020).

**Enhancing allocated available inventory to promise capability.** With anticipated inventory constraints, it's critical to establish customer and product objectives and agree on a strategy for allocating inventory during times of scarcity. "First come, first served" to "fair share" (proportional to predicted volume) to "differentiated" depending on strategic importance are examples of strategies (Kilpatrick & Barter, 2020).

**Opening channels of communication with key customers.** Given the possibility of inventory shortages, businesses should connect with key customers as soon as possible to explore other supply arrangements, reduce losses, and avoid customer churn during this challenging period. Companies should be aware of their contractual obligations to their customers, as well as the potential expenses if "force majeure" does not apply (Kilpatrick & Barter, 2020).

**Conducting global scenario planning.** The stock markets plummeted in late February 2020, anticipating the detrimental impact of COVID-19 on-demand and corporate earnings. Most corporations give earnings warnings or make remarks on analyst calls expressly mentioning the risks to the business strategy attributable to



COVID-19. It will be critical to adjust demand forecasts in terms of timing and volume, considering situations where the virus is not controlled and other markets are affected (Kilpatrick & Barter, 2020).

### **3. STRATEGY TO ADOPT REGARDING THE DISTRIBUTION**

In a COVID-19 crisis, manufacturing disruptions refer to disturbances in internal operations caused by a delivery interruption in raw materials or car components. Supply disruptions included incoming supply from suppliers, as well as shipment and supply market failures. The hazards associated with unstable surroundings, demand complexity, dynamic consumer needs, and demand uncertainty, which influenced the logistics and transportation system, were referred to as demand disruption. Firms must pursue short- and long-term risk management techniques to prevent disruptive risks such as the COVID-19 problem in the distribution (Tapas & Rashi, 2021).

#### **3.1. Short-Term Risk Management Strategies**

The crisis response team and contingency planning, backup route, third-party logistics (3PLs), transport cost structure, transport event management, outsourcing transportation, transportation audit, supplier collaboration, and flexible contracting should be included in short-term risk management strategies. (Tapas & Rashi, 2021).

**Crisis response team.** A crisis response team should assist businesses in identifying transportation system planning gaps and the necessary internal and external resources for a better response. Understanding the negative impact of transportation interruptions in supply chains and swiftly responding to disruption risks can be aided by analyzing reaction capabilities and vulnerability assessments. (Tapas & Rashi, 2021).

**Contingency planning.** According to Sheffi (2007), the financial impact of a shortage of vehicle components and goods due to disruptions in internal and external transportation systems should be prioritized in contingency planning. The contingency plan involving alternate suppliers, also known as contingent rerouting, has gotten a lot of attention from researchers (Sheffi, 2007; Tomlin & Wang, 2010).

**Backup route.** Diversification plans in transportation and logistics necessitated significant investments ahead of any anticipated disruptions, such as the COVID-19. According to Zhen et al. (2016), when a disruption occurs, the companies must absorb the direct and indirect transportation expenses associated with the backup supply route strategy. The use of resources and the occurrence of an interruption should be integrated into the backup supply route strategy. Similarly, if a company's traditional way of transportation is affected, it can use an emergency mode to reduce the danger of a

lead time interruption. Researchers also looked at transportation breakdowns and discussed how "backup transportation" could help (Zhen et al., 2016).

**Third-party logistics.** Unexpected circumstances, such as the COVID-19 Pandemic, require businesses to adapt. 3PLs can assist supply networks in the event of a disruption. Previously, 3PLs supplied shipping and warehousing services and new and inventive ways to reduce the contact distance between suppliers, manufacturers, and customers (Yang, 2016). Regardless of the mode or volume of freight, 3PLs can assess and tailor solutions to a company's needs by gathering transportation and logistics data to estimate precise demands, influence supply chain choices, and ultimately improve process efficiency and customer experience. Working with a third-party logistics provider can assist companies in mitigating the short-term effects of shipping disruptions. (Yang, 2016).

**Transport cost structure.** For surviving the Pandemic, businesses should concentrate on routine transportation management and cost structure in the short term. The cost of transportation was divided into two categories: unit costs and production costs. (Tapas & Rashi, 2021). By concentrating on unit costs or carrier rates, the transportation network will become unstable. The productivity costs are the opportunity cost during a disturbance. Understanding the criticality of the transportation cost structure can assist organizations in mitigating transportation disruptions and increasing transportation responsiveness and visibility in supply chains. Negotiating carrier rates that are fair, competitive, and equitable to all parties should be the ultimate goal. However, unusual transportation network designs will not result in long-term cost savings (Tapas & Rashi, 2021).

**Transport event management and outsourcing.** It's essential to focus on daily event management and hour-by-hour waste detection and minimization. According to Tapas and Rashi (2021), a daily transportation plan and its execution in accordance with the current situation should be completed. For completing daily problem-solving, any observed waste should be documented and followed utilizing problem-solving approaches such as building daily route designs, completing a real-time track, and tracing and generating real-time metrics. If necessary, transportation outsourcing should also be mentioned (Tapas & Rashi, 2021).

**Transportation audit.** A complete transportation audit should be implemented across all modes and geographies. A transportation audit can aid carrier and regulatory compliance by finding cost-cutting options upstream in the areas of sourcing, planning, and execution. A transportation audit can be used to examine present carriers, shipping requirements, and transportation operations in a supply chain (Tapas & Rashi, 2021).

**Supplier collaboration and flexible contract.** With diverse domestic suppliers, strong collaboration and cooperation are required. Firms that interact with suppliers in different parts of the country should establish and cultivate relationships with backup suppliers (Tapas & Rashi, 2021). When there is a transportation disruption, the firms'



existing contacts may give them an advantage over their competitors who were also affected by the disturbance and reduce the disruption's impact. As a result, transportation contracts may be built with flexibility in mind, allowing for transit across the land, air, and sea delivery methods in the event of probable delays such as the COVID-19 (Tapas & Rashi, 2021).

### **3.2. Long-Term Risk Management Strategies**

Supply chain collaboration, intelligent transportation system (ITS), Industry 4.0, vendor management system, supply chain freight visibility, carrier relationship management, and digital supply network (DSN) are some of the long-term risk management strategies that can assist businesses in reviving and resiliency against disruption risks (Tapas & Rashi, 2021). Companies must mix short-term and long-term risk mitigation methods with flexible and inventive use of existing resources in a post-COVID-19 economic recovery scenario to smooth and secure the supply chain across the industry (Tapas & Rashi, 2021).

To increase the security of product distribution, especially in the conditions of COVID-19, managers can apply the strategy of adopting blockchain technology. Supply chains of the 21st century are faster, more interconnected, and require the sharing of more significant amounts of data. Because of the intricacies of these ecosystems, there are operational risks, reconciliation issues, and fraud and safety concerns. Many leaders are turning to blockchain, a distributed digital ledger, to protect the integrity and security of goods as they transcend regional and global borders (KPMG, 2020). Products pass via several procedures and intermediaries. Every product hand-off is recorded in the blockchain, producing a permanent record of a product's history from manufacture to sale, reducing delays, errors, and costs while also increasing visibility, which is a valuable commodity in today's supply chains (KPMG, 2020).

## **CONCLUSIONS**

COVID-19 has brought to light supply chain risks that many companies had not previously recognized or accounted for. Existing sourcing techniques, in particular, have been discovered to be inadequate as businesses have dealt with unexpected shifts in customer demand as well as significant reductions in manufacturing and transportation capacity. Furthermore, over-reliance on manufactured outputs from countries like China and India has raised concerns about global supply chain resilience in the face of international issues like COVID-19. Businesses should take advantage of this chance to de-risk their supply chains and evaluate their cost-risk trade-offs in the event of a supply chain disruption. For some companies, this may entail making difficult choices and

making long-term investments. As COVID-19 raises awareness of the supply chain's fragility, established supply chain management methods may be irreversibly altered. Resilience is typically focused on bringing supply chain operations back to their previous condition following a crisis, and many supply chains have painfully proven not to be resilient. However, some supply chains, such as Amazon's (Flynn et al., 2020), have responded to the COVID-19 crisis such that they emerged stronger than they were before the crisis, learning valuable lessons and rapidly reconfiguring to meet emergent needs, suggesting that the concept of resilience needs to be reimagined.

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**Mariana MAKSIMOVIC, PhD**  
**Research fellow Institute of Social Sciences, Belgrade**  
phone: +38111 36 16 001  
[mmaksimovic@idn.org.rs](mailto:mmaksimovic@idn.org.rs)

## **LABOR MARKET, DIGITALIZATION OF THE ECONOMY AND SUSTAINABLE DEVELOPMENT**

### **ABSTRACT**

It is evident that people today are witnessing great changes in the world of work, society and the economy. Does the emergence of new forms of work bring pessimism into people's lifestyles or is it actually a platform for new opportunities and greater individualization? Will these new forms of work make a direct contribution to sustainable development in terms of "greening the economy", saving energy and other resources of the planet Earth. The question justifiably arises as to whether digitalisation creates new jobs, more than it closes them. However, there are jobs that cannot be done "online", such as production processes. Digitization began to spread rapidly in the second decade of the 21st century, and the COVID 19 pandemic only accelerated its spread. People's lives and work are already taking place through various applications and platforms, the mobile phone is becoming a real mini-computer, and it can be concluded that the labor market is above all characterized by mobility and flexibility. Developed countries are largely approaching the development of industry strategies in accordance with the trends of digitalization, according to which the business strategies of companies must be harmonized. It has become clear that the world of work is dominated by the knowledge economy, and that the unemployed have less chances to be educated, improved and included in the process of earning income in order to provide income, and thus contribute to reducing inequality in society. Despite all the changes in the labor market, the main marketing orientation of companies still remains customer orientation.

**Keywords:** labor market, flexibility, digitalization, jobs, sustainable development, customer orientation

## INTRODUCTION

The question justifiably arises, does the fourth industrial revolution bring new opportunities and greater individualization, or does it lead to high unemployment with the loss of certain jobs? Historically, there have been four industrial revolutions. "In the history of human society, industry has been the carrier of economic growth and development of individual countries, but also of the global economy as a whole. Significant economic growth began with the first industrial revolution and the transition from manual to machine production and later the replacement of agriculture with industry, and this continues today. Economic and technological innovations are closely related to industrial development and change." (Maksimović, 2017: 209). Each of the four industrial revolutions brought about major changes in the way society produced and functioned. The very notion of the industrial revolution means rapid social development in a short period of time. The fourth industrial revolution contributed to the fusion of technologies that blur the boundaries between the physical, biological and digital worlds. This latest revolution includes the development of information technology, the development of robotics, task automation, Internet of Things, 3D printing, and in the field of defense and the fight against terrorism and crime the use of drones, cyber weapons, robots and permanent electronic surveillance. "The assumption is that with the help of robotics and 3D printing, the missing resources can be compensated, and that economic development no longer depends on natural resources. The third and fourth industrial revolutions are connected, they are characterized by automation, but as a side effect of the fourth industrial revolution in particular is deindustrialization and a significant loss of jobs." (Maksimović, 2017: 210). In this context, the emergence of new ways of selling goods is also mentioned. More than ever, the sale of goods takes place electronically, through platforms, providing a kind of comfort, such as buying from an "armchair" (the offer is quickly noticeable). Also today, new forms of organization and management include intelligent factories, intelligent work organization, intelligent cities, intelligent shops, intelligent energy production, intelligent infrastructure. Thus, in the services sector, there is a change between seller and buyer, but also a change between employer and employee.

### 1. Labor market and digitalization

Man as an individual, but also as an employee and a consumer, leaves millions of data about himself every day, via e-mail, social networks, search engines, codes, forms, surveillance cameras, electronic sensors. It is found in databases, which are often very distant from ourselves. The world's leading technology, industry and market data provider, International Data Corporation (IDC), shows that big data technology and services market will grow six times faster than the growth rate of the overall information technology market. "The three key things of big data are summed up in 3V: high data

volume (Volume), high data processing and creation speed (Velocity), and high diversity (Variety). Managing this data can enable the discovery of previously hidden information (for example, the impact of the weather forecast on sales)" (Degryse, 2016: 9). For example, in the services sector, there is a change in the relationship between service providers (workers) and the algorithm (employer) that provides work, provides employment contracts, calculates wages and prepares payroll; changes the procedure for releasing or deactivating the account; and social security and occupational safety standards will change. Production methods are also changing in the industrial sector; there is a change in the interaction between workers and the (intelligent) machine, supervision and control of workers is accelerated, management practices increase the pressure on workers. This new approach implies that the one who owns the data creates and retains value, and previously it was the one who owns the infrastructure. Digitization affects the automotive industry the most, and their business strategies must be intertwined with digital strategies that bring network, mobile, social, local and other innovations. Directors of digital technology are being introduced who can have people around them in positions of data mining, data analysts, data managers and similar positions related to data storage, processing and analysis. In Amazon, for example, all the data that the company's teams have must be available on the platform, and all communication must go through it and thus be available. While traditional companies are trying to adapt to the new trends of digitalization, such as teleworking, mobile work, digital companies created by these newspapers are more agile (flexible working hours and jobs, flexible employer-employee relationship), designed in a project way, more open to the ecological way of working, they are more productive and innovative. Digitization will not affect all sectors to the same extent, and the consequences of the changes cannot be measured at the moment I am writing this paper. The fourth industrial revolution makes the line between industry and services more flexible, and an example is the "intelligent car" which functions as a "computer on wheels" and contains all the services offered by mobile applications. However, in order for the car to be able to go alone, it is necessary for the workers to drive around, scan, map what the car will pass through, the altitude, the places of intersection. Thus, it can be concluded that algorithms move workers, that they become invisible, do not change them completely. So, digitalization does not mean a massive loss of jobs, but it means that the vast majority of jobs will be automated, and workers will dedicate themselves to new tasks. According to some estimates, Germany (Europe's industrial driver) could lose about 490,000 jobs by 2025, and create about 430,000 new jobs at the same time. Therefore, workers with new skills will be needed, and the most risky will be workers with the lowest qualifications. Therefore, the initiative "Labor 4.0", which was launched in 2015, remains on the line of decent work, safe and healthy work, striving for a higher percentage of employment, commitment to new personal preferences of workers, striving for new forms of work to be paid and insured. According to this concept, it is important to involve all social actors in the process of coping with anticipation of change,



retraining and retraining of workers, reviving social dialogue and thinking about working hours (Degryse, 2016: 9-14, 18, 20-21).

The new "digital economy" carries nine key trends that change the traditional relations between the employer and the working conditions, namely: a) *division of workers* - one worker is hired by several employers from different companies, so that the worker has a full time job; b) *division of labor* - one employer hires two or more workers to perform a specific job together; c) *temporary management* - hiring highly qualified experts on a specific project or problem; d) *occasional work* - work as needed; e) *mobile work* - workers can perform their work from any location at any time, with the support of information and communication technologies; f) *work based on vouchers* - employment is based on payment by voucher, which covers salaries and social security contributions; g) *portfolio work* - a self-employed individual works for a large number of clients; h) *group employment* - connecting via an online platform of workers and employers, and large tasks are divided into smaller ones; i) *collaborative employment* - freelancers, the self-employed and micro-enterprises cooperate to overcome size constraints. These nine novelties in employment refer to the emergence of the intensity of employment and the status of workers. It is necessary to say that start-ups in the economy are causing the biggest explosion of mobile forms of employment, based on new technologies and a new schedule of working hours. (Degryse, 2016: 26, The Economist 2015a). Thus, two innovations that are increasingly present in the economy are 1) technology and 2) changes in social habits under the influence of the "digital society" (The Economist 2015a).

On the one hand, the emergence of the digital economy brings new opportunities, to return to local funding and cooperation, the opportunity to create new jobs, and modernize the industry through "smart production lines". On the other hand, it creates a fear of losing more jobs. With the advent of Uber in passenger transport (known through the example of taxi vehicles)<sup>1</sup>, there was a fear that this would lead to the complete liberalization of services. At first glance, it seems that anyone who has a mobile phone can provide services, and ownership (over a car, tools) in the digital concept can become a source of income. This approach raises many questions about the "person / worker" and the "platform / employer", leading to the question of where profit is made, where taxes are paid, how competition is formed, where social rights are exercised. There is no doubt that technological innovation will be the engine of future growth, but it will lead to the transformation of life, business and the world economy (Degryse, 2016: 6-8). It is very important to ask whether the emergence of digitalization in the labor market, but also the concept of sustainable development in industry will lead

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<sup>1</sup>With a simple mobile application and several algorithms, anyone can now become a taxi driver: without any training, without paying taxes or social security contributions, without regulatory restrictions (insurance, technical inspection), these self-proclaimed taxi drivers can decide to compete with by traditional taxi. The existing and thoroughly regulated form of service seems to have suddenly replaced the American start-up, which does not have a single vehicle registered in its name."(Degryse, 2016: 7). To whom can consumers complain about a poorly provided service?



to new jobs, new forms of training? The question also arises as to whether technological and digital changes will lead to a reduction in managerial errors, or a reduction in production defects? At the same time, it is very important to point out that the platforms do not offer legal responsibility, nor responsibility for social protection (Uber - there is no employment contract), and the risks previously borne by companies are now being transferred to individuals. There was a simplification of the employment relationship in the following way: 1. publish your project; 2. choose among the best talents; 3. engage and collaborate with ease; 4. pay only for approved work. In the foreground are the working conditions in the form of flexibility and individualization, and the platforms are in parallel a very flexible labor market, no employment contracts, no labor standards governing working hours, jobs, training, unions, and the worker must manage his social protection and health insurance. This form of work is spreading rapidly, and workers and employers can easily slip into "black" status. However, there are still many open questions about working on a "network or platform". For example: the question is whether the workers employed on the platform are platform workers or self-employed; can I refuse an assignment, service my own equipment, pay for insurance myself, or are insured against injury? One of the criteria of self-employment is flexibility, and that is the key item that separates them from employed workers. It is obvious that there will be many more disagreements about the "business model" and the "social model" (Degryse, 2016: 27-28).

**Table 1.**

**Jobs in the digital economy**

<i>Jobs at greatest risk from automation / digitization</i>	<i>Low-risk automation / digitization jobs</i>	<i>New jobs</i>
-Office work and administrative tasks -Sales and trade -Traffic, logistics -Manufacturing Industry -Construction -Some aspects of financial services Some types of services (translation, tax consulting)	-Education, art and media -Legal services -Management, human resource management -Business Some aspects of financial services -Health care providers -Computer workers, engineers and scientists -Some types of services (social work, hairdressing, beauty care, etc.)	"Top of the ladder" -Data analysts, data miners, data architects -Program and application developers -Experts in networking, artificial intelligence, etc. -Designers and manufacturers of new intelligent machines, robots and 3D printers -Digital marketing and e-commerce experts "Bottom of the scale" -Digital "slave galleys" (data entry or filtering workers) and other "mechanical workers" working on digital platforms -Uber drivers, occasional jobs in the "collaborative" economy

Izvor: Degryse, 2016:19.

Analyzing the table, it can be seen that the current jobs that require prior acquisition of knowledge, ie. intellectual affairs. There is still concern that the least educated will be the least paid, and that the share of those jobs in the production process will be reduced by a percentage. The question justifiably arises as to what will happen to social security, a very important element of the rule of law. Namely, it should be emphasized that the first model of social insurance was established by the Iron Chancellor Bismarck in Germany in the 19th century, and soon after that, at Mitsubishi in Japan, she established a comprehensive model of social insurance. The welfare state actually takes care of the quality of life of the population, social inclusion, in addition to those guaranteed civil liberties, the right to choose an occupation and legal and property security. Is the welfare state at a new turning point, because new challenges are increasing in the form of informal work and "undeclared work", then, growing poverty, social inequalities, family destabilization, technological change, increasing stress, pandemics (HIV, various types of influenza, COVID 19), population aging, as well as declining birth rates, and perhaps the most drastic increase in crime and other forms of social deviation (prostitution, drug addiction) (Jašarević, 2009: 158-163). "The main problems facing the welfare state today are: 1. Insufficient development of social security and social protection in all parts of the world; 2. emergence of new risks and requirements caused by changes in the global context and structure of society (so-called risk society); 3. imbalance (in terms of risk coverage or circle of persons); 4. crisis in financing." (Jašarević, 2009: 163).

The rules of business in many industries, from the automotive industry onwards, are changing: great multidisciplinary knowledge is needed. "In many cases, successful companies will no longer be the ones that make the best products, but the ones that collect the best data and combine it to offer the best digital services. And the biggest winners of all may be those who control the "platform", a layer of software that combines different types of devices, data and services, on top of which other companies can build their own offerings" (The Economist, 2015b). The capacity for production, storage and sharing of data and information is infinite, and is enabled by technologies in the field of IoT, robotics, artificial intelligence, autonomous vehicles, 3D printing, nanotechnology, biotechnology, quantum informatics (Maksimović, 2017). New services are often the result of combining information from different sources. "He who controls the platforms will rule the future." (The Economist, 2015b).

In the context of major changes in the labor market, in addition to digitalization, the "green economy" plays an important role. It brings its "package" of changes in certain sectors, and those occupations that must be modified or disappear. In economics, sustainable development implies the rational use of natural resources in the process of creating sustainable economic (industrial) development and the possibility of creating new jobs and managing human resources. Such jobs are called green jobs. Sustainable development enables production that does not endanger nature and the

ecosystem, and does not jeopardize the ability of young people to meet their own needs in the future. Industrialization under the influence of the "green agenda" is accompanied by two challenges, namely 1) sophistication accompanied by the strengthening of knowledge factors and 2) ecology through the preservation of the environment and ecosystems (Maksimović, 2020: 245-246, 249). The essence is to harmonize structural adjustment in the labor market with social protection services, because the transition to green growth contributes to facing the challenge called "flexibility". Also, in the economic revitalization of local economies, labor development initiatives have a positive role, but not a leading one. It is also important to ensure the rights of workers in the growing sector, which would actually legalize and promote the social inclusion of workers, by enabling vulnerable working groups to access new "green" jobs. These jobs should enable them to work decently, and their families to get out of poverty, and that includes sectors such as agriculture, forestry and the informal waste collection sector. Another important item is the "greening" of small and medium enterprises (SMEs). As these companies are more innovative, energy and resource efficient, pollute the environment a little, increasing employment in them can be characterized as positive and inclusive, with a regulatory and institutional environment that will support it" (Maksimović, 2020: 254-255).

## **2. Sales and consumer orientation**

Although major changes in the field of labor and consumption are caused by digitalization and the concept of sustainable development, in terms of marketing, there remains a focus on sales and consumers. This is evidenced by the concern for sales channels - distribution during the crown and now, during the war in Ukraine. The paper gives the example of Toyota, a successful automobile industry from Japan, which has weaved consumer care into its vision and mission. This was shown through an interview with Mr. Robert Lukic, CEO of Toyota Serbia and Toyota Adria. Thanks to him, Toyota has been paying much more attention to the promotion and marketing of its hybrid vehicles in Serbia since 2018. She has maintained that manner to this day. The interview was published in 2021, and a part of the interview is given here (Maksimović, 2021, 288-290).

MM: What is Toyota's production philosophy based on?

RL: The basis on which Toyota's mission and vision are based are: respect for the customer (colleagues, company), then for the dealer, intermediary and finally the distributor; challenge - courage and creativity are needed to realize a long-term vision; team work - to develop and maximize the individual and team performance of people who work together professionally; kaizen - continuous improvement and genchi genbucu (genchi genbutsu) - go to the source. Respect and teamwork apply to people, and challenge, kaizen and genchi genbucu to continuous improvement. Japanese

employees spend 90% on planning and 10% on execution. The Japanese strive for harmony, there is a collectivist approach, where everyone needs to agree on the topic to be decided. What is important is the attitude towards the job, positive in every situation, with the inevitable taking of responsibility.

MM: What is Toyota's vision?

RL: Toyota's vision reflects a long-term strategic direction, striving to enable people to drive safely and securely. This is achieved through a commitment to quality, constant innovation, respect for the planet, while engaging the talent and passion of people who believe in constant change for the better (human resource development). Toyota is committed to sustainable growth in harmony with the environment.

MM: What is Toyota's mission?

RL: The brand (product) must always be liked by the customers. It is necessary to anticipate customer needs and deliver products that meet and exceed customer needs and expectations. As you can see, Toyota's mission is focused on customers.

MM: What are Toyota's business goals?

RL: The goals are new mobile solutions for social contribution, channel development (sales), corporate governance, people development and value chain development. As I said, the buyer is in the first place, the dealer in the second, and the distributor in the third (Maksimović, 2021, 288-290).

It is clear that the "man" is the focus of Toyota, both as an employee and as a consumer. Extensive research is being conducted, examining the possibilities of material selection, several years before a certain car model appears on the market, in order to comply with customer requirements and environmental requirements. Also, Toyota has been working intensively on management programs since 2002. human resources, and since 2015 has been working intensively on the implementation of the "green agenda" of the United Nations and its seventeen principles in its production process. Based on the "customer first" philosophy, this company develops and provides quality, safe and innovative products and services, while protecting customers' personal data. In line with environmental protection, it does everything to ensure that its business operations do not affect environmental pollution, develops and promotes technologies (cleaner technologies) that are in line with sustainable development (Toyota, 2022).

## **CONCLUSION**

The world from the end of the 20th century and today are by no means the same. Man, as an employee and as a consumer, is constantly facing challenges, challenges of education, new forms of work, transformation of society. Many have justifiably wondered whether there will be enough jobs in the future that will be able to employ a larger

working population. Developed market economies are making great efforts to either close or "fill" the jobs where lower-skilled employees worked. Does this mean that there will be winners and losers of digitalization? Will various machines make decisions instead of people about the fate of workers and their salaries? Also, the big question is how much people are ready to accept change. There is no digital education subject in schools in the Western Balkans, which would prepare young people for the real world that awaits them. It is very important to ask whether the emergence of digitalization in the labor market, but also the concept of sustainable development in industry will lead to new jobs, new forms of training? It is certain that he will. The role of the union has long been not in the traditional style of fighting for workers' rights, but to help workers adapt to new trends. On the other hand, sales orientation is extremely important for management in companies, which requires them to produce quality products, but in such a way as to satisfy the customer's needs as much as possible. For example, with the advent of Uber in passenger transport (known through the example of taxi vehicles), there was a fear of complete liberalization of services. Isn't this just an introduction to the end of business and social models that are known to this day, that working hours are starting to lose their form, and thus the regulations on working hours are changing. What definitely characterizes new business relationships is flexibility vs. defined form of relationship, velocity vs. precision, new knowledge vs. old knowledge as well as new ways of working vs. old forms of sales, employment and life in general..

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**Emilia BOZHINOVSKA**

Gotse Delchev University - Shtip  
Faculty of Tourism and Business Logistics  
[emilija.21811@student.ugd.edu.mk](mailto:emilija.21811@student.ugd.edu.mk)

## **NEW TRENDS IN MARKETING AND LOGISTICS IN TERMS OF COVID-19**

### **ABSTRACT**

In modern conditions, in addition to the existing measures to limit the economic activities of companies and organizations in a pandemic, the main goal for each company is to meet the needs of consumers to maximize profits by promoting their products using an effective marketing concept. In a pandemic, the focus of companies and organizations on the global market is to ensure the effective use of existing facilities, taking into account key impact factors. This approach ensures the financial stability of companies and long-term development, despite the existing constraints and the reduction of the number of consumers with the intensive development of innovative technologies. Corporate governance occurs when top management decides that a new level of relationship needs to be developed to overcome problematic situations related to COVID-19 pandemic restrictive measures and when new links are established between structural units related to organizational structure modification. One of the most effective tools for managing a company in modern realities is logistics and marketing. The processes of globalization of the world economy increase the need to find innovative ways of business organization under the influence of restrictive measures of the pandemic. These processes significantly complicate the relationship between participants in the processes of production, distribution and exchange due to a number of systemic changes and trends in the world economy, which requires the application and application of more innovative approaches in management. Marketing and logistics are no exception and require the use of innovative tools in their activities.

**Key words:** Logistics trends, pandemic, innovative tools, globalization, marketing activities, impact factors



**Емилија БОЖИНОВСКА**

Универзитет „Гоце Делчев“ - Штип  
Факултет за туризам и бизнис логистика

## **НОВИ ТРЕНДОВИ НА МАРКЕТИНГ И ЛОГИСТИКА ВО УСЛОВИ НА COVID-19**

### **АПСТРАКТ**

Во современи услови покрај постоечките мерки за ограничување на стопанските активности на компаниите и организациите во пандемија, главната цел за секоја компанија е да ги задоволи потребите на потрошувачите за да го максимизира профитот преку промовирање на нивните производи користејќи ефективен маркетинг концепт. Во услови на пандемија, фокусот на компаниите и организациите на глобалниот пазар е обезбедување на ефективно користење на постоечките капацитети, земајќи ги во предвид клучните фактори на влијание. Овој пристап обезбедува финансиска стабилност на компаниите и долгорочен развој, и покрај постојните ограничувања и намалувањето на бројот на потрошувачи со интензивниот развој на иновативни технологии. Управувањето со компаниите се јавува кога врвниот менаџмент одлучува дека треба се развие ново ниво на односи за да се надминат проблематичните ситуации поврзани со рестриктивните мерки на пандемијата COVID-19 и кога се воспоставуваат нови врски помеѓу структурните единици поврзани со модификација на организациската структура. Една од најефикасните алатки на управување со компанијата во современите реалности се логистиката и маркетингот. Процесите на глобализација на светската економија ја зголемуваат потребата од пронаоѓање иновативни начини на деловно организирање под влијание на рестриктивните мерки на пандемијата. Овие процеси значително го комплицираат односот помеѓу учесниците во процесите на производство, дистрибуција и размена поради голем број системски промени и трендови во светската економија, што бара примена и употреба на поинновативни пристапи во управувањето. Маркетингот и логистиката не се исклучок и бараат употреба на иновативни алатки во нивните активности.

**Клучни зборови:** Логистички трендови, пандемија, иновативни алатки, глобализација, маркетинг активности, фактори на влијание.

## 1. КАРАКТЕРИСТИКИ И ИНТЕРАКЦИЈА НА МАРКЕТИНГОТ И ЛОГИСТИКАТА

Теоретските аспекти на организацијата на маркетинг активностите се обелоденети во научни трудови<sup>2</sup> кои ги испитуваат историските моменти од формирањето на маркетингот како клучен елемент на стратегијата на управување со компанијата.

Анализирајќи ја научната литература и истражувања во областа на маркетингот и формирањето на неговите клучни компоненти, вреди да се истакнат трудовите<sup>3</sup> кои, за разлика од постоечките пристапи, ги разгледуваат особеностите на организирање на маркетинг миксот земајќи ги предвид временскиот фактор и понудата на понапредни пристапи кои вклучуваат елементи, како што се: производ, цена, продажба, понуда и околина.

Треба да се напомене дека современиот пазар не мирува и е подложен на постојани и континуирани трансформации под влијание на различни глобални фактори, и тоа предизвикува многу компании широм светот постојано да ги развиваат и подобруваат своите механизми и пристапи во промовирањето на нивните производи и брендови преку трансформирање на маркетинг елементи со цел да се зголеми лојалноста на потрошувачите: имплементација на онлајн каталози, онлајн испорака и оптимална логистика.

Одржувањето на конкурентноста, формирањето и зголемувањето на конкурентската предност, со што се обезбедува доволно високо ниво на профит во услови на пандемијата COVID-19, е можно само со практична примена на маркетинг концептот, кој овозможува задоволување на барањата и потребите на потрошувачите во комбинација на квалитет, цена и логистика во смисла на оптимизирање на стоконите и материјалните текови<sup>4</sup>

Многу компании широм светот беа ставени во многу строга рамка, која се засноваше на строги ограничувања на активностите со цел да се намали социјалната дистанца на населението и да се минимизираат ризиците од ширењето на пандемијата COVID-19 и не дозволи целосни активности, што пак влијаеше на финансиската стабилност на компаниите и на глобалната економија во целина. Врз основа на ова, вреди да се напомене дека трансформацијата на светскиот пазар доведе до ревизија на постоечките пристапи за управување со цел да се подобрат и оптимизираат оние кои користат иновативни технологии и

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<sup>2</sup> Al-Ababneh, H.A.: Integrated approach in organizing logistic activity, Acta logistica, Vol. 7, No. 4, pp. 235-243, 2020. doi:10.22306/al.v7i4.184

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алатки, што се рефлектира во областите на маркетингот и неговата интеракција со логистика.

Користејќи ги алатките за маркетинг, компанијата може да ги одреди своите потрошувачи, односно кои се тие, кои се нивните потреби, во колкава количина и каков квалитет стоките им се потребни ним, која е соодветната замена за овие стоки и, на крајот, да добијат препораки за тоа како да ги изградат активностите на компанијата со цел да ги врзе за нејзините потрошувачи. Логистичките алатки се дизајнирани, прво, да го организираат движењето на стоката и материјалните текови во претпријатието, што ќе овозможи добивање навремена испорака на готови производи до потрошувачот на вистинското место, во вистинско време, во вистинска количина и квалитет со минимални трошоци.

Како што може да се забележи, маркетингот и логистиката во активностите на организацијата решаваат различни функционални задачи и на никој начин не се заменуваат една со друга. Наместо тоа, напротив, само нивната заедничка употреба може да ја гарантира ефикасноста на претпријатието.<sup>5</sup>

Значи, користејќи само маркетинг концепт, компанијата нема да може ефективно да организира промоција на својата стока на пазарот бидејќи нерешените логистички прашања за испорака, транспорт, складирање на стоки може да го попречат тоа. Во современите услови на заситеност на пазарот и глобалните трансформации предизвикани од пандемијата COVID-19, кога традиционалните мотивациони критериуми на потрошувачот (квалитет и цена на стоката) се во втор план, овие прашања стануваат речиси одлучувачки кога потрошувачот ќе донесе одлука за купување.

Има многу дискусии за интеракцијата на маркетингот и логистиката. Прашањето за разграничување на областите на надлежност на маркетингот и логистиката е особено присутно во услови на ограничени ресурси на компанијата кога е прашање избор- кој од двата концепта треба да се применува особено во екстремни услови како што се ограничувања на активност и глобални мерки за карантин. Вреди да се напомене дека одговорот на ова прашање може да се добие со анализа на функционалните области или пресекот на интересите на двата концепти и врз основа на механизмите на интеракција, кои се претставени во Табела 1.

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<sup>5</sup> Al-Ababneh, H.A., Dalbough, M.A.A.: Supply Chain Risk Management Methods in the Process of Formation of Advertising Campaign, International Journal of Supply Chain Management, Vol. 9, No. 2, pp. 779-785, 2020.

Табела 1:

Структурирање на функционалноста и карактеристиките на интеракцијата на маркетингот и логистиката во контекст на пандемијата COVID-19

Концепт на маркетинг елемент	Алатки во компанијата		Област на интеракција
	маркетинг	логистика	
Производство	- Определување на асиртиман на производство - Определување на карактеристиките и физичкисвојства на доброто	- Идентификација на потенцијалните добавувачи - Рационална организација на производството	Пакување на добра
Ценовна политика	-Избор на стратегија и метод на одредување на цените	-Намалување на трошоците во дистрибутивните канали	Поставување на компетитивна цена
Продажна политика	-Потрага по потенцијални купувачи	- Создавање на систем за складирање, ракување со товар	-Услови за достапност на стоката до потрошувачот; - Изборот на канали за дистрибуција на готови производи;
Систем на информации	- Формирање на маркетинг информациски систем	-Формирање на логистички информациски систем	-Оправданост и организација на информациска поддршка за продажниот систем

Веќе не се доволни маркетинг алатките да се идентификува побарувачка на потрошувачите; потребно е да се следи реалната побарувачка, која мора да се задоволи навремено. Брза и точна испорака на стоки до потрошувачот, што е можно само со добро воспоставена логистика, станува една од конкурентните предности и начини за стекнување лојалност на клиентите.

Компаниите кои ги граделе своите активности врз основа на маркетинг концепт порано или подоцна доаѓаат до потреба да создадат логистички систем кој ќе оптимизира многу процеси, особено земајќи ги предвид глобалните ограничувања поврзани со пандемијата COVID-19. Со подобрување на квалитетот на логистичките процеси и зголемување на нивната интеграција со другите функции на управување, компанијата добива дополнителни конкурентски предности, овозможувајќи и да зазема постабилна позиција на пазарот.

## **2. КАРАКТЕРИСТИКИ И КЛУЧНИ ФАКТОРИ ВО МАРКЕТИНГОТ И ЛОГИСТИКАТА ВО ПАНДЕМИЈА**

Треба да се напомене дека и покрај влошувањето на кризата во светот поврзана со пандемијата COVID-19, маркетинг активностите на многу компании и организации беа клучен приоритет во обезбедувањето непречена работа и ефективен систем за промоција и логистичка организација. Кризата јасно ја покажа виталната важност на логистичката индустрија и овозможи да се идентификуваат клучните прашања што треба да се решат при обликувањето на стратегијата за продажба, управување и логистика. Трансформацијата на светскиот пазар и поединечните индустрии, исто така, доведе до значителни промени во логистичките активности, што доведе до ревизија на постоечките пристапи за организирање на логистиката со потребата да се земат предвид факторите на влијание. Меѓутоа, оваа трансформација значително ги усложни постојните процеси во логистиката на организациите ширум светот, кои беа предизвикани од фактот што многумина не беа подготвени за такви промени. Главните фактори кои влијаеа на трансформацијата на логистичките активности на организациите во пандемија се прикажани во Табела 2

Табела 2:

Класификација на клучните фактори кои влијаат на трансформацијата на логистичките активности во светот

Клучен фактор	Влијание	Резултат од трансформацијата на логистичките активности
Зголемена побарувачка	Пандемијата предизвика нагло зголемување на побарувачката за некои категории на стоки и пад на побарувачката за други, што не беше вклучено во планирањето на логистиката. Ова доведе до прекини во снабдувањето, неподигнати стоки и потреба за оптимизирање на логистичките процеси.	При формирањето на стратегијата на компанијата за промоција и продажба на стоки и услуги, императив е да се предвиди побарувачката и да се оптимизираат постоечките процеси со помош на нивната автоматизација.
Недостаток на добавувачи	Острите промени на глобалниот пазар бараа и брзи прилагодувања на синџирите на снабдување и логистичките категории. Многу компании чија стратегија зависеше од директно снабдување беа принудени да ги прераспределат ресурсите.	При формирањето на стратегијата на компанијата за промоција и продажба на стоки и услуги, императив е да се диверзифицираат добавувачите со цел да се минимизираат ризиците
Зголемено оптоварување на логистиката	Зголемувањето на побарувачката за одредени категории го зголеми оптоварувањето на логистиката. Компаниите се соочуваат со потребата да ги прераспределат ресурсите и да бараат дополнителни превозници. Ова оптоварување ја покажа потребата за оптимизирање на	Потребата да се оптимизираат логистичките процеси со нивна последователна автоматизација со цел да се намали времето за собирање нарачки и времето на испорака на стоката.

	логистичките процеси.	
Потреба од автоматизирање на процесите	Неефикасноста на постојните логистички процеси беше предизвикана од нагло зголемување на побарувачката и неможноста за ефикасно управување со процесите на интеракција и во рамките на компанијата и надвор од неа.	Ревизија на постојните процеси на интеракција во рамките на организацијата на логистиката со автоматизација на процесот на анализа на базата на клиенти и обемот на набавки со дополнително разгледување при формирањето на стратегијата на организацијата

Трендовите во логистичката индустрија за време на пандемијата беа поврзани со намалување на протокот на товар, и на глобално и на локално ниво, предизвикано од масовното затворање на границите на земјите, трговските центри и продавниците, зголемувањето на неизвесноста и паниката кај населението, економската нестабилност, зголемување на валутите и намалување на побарувачката и куповната моќ на голем дел од светското население. Главниот фактор што влијаеше на глобалниот логистички систем беше влошувањето на кризните феномени поврзани со ширењето на пандемијата COVID-19 во Кина. Во Кина беа погодени сите видови транспорт: воздушен, поморски, железнички, патен, како резултат на што беа уништени вообичаените мултимодални логистички шеми широм светот. Сепак, не во сите земји во светот, стабилизацијата на логистичката активност и индустријата дојде исто како и во Кина. Економиите на земјите од ЕУ во моментот ги доживуваат сите последици од карантинските мерки и прекините во снабдувањето со одредени групи стоки. Постојат многу фактори кои ја одредуваат потребата за развој на компаниите во логистичката индустрија за време на ширењето на пандемијата, кои вреди да се разгледаат подетално, а кои се прикажани на Графикон 1.





Во современи услови транспортните и логистичките системи постојано стануваат посложени, а се потешко е да се разбере на што треба да се внимава, особено во контекст на влошување на кризните појави и ширење на пандемија. Врз основа на ова, за да се утврдат клучните трендови во функционирањето и интеракцијата на маркетингот и логистиката, вреди да се користат алатките за економско и математичко моделирање. Во теоријата на економско и математичко моделирање, математичката функција се користи за одредување на развојните трендови:

$$D_{xi} = f((M(X_i)L(X_i)))$$

$D_{xi}$ - современите трендови во развојот на маркетингот и логистиката и нивната интеракција во пандемија, кои се споредуваат истовремено со дејствата  $X_i$

$M(X_i)$ - веројатноста за појава на кризен настан при превземање на акција  $X_i$

$L(X_i)$ - финансиски загуби предизвикани од ризик при дејствија во некои настани  $X_i$

Ширењето на пандемијата во светот, кое се карактеризира со превентивни и рестриктивни мерки воведени во различни земји во светот, придонесува за трансформација на логистичката индустрија широм светот. Врз основа на ова, за да се утврдат современите трендови во развојот на маркетингот и логистиката, вреди да се класифицираат земјите според нивото на индексот на логистичка ефикасност (LPI). Индексот на логистичка ефикасност (LPI) е интерактивна алатка која е од суштинско значење за бенчмаркинг и класификација на земјите низ светот според степенот на развиеност на логистичката индустрија и нејзината ефикасност. Логистичките перформанси (LPI) е пондериран просек на една земја кои се гледаат преку шест клучни димензии што се користат за класификација на земјите по сценарија за развој и интеракција на маркетинг и логистика за време на

пандемија<sup>6</sup>

Клучните параметри на економско и математичко моделирање на трендовите во развојот на маркетингот и логистиката и особеностите на нивниот однос за време на пандемија се следните:

- Ефикасноста на царинската служба на земјата (брзина и достапност на царинење на карго транспорт);
- Оптимална и висококвалитетна трговска и транспортна инфраструктура;
- Конкурентни цени и леснотија на транспортот;
- Висока професионална обука на вработените во логистичкиот комплекс, што пак овозможува оптимизирање на деловните процеси на компаниите;
- Алатки за следење за пратки и испораки на стоки и товар;
- Квалитетот и ефикасноста на испораката до дестинацијата во најавениот рок за испорака.

## **ЗАКЛУЧОК**

Логистиката во современи деловни услови станува вистинска организациска, технолошка и концептуална поддршка за многу компании и е најефективната алатка за иден развој. Се покажа дека логистиката е клучен инструмент во современата маркетинг стратегија, без која е невозможно да се произведе и зголеми капацитетот на компанијата без да се позиционира и да се подобри нејзината конкурентна позиција на светскиот пазар. Меѓутоа, за да се зголеми обемот на товарниот сообраќај во сите земји, потребна е соодветна стратегија за иден развој, која вклучува иновативен маркетинг комплекс, што не е возможно без логистика. Теоретските и методолошките аспекти беа развиени за да се утврди интеракцијата на маркетингот и логистиката за време на пандемијата COVID-19, што овозможи да се поткрепат главните компоненти на маркетинг концепт за водење бизнис, обезбедување на ефикасност и финансиска стабилност на организацијата.

Разгледани се карактеристиките на функционирањето на логистиката на глобално ниво, што овозможи да се поткрепи класификација на клучните фактори кои влијаат на трансформацијата на логистичките активности во светот. Врз основа на економско и математичко моделирање на сценарија, се утврдува функционирањето на маркетингот и логистиката за време на пандемија COVID 19.

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<sup>6</sup> BOTTALICO, A.: The Logistics Labor Market in the Context of Digitalization: Trends, Issues and Perspectives, Digital Supply Chains and the Human Factor, Springer, Cham, 2021.

Главните резултати од студијата може да се применат во практичните активности на организациите во формирањето на развојна стратегија и маркетинг концепт.

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**Prof. Natasha PETROVSKA, PhD**

Veterinary Faculty, University "St. Kliment Ohridski" - Bitola  
[n.petrovska@yahoo.com](mailto:n.petrovska@yahoo.com)

**Prof. Biljana PETROVSKA, PhD**

Veterinary Faculty, University "St. Kliment Ohridski" - Bitola  
[biljanamarkovskapetrovska@yahoo.com](mailto:biljanamarkovskapetrovska@yahoo.com)

**Prof. Snezhana OBEDNIKOVSKA, PhD**

Faculty of Economics, University "St. Kliment Ohridski" - Bitola  
obednikovskas@yahoo.com

## THE IMPACT OF SOCIAL MEDIA MARKETING ON CONSUMER BEHAVIOR

### ABSTRACT

Social media occupies an important position as a communication tool. People around the world use social media to connect with other people or organizations. Globally, people have started using social media like Facebook, Twitter, Instagram, LinkedIn, TikTok, etc. to share their experiences. As consumers, people share product reviews, service information, food or health tips, product alerts, product tips, and more. Social media is no longer used only for conversations, it is increasingly used for commerce.

Social factors have always played a role in consumer shopping habits, but the ubiquity of smartphones and social networks has taken word of mouth to new heights. Most consumers around the world now carry purchasing power in their pockets every day. Slowly forgetting to go shopping only in stores to discover new products, now consumers can navigate through their social feeds for inspiration.

Whether you want to inspire and engage your social audience or encourage online shopping and in-store shopping, the impact of social media on consumer behavior must not be ignored.

Statistics show that 81% of consumers shopping decisions are influenced by their friends social media posts. 66% of consumers were inspired to buy from a new brand

after seeing pictures on social media from other consumers. Consumers are 71% more likely to make a purchase based on the recommendations of social networks.

**Keywords:** social media, consumers, brand, communication, online shopping.

## **INTRODUCTION**

Social media has occupied an important position as a communication tool. People around the world use social media to connect with other people or organizations. In recent years, Internet users are looking at the Internet from a new perspective, in a commercial way. Its development and the emergence of online stores have turned consumers into consumers. Also, the most important role of social media has changed the way consumers and marketers communicate. Influences on the information society influence consumer decision-making processes and product evaluations. Social media provides a new channel for acquiring product information through mutual communication. The Internet and virtual communities have transformed consumers, societies and corporations with widespread access to information, better social networking and improved communication skills. Globally, people have started using social media like Facebook, Twitter, Instagram, TikTok and LinkedIn to share their experiences. As customers, people share product reviews, service information, food or health tips, product alerts, product tips, and more. People have a lot of "links" on social networks, so the information is consumed by many people. This information becomes a source of influence on consumers and their buying behavior. The unique aspects of social media and its immense popularity have revolutionized marketing practices such as advertising and promotion. Social media has also influenced consumer behavior from information acquisition to post-purchase behavior, such as dissatisfaction statements or behaviors about a product or company. Online communities and social networking sites (SNSs) are an effective web technology for social interaction and information sharing. Social networking sites are central to e-commerce in the current environment, where consumers make social connections and participate in cyberspace. Today's consumers have access to many different sources of information and experiences, which are facilitated by the information and recommendations of other customers. This is an important point because customer engagement through social media is a key factor in marketing.

### **1. THE INFLUENCE OF SOCIAL MEDIA ON CONSUMER BEHAVIOR**

There are more customers on social networks than ever before. Consumers are looking for reviews and recommendations. Therefore, it is essential to have a prominent

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*The Ninth International scientific conference*  
*- DIGITALIZATION OF SOCIETY - NEW MARKETING CHALLENGES -*

online presence on various social media platforms. The latest trend in marketing is the introduction of social media. Social media has the power to influence potential customers from start to finish and beyond. Consumers need awareness of a particular brand and its offer. At a later stage, when they start narrowing down their choices, an influential person on social media is needed to further promote the brand. Ongoing dialogue between the client and the brand is essential to maintain a strong relationship. Attractive and informative content keeps customers loyal to the desired brand.

There are many ways in which social media influences consumer behavior. Some of these ways are the following:

### **1. Building product awareness**

Social media has a huge impact on consumers when they try to raise awareness of a particular product. When people face a problem, they start looking for a solution. But often people do not know which product or service will solve their problems. How do people get to know your product? A large part of the audience gets to know your brand through the content that is distributed on social networks. The goal of any business is to influence consumer behavior. If you do not have a social media brand presence, you are missing out on an important opportunity to influence the consumer buying behavior.

### **2. Social proof as a greater force for purchasing decisions**

Social networks have resulted in the evolution of social proof as a greater purchasing power. Happy customers tend to praise products with likes, shares, reviews and comments on social media. Marketers make social space more transparent by sharing reviews, comments, likes, tweets and pins with their happy customers to generate brand trust and increase conversion rates. Sharing testimonials, case studies, photos, comments, and videos of satisfied clients builds more trust and works well on a landing page, consultation page, and login page. The power of social proof can not be undermined when social media has become an integral part of buyers and sellers. Social marketers who want to sell their products need to have solid social proof in the form of case studies, pictures, videos, podcast interviews and influencers as part of their sales strategy. All of this will eventually increase the conversion rate.

### **3. Promotions, discounts and deals on social media**

Many social media users sign up for social media groups / forums they are interested in. When consumers see promotions, discounts and deals on social media, it affects their buying behavior. 64% of online consumers wait to buy things until they go

on sale. Social media is a low-cost platform that gives brands instant access to the billions of active social media users. Brands need to make sure the target audience sees your products, likes them and shares them on social media, which helps to influence consumer behavior.

#### **4. Social media influencers**

Consumers are more likely to buy when they receive referrals from a person they trust. Celebrities and celebrities inspire their audiences and influence their buying behavior. 49% of consumers seek guidance from social media influencers before making a purchase decision. Influencer marketing can do wonders for a brand by attracting more customers. Many marketers are replacing celebrities with influencers on YouTube, Instagram and Snapchat. These online stars provide unfiltered product feedback, and consumers like it.

Reports indicate that consumers who are influenced by social media are 4 times more likely to spend more on shopping. Moreover, the impact can be so great that 29% of consumers are more likely to buy the same day they use social media.

Whether brands want to inspire and engage social audiences or encourage online and in-store shopping, these are 14 statistics that the brand should not ignore. Here's how social media influences consumer behavior:

1. 81% of consumers 'shopping decisions are influenced by their friends' social media posts. (Forbes)
2. 66% of consumers were inspired to buy from a new brand after seeing pictures on social media from other consumers (Stackla)
3. Consumers are 71% more likely to make a purchase based on the recommendations of social networks. (Hubspot)
4. Facebook participates with 50% of the total social referrals and 64% of the total social income. (Business Insider)
5. 31% of consumers say they use social media channels to search for new products to buy. (Aimia)
6. Millennials are 1.6 times more likely to use digital channels to find out about new products. (Facebook Insights)
7. 84% of millennials say that foreign-generated content has at least some impact on what they buy. (Gartner)
8. 53% of consumers recommend companies or products in tweets, and 48% follow to buy those products or services. (SproutSocial)



9. 78% of consumers say that companies' social media posts affect their purchases. (Forbes)
10. Customers are 6 times more likely to buy a product if the site includes images from social media. (AdWeek)
11. Conversions increase by 133% when mobile phone buyers see positive reviews before making a purchase. (Bazaarvoice)
12. In 2015, Facebook accounted for 52% of online and offline consumer purchases. (DigitasLBI Commerce)
13. Global Social Trade Revenue Reached \$ 30 Billion in 2015. (Statista)
14. 56% of consumers say they are more influenced by pictures and videos on social media when shopping online now than before the pandemic. (Stackla)

## **2. THE INFLUENCE OF SOCIAL MEDIA ON CONSUMER PURCHASING DECISIONS**

Many purchases are made online nowadays and in 2020 this number has grown significantly thanks to the pandemic. As the number of internet users increases and technology companies develop more ways to integrate the online world into shopping, online retail is expected to grow exponentially. Logically, many consumer shopping decisions are also made online, and where people spend most of their time online - on social media. According to GlobalWebIndex, 54% of social media users use social media to research products and 71% are more likely to buy products and services based on social media referrals. It's hard to say exactly how much social media affects customers, not just what they buy, but their consumer habits in general. Social networks have changed the way products are promoted and even provided new ways of advertising. Social networks influence consumer purchasing decisions in a number of ways:

### **2.1. They shorten the journey of consumers to the desired product**

The first thing that can be noticed when it comes to customers on social networks is the shortened travel of customers. People used to find out about a product, watch a TV commercial several times, and the next week they might go shopping and finally buy the product. Now, this process can take a few minutes. Consumers can now buy the desired product the same day using social media. This means that as soon as they see a product, they simply click on the link and buy it: there is no need to wait before going shopping. Customer travel is not only shorter, but also more complex. Social media has made product research more accessible to consumers. As a result, customers spend more time researching and checking more sources for reviews.

## **2.2. The impact of social proof**

Social proof is not a new concept: man is a social animal and we have been making recommendations for centuries. The thing is, these recommendations and counter-recommendations can now be heard by hundreds of people. People proactively seek recommendations on social media (and brands unfortunately often ignore them). According to the Awario study, only 9% of brand conversations are answered by customer questions, but, depending on the industry, there may be more than 100 people seeking social media recommendations in a month. Social proof has the greatest impact on your friends and the people you know. But more and more people on social media are not just following their friends - they are also following influencers. This is where influencer marketing comes into play.

## **2.3. The power of influencers over consumer purchasing decisions**

Influencers are social media users who have a strong loyal audience that often shares the same interests. Their opinions are naturally seen by a large number of people, people who trust them. According to a study by Influencer Marketing Hub, almost 50% of Twitter users bought as a direct result of an influencer tweet. Micro-influencers are especially effective in convincing their audience because they are usually experts in a niche and a specific topic, which makes them a natural source of recommendations for this topic.

## **3. MOST POPULAR SOCIAL MEDIA PLATFORMS**

The most popular social networks have seen a lot of movement in the last few years. Their power to reach a large audience plays an important role in the services and products that brands offer to customers. Currently, there are over 4.5 billion people worldwide who use some form of social media - about 57% of the world's population. Knowing how deeply each of these platforms reaches the global online community is crucial to a company's marketing strategy. Choosing the social network on which the brand will focus its marketing efforts is a very important decision.

Some of the best social media platforms in 2022 are the following:

### **3.1. Instagram**

Long home to influencers, brands, bloggers, small business owners, friends and everyone else, Instagram has surpassed 1 billion monthly users. Instagram has become one of the most popular social media platforms for teens and young adults.

### **3.2. YouTube**

YouTube is the second most popular search engine in the world today, just behind its parent company, Google. If a business could benefit from producing video tutorials or reviews, visual instructional content, product reviews or interviews, then this social media platform is a must to reach their more than 2 billion monthly users.

### **3.3. Facebook**

With almost 2.5 billion monthly users, Facebook is the largest social media site in the world. While this practically guarantees that at least part of the audience uses the platform regularly, it has a somewhat negative reputation among younger users who are increasingly turning to other alternative locations.

### **3.4. Twitter**

While the monthly active Twitter users have been steadily hovering around 300 million for some time now, an astonishing 40% of those users are active on the site multiple times a day, suggesting that the audience that uses the platform is probably very engaged. The popularity of this social media site remains high among tech users and is particularly active in the B2B verticals associated with business, marketing and politics today.

### **3.5. TickTock**

TickTock is less than two years old, but received over 1 billion downloads of their video-based application in its first year of operation. Today, TickTock reportedly has over 800 million monthly users, which immediately puts it among the best social media platforms in the world in terms of net number of users. However, most of his audience is concentrated among those aged 16 to 24.

### **3.6. Snapchat**

Although it seems to be losing ground on competing social media platforms like Instagram and TickTock, Snapchat still remains one of the most used apps with a demographic under the age of 25 - with over 300 million monthly users in recent months. Most Snapchat users visit the app to share updates and communicate with friends and family through missing pictures and short video messages.

### **3.7. Pinterest**

Pinterest has become a very popular tool on social media for storing ideas and finding creative inspiration when it comes to everything from cooking to home projects, vacation ideas, interior design, business and everything in between. This social media platform is often cited as a key part of the product discovery journey. With over 320 million monthly users, Pinterest boasts one of the most concentrated female audiences among all social media pages.

## **CONCLUSION**

The data and our daily experience on the Internet show that social media has a big impact on shopping decisions. The impact of social media on customer buying decisions can be explained by many factors: social proof, social media penetration, and the availability of online retail. However, it is becoming increasingly difficult to single out a particular brand on social media. Focusing on the right platform, building creative social media marketing campaigns, and using up-to-date technologies can help. While business owners cannot get customers to use social media, they can influence the products and services that a social media related customer can find. That is why it is important to establish a presence on social networks. Business owners can even encourage people to use social media while shopping by incorporating social media into their marketing. If people know they can find out about special offers on social media, they will go check it out. Social media influences shopping behavior among all age groups, but especially the important younger populations. Business owners need to work on improving their social media marketing strategies in order to increase sales.

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**Abduljadi SHAZIMANOSKI, MSc**

Private company - Manager  
duleferda@hotmail.com

## **ECB POLICY TOWARDS EU MEMBERS OUTSIDE THE EUROZONE AND MONETARY POLICY OF THE REPUBLIC OF NORTHERN MACEDONIA**

### **ABSTRACT**

The European Union has 27 member states, of which eight are not in the eurozone - the unified monetary system used by the euro. Denmark is legally exempt from adopting the euro. All other EU countries must join the eurozone once they meet certain criteria. However, countries have the right to delay meeting the eurozone criteria and thus delay their adoption of the euro. EU countries that do not use the euro as their currency are Bulgaria, Croatia, the Czech Republic, Denmark, Hungary, Poland, Romania and Sweden. EU member states differ in culture, climate, population and economy. Countries have different financial needs and challenges to address. The single currency imposes a system of central monetary policy applied equally. The problem, however, is that what is good for one eurozone economy can be bad for another. Most EU countries that have avoided the eurozone are doing so in order to maintain economic independence. Here is a look at the issues that many EU countries want to address independently.

**Keywords:** Criteria, population, economy, economic independence, monetary system, financial needs.

### **INTRODUCTION**

The formation of the European Union (EU) paved the way for a unified financial system with several countries under a single currency - the euro. While most EU member states have agreed to adopt the euro, few are sticking to their inherited currencies: (Seth, 2021)

- As the European Central Bank (ECB) sets economic and monetary policies for all eurozone countries, there is no independence for an individual country to create policies tailored to its own conditions.
- Every economy has its challenges. Greece, for example, is highly sensitive to changes in interest rates because most of its mortgages have a variable interest rate rather than a fixed one. However, as it is bound by European Central Bank regulations, Greece does not have the independence to manage interest rates to benefit its people and its economy the most.
- A country's economy is very sensitive to government bond yields. Again, non-euro countries have an advantage here. They have their own independent central banks that can act as a last resort for the country's debt lender. In the event of an increase in bond yields, these central banks begin to buy bonds and thus increase market liquidity.
- Eurozone countries have the ECB as their central bank, but the ECB does not buy bonds specific to member states in such situations. The result is that countries like Italy have faced major challenges due to rising bond yields.
- When inflation rises in the economy, an effective response is to raise interest rates. Non-euro area countries can do this through the monetary policy of their independent regulators. Eurozone countries do not always have that option. For example, after the economic crisis, the European Central Bank raised interest rates amid high inflation in Germany. The move helped Germany, but other eurozone countries, such as Italy and Portugal, have suffered from high interest rates.
- Countries may face economic challenges due to periodic cycles of high inflation, high wages, reduced exports, or reduced industrial production. Such situations can be effectively addressed by devaluing the national currency, which makes exports cheaper and more competitive, and encourages foreign investment. Non-euro area countries can devalue their respective currencies as needed. However, the eurozone can not change the value of the euro on its own - it affects other countries and is controlled by the European Central Bank.

To join the eurozone, EU member states are required to meet so-called "convergence criteria": (Countries using the euro - European Union, 2021)

❖ The convergence criteria are set to measure progress in countries' readiness to adopt the euro and are defined as a set of macroeconomic indicators that focus on:

- Price stability,



- Solid public finances to ensure that they are sustainable,
- Exchange rate stability, to show that a Member State can manage its economy without resorting to excessive currency fluctuations,
- Long-term interest rates to assess the duration of convergence..

❖ These binding economic and legal conditions were agreed upon in the Maastricht Treaty of 1992 and are also known as the "Maastricht Criteria". All EU member states, except Denmark and the United Kingdom, are obliged to adopt the euro and join the eurozone once they are ready to meet them.

❖ The agreement does not specify a timetable for joining the eurozone, but leaves it to member states to develop their own strategies for meeting the condition for adopting the euro.

❖ The European Commission and the European Central Bank jointly decide whether the conditions for the eurozone candidate countries to accept the euro are met. After assessing the progress made on the convergence criteria, the two bodies shall publish their conclusions in the relevant reports.

The eight EU member states outside the Eurozone (Bulgaria, Denmark, Croatia, Poland, Romania, Sweden, the Czech Republic and Hungary) are a heterogeneous group of countries that follow very different economic models and are in different stages of economic development: (EU after Brexit, 2019)

❖ For example:

- Denmark's gross domestic product (GDP) per capita is seven times that of Bulgaria. There is also a significant gap in the competitiveness of non-euro area countries.
- According to the 2018 Global Competitiveness Report, Sweden and Denmark are among the most competitive countries in the world. They occupy the ninth and tenth place in the ranking. The other non-euro countries, which are currently plagued by political instability and institutional weaknesses, still base their competitiveness on low wages. The size and importance of their financial sectors for their economies also vary widely within the group.
- The share of banking sector assets in GDP is three times higher in Denmark than in Poland. Central and Eastern European countries faced enormous challenges during the global financial crisis as their banking sectors were largely owned by foreign banking groups. This meant that national banking authorities were able to carry out their supervisory tasks only to a limited extent.

- All these differences mean that non-euro countries have completely different priorities when it comes to EU legislation in the field of financial regulation..
- ❖ The dynamics of economic growth in these non-euro countries are influenced by their different stages of economic development. The less developed among them often achieve higher growth rates due to the effect of maturity. With the exception of Sweden and Denmark, whose economic growth in 2017 was slightly below the eurozone average of 2.4 percent, the economies of those less economically developed EU member states grew much faster.
- ❖ Individual Euro-out relations to the euro and the euro area are also very different. Most of them pursue independent monetary policies. Denmark has been a member of the Exchange Rate Mechanism 2 (ERM 2) since 1999 and pursues a fixed exchange rate policy against the euro. After Brexit, Denmark will be the only country with a waiver clause in the third phase of the Economic and Monetary Union. All other EU countries are contractually obliged to accept the euro as soon as they meet the convergence criteria.
- ❖ The Bulgarian lev is pegged to the euro at a fixed rate as part of a currency board arrangement. Romania and Croatia maintain exchange rate regimes with a managed fluctuating exchange rate against the euro. Croatia's relationship with the single currency is very special. The country's economy is largely "euroized". About 75% of assets and 67% of liabilities are denominated in euros.
- ❖ All countries in the group are open economies interested in deepening the single market. Furthermore, they are all for the eurozone to be open to new members. At the same time, they support the integrity of the eurozone, although they are not prepared to bear the necessary costs of stabilization. The economic diversity of non-euro area countries and their diverse relations with the euro and the euro area make political co-operation between non-euro area member states within the EU difficult. This increases their risk of losing influence in the post-Brexit Union.

## **MATERIAL AND METHODS**

Limited progress has been made by non-euro area EU countries: Bulgaria, the Czech Republic, Croatia, Hungary, Poland, Romania and Sweden on in relation economic convergence with the euro area since 2020. This is mainly due to challenging economic conditions: (ECB reports, 2022)

- Croatia has announced its intention to adopt the euro on 1 January 2023 and Bulgaria and Croatia both joined the exchange rate mechanism (ERM II) and the banking union on 10 July 2020.
- The coronavirus (COVID-19) crisis led to a significant drop in economic activity in 2020. The Russian invasion of Ukraine in February 2022 has weighed on growth, and inflation has increased in all the countries assessed. The forward-looking convergence assessment is surrounded by high uncertainty, and the full impact can only be evaluated ex post.
- As regards the **price stability criterion**, only Croatia and Sweden recorded inflation rates below or well below the reference value of 4.9%. This reference rate is based on the average inflation figures recorded in the three best-performing countries over the last 12 months – Finland, France and Greece (after exclusion of the outliers: Malta and Portugal). In the five other countries assessed – Bulgaria, the Czech Republic, Hungary, Poland and Romania – inflation rates were well above the reference value over the last 12 months, as was also the case in the 2020 Convergence Report.
- **On the fiscal criteria**, only Romania is subject to an excessive deficit procedure (launched in April 2020). Although three further countries under review – Bulgaria, the Czech Republic and Hungary – exceeded the 3% of GDP deficit reference value in 2021, no new excessive deficit procedures were opened.
- After a sharp increase in 2020 in the wake of the COVID-19 crisis, budget deficits remained elevated in all countries in 2021 except Sweden. Compared with 2020, budget balances improved in all the countries under review in 2021 except Bulgaria and the Czech Republic. According to the European Commission's Spring 2022 Economic Forecast, the **deficit-to-GDP** ratio is expected to decline in most of the countries in 2022 and 2023. Nonetheless, it is expected to exceed the reference value in 2023 in the Czech Republic, Hungary, Poland and Romania.
- **The government debt-to-GDP** ratio was between 20% and 40% in Bulgaria and Sweden in 2021 and reached between 40% and 60% in the Czech Republic, Poland and Romania, while the debt ratios in Croatia and Hungary were above the 60% reference value.
- In 2022 and 2023 government debt ratios are expected to decline in four of the countries as a result of both the improvement in economic activity and the phasing-out of fiscal measures taken in response to the COVID-19 pandemic,

while budget balances are expected to be burdened by new measures taken in response to high energy prices and the Russia-Ukraine war.

- As regards the **exchange rate criterion**, the Bulgarian lev and the Croatian kuna participated in ERM II for most of the two-year reference period from 26 May 2020 to 25 May 2022, at central rates of 1.95583 levs per euro and 7.53450 kuna per euro respectively. The exchange rate of the Croatian kuna displayed a low degree of volatility and traded close to its central rate. The Bulgarian lev did not deviate from its central rate. Except for the Romanian leu, the exchange rates of the currencies not participating in ERM II showed a relatively high degree of volatility.
- When considering the **convergence of long-term interest rates**, the lowest 12-month average long-term interest rates were recorded in Bulgaria, Croatia and Sweden. At 2.5%, the Czech Republic was just below the reference value of 2.6%. Two of the countries under review – Hungary and Poland – recorded 12-month average long-term interest rates above the reference value, while in Romania the 12-month average long-term interest rate was well above the reference value.
- **The strength of the institutional environment** is an important factor in the sustainability of convergence over time. Except in Sweden, the quality of institutions and governance in the countries under review is relatively weak. When it comes to legal convergence, Croatia is the only country examined where the legal framework is fully compatible with the requirements for adoption of the euro under the Treaty on the Functioning of the European Union and the Statute of the European System of Central Banks and of the European Central Bank (Statute of the ESCB).

Developments such as globalisation, digitalisation, an ageing population, climate change and innovations in the financial system have posed new challenges for the conduct of monetary policy. These issues prompted the ECB to launch a review of its monetary policy strategy in early 2020. The new monetary policy strategy was unanimously approved by the Governing Council of the ECB and announced on 8 July 2021. Its main objective is to improve the ECB's capacity to fulfil its price stability mandate in the years to come by being as effective as possible in this challenging and changing environment – both today and in the future. The ECB's revised strategy includes two fundamental innovations: (Hernández, 2022)

- **First**, a new medium-term inflation target of 2% has been adopted. This target is symmetric, meaning that positive and negative deviations of inflation from the target are considered to be equally undesirable. Hence, the 2% inflation

target seeks to provide a clear anchor for inflation expectations, which is essential for maintaining price stability; this eliminates any ambiguity and the possible perception of asymmetry of the previous target. Also, the replacement of a target that, in spite of the ambiguity, was in any case below 2% by one that is exactly 2% involves a de facto increase in the target, which should help to raise the average level of inflation and nominal interest rates and, therefore, reduce the frequency with which the lower bound constrains ECB action in the future.

- **Second**, to maintain the symmetry of the inflation target, the ECB has recognised the importance of taking into account the implications of the lower bound. In particular, the strategy establishes a requirement for especially forceful or persistent monetary policy action when the economy is close to the lower bound, in order to avoid negative deviations from the inflation target becoming entrenched. This may also imply a transitory period of overshooting, in which inflation is moderately above target. This may be useful to the extent that, in a situation in which nominal interest rates are limited by their lower bound, agents expect relatively high inflation in the future, which reduces real interest rates and thus stimulates economic activity.

The sudden campaign to raise interest rates follows years in which borrowing costs and inflation stayed low because of broad trends such as globalization, aging populations and digitalization. ECB started tightening monetary policy when it decided to phase out its pandemic stimulus through bond purchases: (European Central Bank, 2022)

- The ECB's interest rate hikes, including a half-point hike could deepen a European recession predicted for the end of this year and the beginning of 2023, caused by higher inflation that has made everything from groceries to utility bills more expensive.
- The 2022-23 recession would occur only under a "really dark" worst-case scenario where all Russian natural gas is cut off, alternative supplies are not available and governments have to resort to energy rationing.
- Efforts by the EU's executive Commission to contain energy prices, such as through electricity market regulation, cannot reduce the price of energy."
- Rate hikes will prevent higher prices from being baked into expectations for wage and price deals and that decisive action will forestall the need for even bigger hikes if inflation gets ingrained.

- Europe's central bank wants to fight inflation — and wants to be seen as fighting inflation.
- However, energy prices and government support programs to shield consumers from some of the pain will have a much bigger impact on inflation and the depth of the looming recession than monetary policy.
- Rate hikes often support a currency's exchange rate — but the euro has been under pressure because of more general fears about recession and economic growth. It has recently fallen under \$1, the lowest level in 20 years.

## **RESULTS AND DISCUSSION**

The Republic of Northern Macedonia was declared a candidate country in December 2005. Since October 2009, the Commission has continuously recommended open accession negotiations with Northern Macedonia. In 2015 and 2016, the recommendation was conditioned by the continuous implementation of the Przino Agreement and significant progress in the implementation of the "Urgent Reform Priorities". In March 2020, the General Affairs Council decided to open accession negotiations with Northern Macedonia. The decision was approved by the members of the European Council. In July 2020, the draft negotiating framework was presented to the Member States.

Since October 2009, the Commission has continuously recommended open accession negotiations with Northern Macedonia. In 2015 and 2016, the recommendation was conditioned by the continuous implementation of the Przino Agreement and significant progress in the implementation of the "Urgent Reform Priorities". In light of the progress made, the Commission reiterated its unconditional recommendation to open accession negotiations in April 2018. Given the significant progress made and the conditions met unanimously set by the Council in June 2018, the Commission recommended in May 2019 to open accession negotiations with Northern Macedonia.

The monetary policy of the European Central Bank (ECB) has positive transmission effects on the Macedonian economy and in general, on the economies in our region: (The monetary policy of the ECB, 2020)

❖ It allows:

- The public and private sectors should have unimpeded access to finance through international financial markets.



- It also contributes to a larger space for the implementation of a relaxed monetary policy by the National Bank, and thus to more favorable domestic financing conditions.

❖ At the onset of the crisis, international financial markets quickly tightened their grip, especially on emerging economies, but after the ECB and central banks reacted more strongly to more advanced economies, investor confidence increased, markets stabilized and interest rates fell. Compared to the global financial crisis, given the current faster and bolder reactions of central banks, the tightening of conditions in the financial markets was less, and the stabilization of financial conditions was faster. This was especially important for us and for other countries in the region.

Following the assessment of the request for liquidity support submitted by the National Bank, the European Central Bank (ECB) responded positively to the request by approving a bilateral repo line. Our central bank is enabled to use liquidity assets in the amount of up to EUR 400 million, if necessary, in the form of repo transaction for the period until the middle of next year, or as long as necessary. In doing so, the ECB has shown its readiness to support the National Bank in the face of the crisis caused by the Covid-19 pandemic. (ECB, 2020)

The position of the Monetary Policy of the Republic of Northern Macedonia is as follows: (National Bank of the Republic of North Macedonia, 2021)

❖ The National Bank of the Republic of Northern Macedonia is a central bank, whose main goal is to maintain price stability, and it is independent in performing its functions. Thereby, the National Bank supports the economic policy and financial stability of the country without jeopardizing the achievement of the basic goal, respecting the principles of the market economy. In accordance with the legally defined functions, the National Bank designs and implements the monetary policy. At the end of the current year, in accordance with the previously established macroeconomic policy framework, the National Bank prepares a Monetary Movement Projection for the next year, which is adopted by the National Bank Council.

❖ Maintaining price stability is the main goal of the National Bank, determined by law. The setting of this goal is in line with the empirically confirmed knowledge that price stability creates the most favorable macroeconomic environment for long-term sustainable economic development. As of 1999, inflation in our country was measured by the retail price index, and since 2000 it has been monitored by the cost of living index. In order to achieve the ultimate goal, the National Bank determines the intermediate goal of the monetary policy. Thus, from April 1992 to September 1995, the National Bank applied the strategy of targeting the M1 money supply, as an intermediate goal of the monetary policy. Starting from October 1995 onwards, the National Bank implements a monetary strategy of targeting the nominal exchange rate



of the Denar against the German mark, and from January 2002 against the Euro. Therefore, maintaining the stability of the Denar exchange rate is an intermediate goal of monetary policy. The application of the exchange rate targeting strategy results from:

- a) the importance of the exchange rate in a small and open economy;
- b) the need for a nominal anchor to maintain credibility; c) the high degree of euroization, and
- c) the transparency of the exchange rate policy and the possibility for daily monitoring by the economic entities.

❖ In conditions when the monetary policy is aimed at maintaining the stability of the Denar exchange rate, interest rates and money supply are dependent categories, determined by the achievement of the intermediate goal. Through its interest rate policy, the National Bank sends monetary signals to the banks and thus seeks to influence the amount of their active and deposit interest rates. Currently, the basic interest rate of the National Bank is the interest rate realized at the auctions of CB bills.

❖ In order to achieve price stability, as a primary goal of monetary policy, the National Bank has various instruments for monetary regulation: (National Bank of the Republic of North Macedonia, 2021)

- ✓ Open guard operations,
  - ✓ Mandatory reservation,
  - ✓ Available deposits,
  - ✓ Overnight credit available,
  - ✓ Intraday credit.
- Having in mind that there is a complex and indirect connection between the instruments and the ultimate goal of the monetary policy with time lag, the National Bank monitors the movement of certain economic variables - operational and intermediate goals. Operational goals are easier to control, but farther from the end goal, while intermediate goals are more difficult to control, but closer to the end goal. By managing the level of interest rates, and thus the level of liquid assets in the banking system, as an operational goal, the National Bank seeks to influence the level of the exchange rate, as an intermediate goal of monetary policy.
- From the instruments of the National Bank, the most flexible are the open market operations, which, depending on the liquidity situation in the overall banking system, can be conducted through the issuance of securities of the National Bank - auctions of treasury bills, or by buying or selling securities

from value on a temporary or definitive basis. A standard instrument is the required reserve through which the National Bank directly affects the money supply and loans. To overcome the short-term liquidity shortage of banks at the end of the day, the National Bank approves available overnight loans. In conditions of short-term excess liquidity, banks can place funds with the National Bank in available deposits overnight and for seven days.

- ✓ **Open market operations** represent a group of indirect market instruments of monetary policy, through which the National Bank sells and buys securities. These instruments influence the level of short-term interest rates, that is, the level of the banks' available liquid assets. The increase in the interest rate in these operations points to a more restrictive monetary policy and conversely, the decrease in the interest rate allows for the relaxation of monetary movements.
- ✓ **Mandatory reserve** is an instrument of the monetary policy of the National Bank, which obliges banks and savings banks to allocate funds to the accounts with the central bank. The main functions of the instrument are stabilization of short-term interest rates on the money markets, management of the money supply and the level of credit multiplication and reduction of the structural excess of liquidity. The banks' reserve requirement base is calculated as the average of the liabilities for each day of the calendar month preceding the fulfillment period. The reserve requirement base of savings banks for three consecutive fulfillment periods is calculated as the average of the liabilities for each day of the last calendar month in the quarter preceding the first of the three fulfillment periods. The mandatory reserve in denars of the banks is calculated as the sum of the amount determined from the liabilities in domestic currency, the amount determined from the liabilities in domestic currency with a currency clause and 25% of the amount determined from the liabilities in foreign currency.
- ✓ The main function of the instrument is the management of excess liquidity at individual banks and/or in the banking system in the short term, whereby banks can place funds in available deposits at the National Bank on their own initiative. Available deposits are with overnight and seven-day maturities. **The interest rate** on overnight deposits represents the lower limit of short-term interest rates on the money market and is 0.90%. Banks can place funds in overnight deposits with the National Bank every working day. The interest rate on deposits available for seven days is

0.95%, and banks can place funds with the National Bank once a week, on Wednesdays.

- ✓ The main function of **available overnight credit** is to overcome liquidity problems at individual banks, which contributes to the stabilization of liquidity in money markets and fluctuations in short-term interest rates. The loan is approved with a maturity date overnight. The interest rate on the available overnight credit represents an upper limit of short-term interest rates on the money market and is determined by adding 0.50 p.p. above the interest rate realized at the auction of treasury bills. The credit is available to the banks every working day and is approved at their request, in the form of a repo transaction. The available overnight credit is approved in accordance with the General Repo Agreement, and securities are used as security in accordance with the List of securities for conducting monetary operations.
- ✓ The main function of the **intraday credit** is to overcome the liquidity imbalances at the banks that occur as a result of larger outflows in relation to inflows during the day. In this way, this instrument enables the smooth realization of payment transactions during the day and improves the liquidity management of banks. The National Bank does not charge interest on intraday credit. The credit is available to the banks every working day and is approved at their request, in the form of a repo transaction, with the possibility of converting the intraday credit into an available overnight credit at the end of the day. Intraday credit is approved in accordance with the General Repo Agreement, and securities are used as security in accordance with the List of securities for conducting monetary operations.

## CONCLUSIONS

The euro is the main unit of currency used by most countries in the European Union. As of 2022, a total of 19 full members of the European Union have designated the euro as their primary currency, and seven additional members are in the process of completing the prerequisites so they can do the same.

Banknotes and coins are legal tender in the overseas departments, territories and islands which are either part of, or associated with, euro area countries. These countries form the euro area. The micro-states of Andorra, Monaco, San Marino and Vatican City also use the euro, on the basis of a formal arrangement with the European

Community. Montenegro and Kosovo likewise use the euro, but without a formal arrangement. Cash payments are now made in the same currency by 340 million people — euro banknotes and coins have become a tangible symbol of European integration.

The formation of the European Union (EU) paved the way for a unified, multi-country financial system under a single currency—the euro. While most EU member nations agreed to adopt the euro, a few, such as Denmark and Sweden (among others), have decided to stick with their own legacy currencies. EU countries that do not use the euro as their currency are: the countries are Bulgaria, Croatia, Czech Republic, Denmark, Hungary, Poland, Romania, and Sweden.

The European Union has given Croatia the green light to begin using the euro from next year. The country will join 19 other EU member states that use the currency. It will adopt the currency from 1 January 2023, making Croatia the latest nation to join the eurozone since Lithuania in 2015.

Financial markets are vulnerable to changes in growth and inflation expectations, as well as to changes in the outlook for monetary policy. Tightened financial conditions have already resulted in a significant market correction amid rising correlations between assets, particularly between equities and bonds, two segments where investors have suffered the biggest losses. Some market segments are still pricing in rapidly falling inflation and a slight slowdown in growth, an assessment that may turn out to be too benign. In addition, investors do not expect the slowdown in growth to significantly challenge the solvency or profitability of corporate companies.

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**Shina XHENIS, MSc**

Teaching Assistant,  
Univerzity of Tirana –  
Faculty of Social Sciences

## **AGREEMENT TO ARBITRATE FINANCIAL DISPUTES BETWEEN COMPANIES**

### **ABSTRACT**

An arbitration agreement is an agreement of the parties to submit to arbitration all or certain disputes that have arisen or which may arise between them in relation to a defined legal relationship, whether it is agreed or not. The arbitration agreement may be in the form of an arbitration clause in a contract or in the form of a separate agreement. The arbitration agreement is in writing. The contract is in writing if it is contained in a document signed by the parties or in the exchange of letters, telex, telegrams or other telecommunications means providing a record of the contract, or in the exchange of statements of claim and defense in which the existence of a contract is claimed by one party, and another does not deny it. The reference in the contract to a document containing an arbitration clause is an arbitration agreement provided that the contract is in writing and the reference makes that clause part of the contract.

Keywords: Disputes, letters, telegrams, document, clause, reference, legal relationship.

### **INTRODUCTION**

Arbitration agreements are usually signed at the beginning of a business relationship – long before there’s a disagreement. They are often just a few sentences long, and are commonly found near the end of a larger contract under a heading such as “Arbitration” or “Dispute Resolution.” An arbitration clause typically say that all disputes arising under the larger contract will be submitted to binding arbitration. Sometimes a contract say that only certain disputes will be arbitrated. The agreement may also say how the arbitration will be conducted. It may specify certain arbitration rules. The agreement may also specify how the arbitrator will be chosen. The parties to

a dispute may also agree to arbitration after a conflict has arisen, or even after a lawsuit has been filed. (Haskins, 2022)

An arbitration agreement is a legally binding agreement that offers an alternative settlement of disputes between two or more parties. Arbitration agreements provide an alternative to civil litigation. The parties sign an arbitration agreement and enter into a process known as arbitration if a dispute arises: (Arbitration Agreements, 2021)

- Arbitration is a form of alternative dispute resolution that is usually more cost-effective than going through the court system. It strengthens an agreement between two parties to a dispute using an arbitration agreement and usually limits the disclosure that can create huge litigation accounts in the courts. Normally, the two parties agree to use arbitration to resolve disputes before establishing a formal relationship.
- Instead of using a trial judge, arbitration uses a neutral third party to analyze the facts and circumstances of the case. This neutral third party is called an arbitrator and follows a specific code of ethics.

The arbitration agreement is often referred to as the 'foundation stone' of arbitration as it is, generally speaking, a method of dispute resolution based on mutual party consent to arbitrate future or current disputes. An arbitration agreement encompasses an agreement by two or more parties to submit to arbitration either: (Arbitration agreements, 2022)

- 'future' disputes that may arise where the agreement is set out in the substantive agreement between the parties, ie in an arbitration clause, or
- 'current' disputes where the agreement to arbitrate is set out in a stand-alone agreement entered into between the parties after the dispute.

Definition and form of arbitration agreement: (Article 10, 2021)

- An arbitration agreement is an agreement of the parties to submit to arbitration all or certain disputes that have arisen or may arise between them in relation to a defined legal relationship, whether agreed or not. The arbitration agreement must be in writing and may be in the form of an arbitration clause in the agreement or in the form of a separate agreement.
- Any standard term or condition of membership or license or other connection which requires the parties to arbitrate disputes shall be deemed to be a binding arbitration agreement under these Regulations.



- The arbitration agreement shall be deemed to be in writing if the arbitration clause or the terms of the arbitration or any arbitration rules set forth in the Arbitration Agreement are in writing, even if the arbitration agreement or special arbitration agreement is concluded orally, by conduct or other means not in writing. form.
- Furthermore, an arbitration agreement is in writing if it is contained in an exchange of documents in, or in preparation for, a court or arbitration proceeding in which the existence of an agreement is asserted by one party and not denied by the other.
- The reference in the contract to a text containing an arbitration clause constitutes a conditional arbitration agreement:
  - ✓ reference to make that clause part of the contract and
  - ✓ the text actually existed when the contract containing a reference to it was entered.
- The written terms and conditions of arbitration, together with any written terms which they include by reference or contain those terms and conditions, or which those terms and conditions include by reference, constitute the arbitration agreement.
- For the purposes of this article:
  - ✓ "Writing" includes any form that provides a tangible record of the contract or is otherwise available as a data message so that it can be used for subsequent reference; and
  - ✓ "Data message" means information generated, sent, received or stored by electronic, optical or similar means, including, but not limited to, electronic data interchange, electronic mail, telegram, telex or telecopy.

What is an arbitration agreement: (Agreement templates, 2020)

- An arbitration agreement is a legal agreement that stipulates that any disputes that may arise through business transactions will be resolved out of court. Basically, both parties agree to drop the lawsuit in case there is a business dispute.
- It should be noted that a business contract clause may be included. The clause may be just a few lines, but will state that both parties agree to resolve out-of-court disputes.

- There are advantages and disadvantages to signing an Arbitration Agreement, so it is important that all parties understand what they agree to with these documents. These agreements are usually concluded before the part of the transaction in order to map the solution if there is a dispute. They can also be drafted once a business relationship has been established, often because the clause was originally rejected.
- Arbitration agreements are used in transactions between business entities, business entities and consumers, and employers and their employees.

The purpose of the arbitration agreement is to make the litigation process faster and more accessible than litigation. Cases are less formally represented than legal proceedings. However, there are pros and cons to signing an arbitration agreement that you should be aware of. Arbitration agreement includes in particular: (Konrad Partners, 2022)

- The ability of an individual to enter into a legally binding agreement to arbitrate;
- The arbitrability of the subject matter;
- The fulfilment of certain form requirements; and
- The requirement to identify the parties, the dispute and the legal relationship that are subject to arbitration.

With an arbitration agreement, both parties agree to arbitrate any dispute in the future, or a current dispute, with purpose do not going to court: (Dispute Resolution, 2022)

- Typically, arbitration agreements are signed at the beginning of a business relationship before there is any disagreement. There is the hope that this will never need to be used, but in case there is some kind of disagreement this will be the way to determine how it will be resolved.
- There is also an option for parties to agree to arbitration once there is a conflict, and even after a lawsuit has been filed, if they wish to do so. This can only happen if both parties agree to this option at the time of the dispute, and there is no guarantee of that happening.
- An arbitration agreement can be between two businesses, a business and an employee, a home owner and a builder of a home, a business and an individual, a business and a labor union, and much more. If two parties are

doing business together, then it is recommended that they both sign an arbitration agreement for their work together.

Advantages of arbitration agreements in commercial transactions generally are: (Advantages of Arbitration Agreements in Commercial Transactions, 2021)

- The arbitrators are usually selected from a finite list of individuals, usually for their special expertise in a particular area.
- Relaxed rules of pleading, discovery, and evidence generally make it easier, less time-consuming, and thus less expensive to present case.
- An arbitration can be scheduled, conducted, and concluded more quickly and conveniently than in court.
- An arbitration can be privately held, without public scrutiny, and transcripts of sworn testimony or other proceedings are not made public except by agreement.
- For defendants, there is usually less chance of a “runaway verdict” because a jury does not decide the case.
- The arbitrator generally is focused on the merits of the case and make a decision based upon a fair view of the totality of the evidence submitted, which means there is less chance of a harsh result based on a technicality or procedural fluke.

When determining whether arbitration should be utilized, it is important to review the pros and cons of arbitrating business-to-business disputes. The best decision about how to resolve a dispute depends on the specific facts and circumstances, and businesses should always consult a lawyer to understand their legal rights and obligations. With those basic concepts in mind, the potential advantages to arbitrating instead of litigating include speed and flexibility, finality, and confidentiality. When the dispute is international in scope, arbitration has the added benefits of enforceability and neutrality: (The Benefits of Arbitration, 2018)

- Speed and Flexibility - Parties to an arbitration can—and should—participate in designing the process. In court, the parties are required to follow procedural rules that apply to every case. Those rules might not be right for all types of disputes and can create the potential for inefficiencies like unnecessary delay. Although most arbitration clauses incorporate a set of rules, those rules are guidelines that can be varied by the parties and thus are flexible. Parties should keep in mind that a case requiring

complex procedures like extensive factual discovery might not be right for arbitration.

- Finality - Arbitration awards are final in that they are legally binding and are not subject to appeal. The winning party does not need to await appeals before the case is truly over. Although the lack of appeals is a benefit in that it speeds up the process, it also means that there is no higher court to correct arbitrators' errors of factfinding or law. A case that involves difficult legal issues, which might benefit from appellate review, might not be right for arbitration.
- Confidentiality - Parties to an arbitration can agree that the process and results are confidential. The dispute and the arbitration award, however, will often become public if one side goes to court to enforce or challenge the award.
- Enforceability & Neutrality (for International Disputes) - Arbitration has additional benefits when the dispute is international in scope. It is often easier to enforce an arbitral award against a foreign party than a court judgment. Arbitration also affords parties from different countries a "neutral" forum to resolve disputes.

An arbitration agreement is a written agreement between the parties to a dispute to appoint a specific arbitrator to settle their disputes arising out of a particular business relationship. She calls for mandatory arbitration before an arbitrator. An arbitration agreement is usually legally binding. Companies often require employees to sign an arbitration agreement that prevents the employee from suing the company in court. Arbitrage contracts are unsafe for employees because they often require the employee to pay thousands of dollars to file a claim with an arbitration association where he / she could pay several hundred dollars, or at some Cons and Employee Cons: (USLegal, Inc, 2021)

The arbitration agreement will not allow a personal termination agreement to be sought in person. If the employer is considered to have done something unethical or illegal, the employee may not want to waive this right.

- Waivers the right to a jury trial. In the event of a dispute, juries are traditionally more to the benefit of the employee or consumer than to large corporations or organizations.
- Disclosure may be less inclusive. With mediation, records may not be as accessible as they would be in a formal court case where documents can be requested or invoked. This can make it harder for you to prove your case.

- An arbitration agreement may be specifically tailored to the business or transaction to protect the company from litigation. Other options include adding clauses to the initial agreement. It is important to use the right language so that the scope of the arbitration is not so wide as to become unenforceable.

An arbitration clause is a clause in a contract that requires the parties to resolve their disputes through an arbitration process. Although such a clause may or may not specify that arbitration occur within a specific jurisdiction, it always binds the parties to a type of resolution outside the courts, and is therefore considered a kind of forum selection clause:

❖ Many commercial contracts now have an arbitration clause built into them. The clause regulates the manner of resolving all possible future disputes. Usually these are standard clauses provided by the institution that the parties have agreed to use to administer the future dispute. Such clauses should contain, as a minimum, details of:

- ✓ the arbitration rules that will govern the proceedings and the institution, if any, that should administer the process;
- ✓ the seat or legal place of arbitration, the number of arbitrators and the language of the arbitration.

❖ A clause missing in one of these aspects may be non-functional or allow the other party to delay the proceedings until the ambiguity has been resolved. For example, if the clause does not state the number of arbitrators and no agreement has been reached on such a matter, this will have to be determined by the institution conducting the arbitration) or, if the parties have not agreed on an institution, the courts of the seat.

## **MATERIAL AND METHODS**

There are three types of arbitration agreements: (Arbitration Agreements & Clauses, 2013)

- Arbitration clause,
- Filing / Arbitration Agreements,
- Arbitration agreement incorporated by reference.

The arbitration clause generally requires that a party seeking to resolve a dispute first try to resolve it through arbitration: (LegalMatc, 2021)

- ❖ An arbitration clause is a contract provision which states when arbitration is necessary for dispute resolution.
  - It is a section of a contract that addresses the parties' rights and options in the event of a legal dispute over the contract. In most arbitration clauses, the parties agree not to sue each other. Instead, they will resolve their disputes through the arbitration process to avoid litigation.
  - An arbitration clause can be either binding or nonbinding. A binding arbitration clause means that the arbitrator's decision on a specific dispute will be final. The courts will enforce that decision, and neither party can appeal or fail to act according to the decision.
  - On the other hand, a non-binding arbitration clause allows the disputing parties to be free to reject the arbitrator's decision. They may then take the dispute to court in order to make a final determination. In general, parties use binding arbitration clauses due to the fact that they are more decisive and require less time.
- ❖ Generally speaking, contract arbitration clauses contain language similar to: "The parties to this contract hereby agree to resolve legal disputes through arbitration methods rather than civil lawsuits". An arbitration clause may be tailored exactly to the disputing parties needs. Arbitration clauses should be as specific as possible. As a baseline, they should contain information such as:
  - Information regarding which parties are affected by the clause;
  - When the clause will go into effect, and when it will terminate, if ever;
  - Whether the clause can be modified in the future; and
  - The consequences of violating the clause.
- ❖ The most common way in which an arbitration clause is violated is if one of the parties seeks to file a lawsuit, disregarding the fact that they agreed to settle disputes through arbitration. By signing a contract which contains an arbitration clause, the parties forfeit their right to file a lawsuit with an arbitration clause. Doing so would constitute a violation.
- ❖ In response to any papers that are served against them, the non violating party may be able to present the arbitration clause to the judge. If the arbitration clause is found to be valid, the judge may order the parties to pursue arbitration according to the instructions contained in the clause. In many cases, the parties agree that their contract rights and benefits will be terminated should they violate the arbitration clause by attempting to sue the other party.

- There are some notable advantages and disadvantages to including an arbitration clause in a contract:
- Arbitrations are generally faster and more efficient than going to court in order to resolve the dispute. This is because the process avoids courtroom procedures and is less technically involved. Additionally, arbitrations can be very flexible. What this means is that the parties can set up their own times in which to settle the dispute, rather than having the court give them specific dates to attend.
- The disputing parties may also choose their own arbitrator. Doing so can help ensure that the arbitrator has more technical knowledge of the specific issue that they are disputing over. This would be in opposition to having a judge provide a ruling when they have no experience in either area.
- The biggest disadvantage of arbitration is that once a ruling or determination has been made, the decision becomes final and binding. Unlike the court ruling, arbitration decisions cannot be appealed. The only way in which an arbitration decision can be appealed or set aside is if a party proves that the arbitrator was biased or unfair when making their decision. As a result, the arbitrator violated some type of public policy.
- In addition, arbitration proceedings do not have an automatic discovery process in which the disputing parties are required to exchange information. Parties must agree to include a discovery requirement in their arbitration clause.

An arbitration clause forms the basis of the consent between parties that certain disputes are to be determined by arbitration:<sup>7</sup>

- ❖ Consent to arbitration by parties may be given in three ways.
  - The first is via direct agreement between the parties.
  - The second is via the legislation of a host State.
  - The third is through a treaty between the host State and the State of other party.

❖ Whichever way the consent is given, it is important that the consent is clearly expressed and binding upon the parties in order for it to be valid. An arbitration clause, regardless of the instrument in which it exists, usually contain the following:

1. An explicit referral of disputes to arbitration;

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<sup>7</sup> Wood, M., Willcocks, A., (2022), Arbitration Clause - Jus Mundi, <https://jusmundi.com/wiki>, p. 1



2. The governing law of the arbitration agreement;
3. The seat of arbitration;
4. The rules governing the arbitration;
5. The number of arbitrators and their method of selection;
6. Arbitrator appointment); and
7. If applicable, institution govern proceedings or confirmation of Ad hoc arbitration.

❖ Clauses's might, provide that only certain disputes are referred to arbitration and other particular disputes might be referred to State courts or other forms of dispute resolution such as expert determination.

The question about whether or not an arbitration clause incorporated “by reference” must be regarded as valid and binding between the parties has been, and still is, central to an animated debate in most European jurisdictions. Traditionally, a distinction has been drawn by jurisprudence between two categories of arbitration agreements incorporated by reference, in respect of which a different approach has been taken by courts, and namely: (Arbitration clause, reference, deeds and submissions, 2022)

1) the main contract makes express reference to an arbitration clause contained in a separate contractual document (so called “relatio perfecta”); or

2) the main contract makes general reference to the separate document as a whole, with no specific mention of the arbitration clause contained therein (so called “relatio imperfecta”).

❖ The disputed agreement may not include an arbitration clause. However, if the contract explicitly and explicitly refers to another document containing an arbitration clause, the arbitration clause shall be deemed to have been incorporated into the main contract by reference, provided that the reference is clearly written (as under the heading "Settlement of disputes and governing law"). ). If the reference is vague or subject to conflicting interpretation, national courts may retain jurisdiction:

- It is common to find this type of arbitration agreement in construction contracts, where the contract may refer to standard terms contained in a standard arbitration agreement.
- It is sufficient to refer to an arbitration agreement, so that in case of a dispute between the client and the contractor, it is resolved through the general working conditions. This means that the parties have agreed to arbitrate all

disputes arising from the obligations set out in the said agreement without the need to refer to the details of such a situation, where reference to it is sufficient.

❖ In many jurisdictions arbitration clauses can be incorporated by reference. For example, although the main commercial terms be set out in one agreement, certain standard terms be incorporated by reference to a second document, and these standard terms may include an arbitral agreement:

- Arbitration is viewed as a special form of dispute resolution which requires parties to clearly evidence that they both consent to the process in writing. This is because by agreeing to arbitration parties are waiving their right to refer the dispute to court.
- Incorporating an arbitration clause by reference to the terms of another document is problematic because it give rise to the possibility that party sign the main document without being fully aware of the arbitration clause that exists in the standard terms being incorporated by reference.

## **RESULTS AND DISCUSSION**

The formation of an arbitration agreement occurs when two parties enter into an agreement in which the agreement states that any dispute that has arisen between the parties should be resolved without going to court with the help of a neutral person, a third party, appointed by both parties. , known as Arbiter, who would act as a judge. The arbitrator so appointed should have been mentioned earlier in the contract they made. They should also indicate who should be chosen by the arbitrator, in terms of the type of dispute that the arbitrator should decide, the place where the arbitration would take place. Furthermore, they should list the other types of proceedings mentioned or to be required during the arbitration agreement: (iPleaders, 2020)

- The parties are usually required to sign an Arbitration Agreement. The decision made by the arbitrator on any issue is binding on both parties, as stated in the agreement. In any case, when one party decides that an agreement must be made before the agreement is concluded, it can be said that the agreement was made to avoid the troubles of the court.
- These agreements are like contingencies, which means that these agreements will enter into force or become enforceable only if a dispute arises and on the basis of the same dispute between two parties mentioned in the agreement. It

also takes place or is enforceable in the light of any dispute that may arise between the parties to the agreement.

Characteristics of the arbitration agreement: (VIA Mediation Centre, 2021)

- In addition to the legal requirements for a written agreement between the parties, existing or future disputes or issues and the intention to refer to arbitration, other attributes that are necessary to be present to consider the arbitration agreement are:
  - ✓ The arbitration agreement must provide that the decision rendered in the arbitral proceedings of the arbitral tribunal shall be binding on the parties to the agreement.
  - ✓ The jurisdiction of the arbitral tribunal to decide on the rights of the parties to the dispute must arise either from the consent of the parties or from an order of the Court or of the statute, the terms of which clearly indicate that the dispute resolution process must be arbitrary.
  - ✓ The agreement must provide that the substantive rights of the parties to the dispute will be determined by the arbitral tribunal.
  - ✓ The arbitral tribunal must determine the rights of the parties in an impartial and judicial manner, with the tribunal having an obligation of equality and justice to each party.
  - ✓ The agreement of the parties to the dispute to refer their issue to the decision of the arbitral tribunal must be enforceable by law.
  - ✓ The agreement must stipulate that the tribunal will decide on a dispute that has already been formulated at the time it is referred to the tribunal.
  - ✓ The agreement should provide that the Tribunal will receive information or evidence from both parties and hear their allegations or at least give the parties an opportunity to present them.
- It is very possible to write an arbitration agreement in a contract by correspondence with the Government. But even then such an agreement through correspondence with the Government should be concluded by a government official who is duly authorized to conclude an agreement on behalf of the Government. An agreement of any person not authorized by the government for such an issue is invalid.

A well-drafted arbitration agreement, taking into account the issues identified may serve to mitigate risks: (Global law firm,2021)

- ❖ Scope of the arbitration agreement - The scope sets out the types of disputes that can be referred to arbitration. A poorly drafted scope is a common source of disputes and may deprive the tribunal of jurisdiction over all or part of the dispute. Critical aspects to consider are:
  - *Language*: Common phrases such as arising “out of”, “under” or “in connection with” all have different meanings, some broader than others;
  - *Carve outs*: Trying to carve out certain types of disputes often results in unforeseen consequences and should be avoided wherever possible; and
  - *Parties*: The right parties need to be party to the arbitration agreement. This can be a problem where the contractual counterparty is a newly incorporated joint venture without assets or a state owned entity. The arbitration agreement should include the party against whom any award will be enforced.
  - *Seat of the arbitration* - The seat of arbitration determines the procedural law of the arbitration. Its importance cannot be overstated: amongst other things, it determines the availability of interim remedies and rights relating to the enforcement of the award. The seat of arbitration may be different to the venue of arbitration (where the arbitration will physically take place), and the governing law of the arbitration agreement.
- ❖ Most parties opt for a ‘neutral’ jurisdiction as the seat but this should not be the only consideration. Arbitral laws differ between countries and have important consequences on the efficiency of the arbitration and enforceability of an award.
  - *Governing law of the arbitration agreement* - The arbitration agreement is a contract in its own right. Consequently, the law governing the arbitration agreement (which determines the validity and scope of the arbitration agreement) can differ from the governing law of the substantive contract. In international contracts, performance may be in one jurisdiction while the parties are located in others; the governing law of the contract may be that of one jurisdiction while the seat of the arbitration may be another jurisdiction still. The absence of an express governing law for the arbitration agreement can lead to lengthy disputes. Despite this,

arbitration agreements often fail to specify the governing law of the arbitration agreement. We strongly recommend doing so.

- *Choice of rules* - One of the most important decisions when drafting an arbitration agreement is whether to adopt the rules of an established arbitral institution, such as the ICC or LCIA, to govern the arbitration procedure. The main benefits of doing so is that the institution, in return for a fee, plays a key role in administering the dispute and their rules offer a well-established and predictable procedure.

❖ If the parties wish to refer their disputes to ad hoc (un-administered) arbitration, they should consider either setting out a bespoke process, adopting existing ad hoc procedural rules (such as the UNCITRAL rules) or incorporating the rules of an institution but making clear that those provisions in which the institution plays an administrative role and receives fees for doing so will not apply. If this is not agreed prior to entry into the transaction between the parties, such options will need to be agreed between the parties. Parties should also consider using an institution as an appointing authority.

- *Language* - The arbitration clause should identify the language of the arbitration, especially where parties are from countries with different first languages. This is an important choice as all submissions and evidence will be presented in the agreed language during the proceedings. Selecting the language that the parties most commonly use in their communications could save significant translation and interpretation costs.
- *Number and appointment of arbitrators* - As a general rule, where disputes are likely to be high value and complex, it is usually advisable to specify that the tribunal will consist of three arbitrators. Whereas if the dispute is likely to be low value and uncomplicated it may be more appropriate and cost effective to provide for a sole arbitrator. In multi-party disputes, where it is unworkable for each party to select an arbitrator, parties should agree on an appointment procedure. For example, parties can agree that appointments will be made by an appointing authority.
- *Specifying arbitrator characteristics* - Arbitration allows parties to agree upon the characteristics and experience that arbitrator.

## CONCLUSIONS

Most contracts contain a dispute resolution clause specifying that any disputes arising under the contract will be handled through arbitration rather than litigation. The parties can specify the forum, procedural rules, and governing law at the time of the contract.

Arbitration can be either “institutional” or “ad hoc.” The terms of the contract will dictate the type of arbitration. If the parties have agreed to have an arbitral institution administer the dispute, it is an institutional arbitration. If the parties have set up their own rules for arbitration, it is an ad hoc arbitration. Ad hoc arbitrations are conducted independently by the parties, who are responsible for deciding on the forum, the number of arbitrators, the procedure that will be followed, and all other aspects of administering the arbitration.

The types of law that are applied in arbitration include international treaties and national laws, both procedural and substantive, as well as the procedural rules of the relevant arbitral institution. Previous arbitral awards carry persuasive authority, but are not binding. Scholarly commentary, or “doctrine,” may also be applied.

Arbitration rules are generally available on the relevant arbitral institution's web site. Individual institutions' rules may also be available in print, either from the institution itself or as part of a larger work discussing the particular institution and its process. The rules of some of the key international arbitral institutions are also available through subscription databases such as WestlawNext and Lexis Advance.

Unlike litigation proceedings, commercial arbitration proceedings are usually confidential. Decisions, awards, and other documents relating to arbitration proceedings are generally not published, and there is no centralized database or publication for researching arbitration proceedings.

Arbitration is viewed as an outstanding type of dispute resolution process. The law necessitates that consent to mediate must be recorded as a hard copy and marked by the parties who have the legitimate ability to discard the contested right. Without such an understanding recorded in the agreement, a party can't refer the matter to arbitration. The Arbitration Law expresses that the arbitral court has the force, on the use of any party or an outsider to permit a third party to intercede or be participated in the arbitration, if it is involved with the intervention understanding.

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**Zlatko IVANOVSKI, MSc**

Generalen direktor "Badel 1862" RSM  
[zlatko.ivanovski@badel1862.com](mailto:zlatko.ivanovski@badel1862.com)

## **FINANCING AND RISKS OF FINANCING COMPANIES FROM THE WINE SECTOR**

### **АБСТРАКТ**

Winemaking has been a part of Western culture for over 8,000 years. From ancient Mesopotamia to modern France, wine has undoubtedly had significant economic and social impacts. Today, wine production takes place worldwide with hotspots on five continents, including Europe, the United States, South Africa, South America and Australia.

The wine sector is composed of viticulture and winemaking. Viticulture is the process of growing grapes, which are then turned into wine through a winemaking process. The winemaking process involves processing grapes through various processes and turning them into wine, to be sold through various channels and methods.

The wineries industry consists of companies engaged in at least one component of the winemaking process. this process includes growing and harvesting grapes, crushing and pressing grapes into unfermented wine and fermenting the wine. The wine sector is an important activity both in primary production and in sectors with high quality added value. The wine sector includes three sectors of the economy: agriculture, production and trade.

The wine sector includes three sectors of the economy: agriculture, production and trade. This allows farmers to vertically integrate and implement value-adding strategies such as on-site processing, community-specific branding, organic production and environmental commitment.

The wine industry is one of the best examples of successful on-site processing as a value-added product. Usually most of the best wines are grown, processed and bottled in the same place. This enables consistent quality control and saves money by reducing costs associated with transporting grapes to other locations for further

processing. While most wines are produced on site, there are also large beverage companies that act solely as distributors of bulk wine and grape juice. They don't actually make their own wine, they sell it to wineries.

**Keywords:** Wine production, process, economy, agriculture, production, transporting.

## INTRODUCTION

Wine sector companies are licensed wine producing companies. Wine production companies should have property, wine production equipment, warehouses, bottling facilities, etc., which are involved in the wine production process. Wine companies don't have to be located in a vineyard or make wine from grapes they grow themselves.

Several types of companies from the wine sector that produce wine are known in the world, namely:

- *Companies that produce wine exclusively from their own vineyards*, these vineyards are fully owned by the company. They can vary in size from small holdings to very large companies, large areas of vineyards and large production. Such companies have full control over their production process, from the vine to the moment the wine is bottled. Therefore they are able to control the quality of all steps and produce the wine they want. They also market the wines themselves and sell them directly to consumers.
- *Grape growers*. Companies that concentrate only on the production of grapes in their vineyard. These vineyards are often very small and cannot afford expensive winemaking equipment. Or they don't want to market and sell their production themselves. Such companies focus on growing the best possible grapes to sell to a winemaker or merchant. They often have contracts, current or long-term.
- *Grower producer*. Some of the companies in the wine sector that grow grapes can produce wine from their own grapes, but are unable or unwilling to ripen and bottle them. So they sell their wine to a merchant who ages it, bottles it, and sells it to consumers.
- *Merchants or sellers of wine*. Originally, merchants or sellers bought wine from winemakers to ripen, bottle, sell wine under their own names. They have no control over viticulture and fermentation. They often have long-term contracts with their suppliers and offer technical support to ensure high-quality production. Some wine merchants are called grower-merchant. They own

vineyards and produce wine from their own grapes. In addition to their high quality production, they also buy grapes or wine from other winegrowers who sell them as lower quality wines.

- *Cooperative wine producers - cooperatives.* Cooperatives are owned by a group of growers. These growers grow their own grapes and then produce and sell their wines under the cooperative's name. They work as a group rather than individually, which allows them to produce wine with better equipment and expertise. Cooperatives also allow producers to have access to better marketing, packaging and sales. Their size can also vary.
- *Virtual winemaker-winery.* Virtual winemakers do not own vineyards or winemaking equipment. So they buy grapes and rent facilities to make their wine.
- *Conglomerates.* Conglomerates are very large wine companies that own the largest wine brands in the world. They cover a whole range of prices and a wide range of wine varieties and customers. They are often carried out from production to distribution.

## **1. BASIC CHARACTERISTICS OF THE SOURCES OF FINANCING COMPANIES FROM THE WINE SECTOR**

Companies from the wine sector, as well as all other business companies, need funds to finance their activities, both for starting operations in the wine sector and for their daily operations. Sources of financing refer to where companies get the money from to finance their business activities. Companies from the wine sector can obtain financial resources from either internal or external sources:<sup>8</sup>

### **1.1. Internal sources of funding**

Internal sources of financial resources of companies from the wine sector refer to internally generated cash inflows through the operation of the company or by bringing in new capital by the owners. Internal sources of finance are not in any way dependent on banks or lenders. Each financing option for companies in the wine sector has its pros

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<sup>8</sup> Internal and external sources of finance - Eduqas - BBC Bitesize, (2022), <https://www.bbc.co.uk/bitesize/guides/revision>.

and cons, taking into account the costs of securing the finance, the implications of taking the funds, the legal implications and much more:<sup>9</sup>

- The advantages of internal sources of financing would be:
  - ✓ Companies operate with their own funds instead of borrowed funds. There is no predominance of a third party lender.
  - ✓ Internal sources of financing are more flexible than external.
  - ✓ Wine company owners face no financial risk.
  - ✓ Since no external funds are brought in, the wine company maintains a good support rate.
  - ✓ The company is no longer dependent on bank loans or lines of credit and remains above a higher credit profile.
- The disadvantages of internal sources of financing would be:
  - ✓ An upstream company cannot grow using its own funds alone because funds may be scarce.
  - ✓ If there is no constant increase in sales, growth stagnates. at the level of funds brought in through internal Internal sources of financing are limited and may not serve the needs of financing long-term projects.

Internal sources of financing of wine sector companies refer to the money coming from the company. There are several internal methods that companies can use:

- ✓ Equity,
- ✓ Retained earnings and
- ✓ The sale of assets.

Owners' equity refers to money invested by the owners of wine sector companies. This often comes from their personal savings. Personal savings is money that is saved by the owners, and is mostly used for small wine production companies. This source of financing is the cheapest because the company does not pay interest.

Owners' equity is the actual equity that remains in the company. Owners take business risk and hence, expect profit. In relation to larger companies from the wine sector, such funds are associated with the share capital.

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<sup>9</sup> Internal Sources of Finance | Top 7 Examples with Explanation, (2022), <https://www.educba.com> › int.

Retained earnings is when a company makes a profit from the wine business and keeps a portion of the profits to reinvest to expand. This source of finance carries no interest charges or requires the payment of dividends.

When the operation of the company from the wine sector is in an upward trend, the owners can withdraw part of the profit for further expansion. Increased retained earnings increase the company's credit profile and can further boost results.

The sale of assets includes the sale of products owned by the company from the wine sector. This source of financing can be used when the company no longer uses the products or money needs to be raised quickly. Assets that can be sold include, for example, machinery, equipment and excess inventory.

Wine sector companies can sell an old asset to partially finance the purchase of a new one. The company may decide to sell those operating assets where repair and maintenance costs are increasing exponentially. The sale of operating assets as a source of financing is applicable to entities prior to the closure of their companies.

## **1.2. External sources of companies**

External sources of financing for companies in the wine sector represent capital provided from outside. External sources of financing for companies from the wine sector are funds that can be long-term and short-term sources of financing.<sup>10</sup>

External sources of financing for companies in the wine sector means getting money from outside the company, from a friend or family member or from a bank in the form of a loan. External sources of financing are very useful for companies because they help secure the necessary investments, primarily for starting work. External sources of financing make it easier for companies in the wine sector, especially smaller ones, to secure the initial funds to start a business - a start-up - or to get more money for expansion. External sources of financing for companies from the wine sector have their advantages and disadvantages:<sup>11</sup>

- The advantages of using external sources of financing for companies in the wine sector would be:
  - ✓ One of the main advantages of external sources of financing is that it improves the growth of the company. One of the primary reasons why

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<sup>10</sup> External Sources of Finance / Capital - eFinanceManagement, (2022), <https://efinancemanagement.com> › Sources of Finance.

<sup>11</sup> External Sources of Finance: Definition & Types - StudySmarter, (2022), <https://www.studysmarter.co.uk> ›

wine sector companies seek outside capital is to support expansion initiatives that would otherwise be impossible for the company to finance on its own. The acquisition of large capital equipment crucial to the growth of the firm is almost impossible to finance from internal sources. In this case, external sources of financing can be quite useful.

- ✓ Another benefit that comes with getting money through external sources is that it allows the company's assets to be maintained. The company's funds do not have to be invested in the business, but those resources could be used for other ventures.
- ✓ Using external sources of financing gives the opportunity to invest the company's own money in another more profitable investment, and to use the money from the bank to cover the needs of the company. Additionally, internal financial resources can be allocated to cash payments to suppliers, which can help improve the company's credit rating.
- The disadvantages of using external sources to finance wine sector companies would be:
  - ✓ As a disadvantage of the financing of companies from the wine sector, the risk to which the company is exposed, especially when it takes a loan, arises. If the company suffers losses, it will be difficult for it to return the money to the bank.
  - ✓ The company pays interest for the taken loans, which can sometimes be quite high.
  - ✓ Losing part of the company's ownership is another disadvantage of external sources of financing. Some types of external financing require a portion of the company in order to provide operating funds. It means giving up parts of the company's ownership.
  - ✓ Ownership participants may not share the same ideas with the company's management, which can lead to conflict in decision-making about the company's future.

External sources of financing for companies in the wine sector refer to money that comes from outside the company. There are several external methods that companies can use:

- ✓ Family and friends,
- ✓ Bank loans and overdrafts,



- ✓ Venture capitalists and business angels,
- ✓ New partners,
- ✓ Issue of shares,
- ✓ Trade credit,
- ✓ Leasing,
- ✓ Purchase rental,
- ✓ Government grants.

Wine companies can get a loan or be given money from family or friends that may not have to be paid back or is paid back with little or no interest.

This is one of the most common types of external sources of financing for companies, especially small companies from the wine sector. Many business owners, especially new ones, turn to their family or friends to get money for their business. The money usually comes in the form of a loan that has to be paid back with little or no interest. Sometimes they may have friends or family members who simply donate money to the new company.

Bank loans for companies in the wine sector are also one of the most common external sources of financing. Many companies choose to take a bank loan to invest in wine production. Banks agree to lend money, and the company has to pay back this money in installments over the following years. A bank loan is money borrowed from a bank by an individual or company. A bank loan is repaid with interest over an agreed period of time, often over several years.

Overdrafts - are funds when a company or small business in the wine sector uses more money than it has in the bank account. This means that the balance is in the red and the company and the firm owe money to the bank. The money a company can get from overdrafts depends on the limit set by the lender, usually a bank. The company cannot receive more money than the limit set by the bank. The limit depends on many factors, such as the company's revenue and the likelihood of recovery. Overdrafts should only be used in extreme circumstances and only when necessary, as they can become very expensive.

Venture capital and business angels - refers to an individual or group that is willing to invest money in a new or growing business in exchange for an agreed share of the profits. The venture capitalist is looking for a return on his investment as well as a contribution to how the company's operations are run from the wine sector. Venture

capitalists usually invest in a start-up company and do a rigorous analysis of the company before investing.

New partners are companies or a person or people who enter the operation of the company from the wine sector as a new business partner. This means that they

A share issue occurs as a source of financing for wine companies when a company sells more of its common stock to raise money. Buying shares gives the buyer part ownership of the wine business and therefore gains certain rights, such as the right to vote on changes to the wine business.

A share issue is a common source of financing for large companies. Not all companies in the wine sector can use this source because it is regulated by many laws. A key feature of the shareholding is the "sharing of ownership rights", and therefore, the current rights of the shareholders are reduced to a certain extent.

To provide money for financing, companies in the wine sector can issue shares in exchange for money. Companies offer parts of their business - known as shares - to other individuals in exchange for money. This money can then be used for further investment and expansion of the company. People who buy these shares are known as shareholders and once they buy the shares they are entitled to a part of the business. Companies benefit from issuing shares because they can secure money without paying interest. Issuing shares means providing funds to finance the company at the cost of giving up part of the company's ownership.

Trade credit is credit that a wine sector company receives from its creditors/suppliers. It allows the company to defer its payments for a certain period. The credit period depends on the credit terms between the company and the suppliers.

This source of financing allows wine sector companies to obtain the necessary materials for grape cultivation and wine production, raw materials and supplies, but to pay for them later. Payment is usually made after companies convert raw materials and supplies into products and sell them and collect from their buyers.

Leasing is a way of renting an asset that the company requires from the higher sector. The company from the wine sector makes monthly payments for the leased asset, the leasing company is responsible for securing and maintaining the leased asset.

Hire purchase is used to purchase an asset, for the needs of the wine company, for example a vehicle for the transport of produced wine. The company pays a deposit and the remaining amount for the asset is paid in monthly installments over a period of time. The company does not own the asset until all payments have been made.

Government grants refer to money given by governments to new entrepreneurs. The purpose of the government grants is to encourage people to open new start-up companies in the wine sector that help solve some of the problems of employment and encourage the development of winemaking in the country.

Government grants are a fixed amount of money awarded by the government. Grants are given to companies from the wine sector under the condition that they meet certain criteria such as providing new jobs. Government grants are usually not repayable.

## **2. BASIC CHARACTERISTICS OF THE RISKS OF FINANCING COMPANIES FROM THE WINE SECTOR**

The globalization of the market and the increased competition between wine producers and the evidence of climate change, have various effects on the wine-growing areas of the world leading to an increase in the frequency and intensity of the risks that wine growers and wine producers have to deal with. Risks in the financing of companies from the wine sector can result in consequences on prices, production costs, revenues and profits, in other words, on the value chain of wine production.<sup>12</sup>

### **2.1. Risks of grape and wine production companies**

The future of any vineyard and winemaking business is uncertain. Some future events and outcomes could be harmful to the profitability of the vineyard or create inconsistencies in income. This is the occurrence of frost and diseases of the vineyard. These phenomena can threaten the very economic survival of the vineyard enterprise. Harmful events and outcomes are called risks and are obstacles to success in vineyard cultivation and grape production. Therefore, to ensure successful vineyard cultivation and grape and wine production, consideration of risks should be part of all management decisions:<sup>13</sup>

- There are four main types of risks for growing vineyards and producing grapes and wine:
  - ✓ **Market risks** include reduced demand for wine grapes, lower grape prices and increased competition from foreign or other domestic producers.

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<sup>12</sup> Risk management in wine industry: A review of the literature, (2016), <https://www.lodigrowers.com › risk-management-for-vine>.

<sup>13</sup> Risk management for vineyard businesses, (2020), <https://www.lodigrowers.com › risk-management-for-vine>.

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- ✓ **Financial risks**, such as limited access to capital, fluctuating interest rates and slow or non-payment by customers.
- ✓ There are ever-growing **government risks**, which too often take the form of ill-conceived, intrusive, disruptive and costly policies and regulations.
- ✓ **Production risks** include resource risks, such as reduced availability of labor, equipment, energy, material inputs, technology and information.

Agricultural activities have additional risks because they depend on biological processes and environmental conditions.

- Risks associated with vineyard cultivation and grape and wine production should be managed by implementing a risk management plan.
  - ✓ The risk management plan should contain headings with the main categories of risk: financial risk, market risk, government risk and production risk. Under each of these headings, the specific types of risks should be listed. In addition to each specific risk, the possible events, their estimated economic consequences and the management strategies to control them should be described.
  - ✓ Preventive strategies for managing market risk may include sales and marketing efforts, pursuing strong winery relationships, building a diverse customer base, participating in regional promotional activities, a diverse selection of varieties, and other measures to differentiate the vineyard in the marketplace. wine.
  - ✓ Well-designed contracts with diverse and reliable grape buyers, a certain amount of equity capital in business assets, controlled debt, cash and credit reserves, and close relationships with lenders are potential elements of financial risk management.
  - ✓ Government risks can be managed through the support of advocacy groups in the business and the engagement and support of certain elected officials.
  - ✓ Manufacturing risk management begins with personnel efforts focused on competence and effectiveness. Pest and disease control strategies follow. Building lasting relationships with trusted suppliers of materials, equipment, labor and machinery is also essential to minimizing production risks. Seeking good technical information, promoting wine grape production research and pursuing further education reduce technical risks.

### 2.2.1. Market risks

Market risk in the wine sector includes the risk of changes in market conditions in which wine sector companies compete. The market risk of wine sector companies is caused by external factors, events and changes. This risk includes, among other things, changes in demand as a result of a weaker economy or other macroeconomic changes, changes in commodity prices and changes in competition or pricing by competitors:<sup>14</sup>

- A slower economy and political changes can create turmoil in the markets in which companies operate and thus affect demand for a company's products.
- Changes in the prices of raw materials can affect the calculations for the formation of the selling price of the wine.
- The competitive situation varies between different geographic markets and within different product segments. Increased competition can affect the operations of wine companies and their earnings.

### 2.2.2. Financial risks

Financial risk for companies in the wine sector can be attributed to several macroeconomic forces, fluctuating market interest rates and the possibility of buyer default. Often, companies in the wine sector need to seek capital from external sources for their continued growth. This funding requirement creates financial risk for the company:<sup>15</sup>

- The danger associated with borrowing money is called default risk. If the borrower is unable to repay the loan (it goes into default), investors suffer from reduced income from loan repayments, interest and principal.
- A specific risk when companies struggle with financial situations. This type of risk refers to capital structure, default exposure and financial transactions. Specific risk reflects investors' uncertainty about collecting returns.
- Operational risk when companies in the wine sector have faulty financial judgment or poor management, ie, they fail in their commitments based on internal factors.

The financial risk of companies in the wine sector occurs when the company has a high dependence on debt as a source of financing. A company using debt in its capital structure becomes subject to rising interest rates and is required to adhere to the terms

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<sup>14</sup> Market and industry risks - Balco Group, (2022), <https://balcogroup.se › marke>.

<sup>15</sup> Verma, E., (2022), Financial Risk and Its Types, <https://www.simplilearn.com ›>

of its various credit agreements. Financial risk represents the company's ability to meet debt service obligations.<sup>16</sup>

Financial risks are unexpected outcomes that a wine sector company faces in terms of managing its finances. Examples of financial risks are delays in the delivery of goods, lack of inventory, lack of information needed to make decisions, inadequate cash flow management, non-payment of loan obligations, changes in the exchange rate or interest rate, customers who do not pay for purchases, ineffective financial management, investments or market transactions with an increased level of vulnerability.<sup>17</sup>

### 2.2.3. Government risks

Government, that is, political risks are risks associated with changes that occur within the country's policies, business laws or investment regulations:<sup>18</sup>

- The increase in political risk has various impacts on the country and the companies operating within its borders. Government risks can cause stock prices to fall, lead to reduced foreign direct investment, slower economic growth and potential social problems.
- A sudden slower economic growth can affect the ability of companies to repay their debts.
- Slower economic growth or a crisis can also cause currency-related issues. The fall in the value of the currency, on the other hand, can lead to slower exports.

The government's role as a regulator is particularly extensive, resulting in legislation relating to the environment, health and safety, employment, trade unions and consumers. The government can adopt measures that can limit business activity (tariffs and trade quotas), redistribute business income (taxation and social assistance policies), make purchases and provide subsidies and other support to companies.<sup>19</sup>

In addition to business factors arising from the market, companies in the wine sector, as well as other companies, are also influenced by political decisions. There are various decisions made by governments that can affect individual businesses, industries and the overall economy. These include imposing taxes, limiting the spending of some funds, enacting regulations, valuing the currency, enacting trade tariffs, enacting labor

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<sup>16</sup> Peterdy, K., (2022), Business Risk - Definition, Business vs. Financial, Tools, <https://corporatefinanceinstitute.com> ›

<sup>17</sup> Major Kinds Of Financial Risk(s) That Companies Face, (2022), <https://startup.info> › major-ki.

<sup>18</sup> Christy, J., (2021), Understanding and Managing Political Risk - The Balance, <https://www.thebalancemoney.com> › understanding-and-.

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laws, setting minimum wages, and environmental regulations. Laws, even if only proposed, can have an impact. Regulations can be set at all levels of government, from state to local.

#### 2.2.4. Production risks

Wine production is a multi-stage process that is realized under certain natural and technical conditions and with certain knowledge, skills and dedicated work. If these conditions are not met, there is a risk of failure of the company from the wine sector. Wine production risks can be related to:<sup>20</sup>

- The selection of suitable grape varieties. Grapes are the basis for wine production. There are thousands of grape varieties in the world. Each of them has its own characteristics. Each grape variety results in a different aroma, color and taste of the wine. Therefore, a successful winemaker needs to understand what wine characteristics can be achieved with a particular grape variety.
- *Conditions for growing grapes.* After choosing the grape variety, the winemaker should consider the growing conditions necessary to express its unique characteristics:
  - ✓ The climate
  - ✓ The location of the vineyard,
  - ✓ Slope of the vineyard
  - ✓ Slope direction,
  - ✓ Soil characteristics,
  - ✓ All work practices that are done throughout the season in the vineyard.
- *Harvest time.* In winemaking, it's all about the right time. Harvest time is a fundamental factor for wine quality. For winemakers, choosing the time of harvest means managing acidity, sweetness, and therefore alcohol levels.
- *Wine Cellar Processing Practices.* Every practice that is done in the cellar determines the quality of the wine. Each wine producer has his own way of managing the processing activities in the cellar. For this reason, each bottle of wine is unique. For successful management of the cellar, it is necessary to carry out the work at the right time and to carry out regular monitoring.

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<sup>20</sup> Hajdu, I., (2017), Key Factors for Successful Wine Production - AGRIVI, <https://www.agrivi.com › blog › key-factors-for-successfu>.



- *Management of wine storage and packaging.* Last but not least is the management of wine packaging and storage. Some winemakers prefer bottling, while others package their wine in bulk. Furthermore, the winemaker may choose to store the wine in barrels or stainless steel tanks. The choice of packaging and preservation of the wine depends on the desired quality of the wine and the personal preferences of the winemaker, as well as on the possibilities. However, the most important thing for successful wine storage is regular monitoring.

## **2.2. RISKS FOR BANKS AND OTHER FINANCIAL INSTITUTIONS**

When granting loans to companies from the wine sector, banks assess the credit risk they can face to repay loans from companies from the wine sector:<sup>21</sup>

- Growers and winemakers often face significant challenges from unpredictable natural physical conditions and market factors. In addition, unprecedented changes in the local and global climate, as well as increasing regulatory and economic pressures, increase the risks.
- In order to avoid risks when granting loans to companies in the wine sector, banks should carry out basic risk assessment activities. Banks should implement the processes of identification, measurement, monitoring and control of the risk that may be faced by the company from the wine sector requesting the loan.
- The decisions that are taken to take the risk should be in full accordance with the business strategy and the goals determined by the bank's management and should be explicit and clearly set.

## **2.3. THE BUSINESS PLAN AS A BASIS FOR SECURING FINANCIAL RESOURCES**

A business plan is a document that defines in detail the goals of the company and the wine sector, how it plans to achieve its goals. The business plan sets out a written description of the company's activities from production to marketing, financial coverage and operational performance:<sup>22</sup>

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<sup>21</sup> Guidance on credit risk and accounting for expected credit losses, (2015), <https://www.bis.org> › bcbs › publ.

<sup>22</sup> Hayes, A., (2022), Business Plan: What It Is, What's Included, and How To Write One, <https://www.investopedia.com> ›

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- The business plan is an important document aimed at the external and internal environment of the company. A business plan is used to attract investment and can help secure credit from banks and other financial institutions.
- The business plan is periodically revised and updated to reflect goals that have been met or changed. Sometimes, a new business plan is created for an established business that has decided to move in a new direction.

A business plan is key to securing funding, outlining financial projections and turning that part of a business idea into reality:<sup>23</sup>

- A business plan is a documented strategy for a company that outlines the goals and plans for achieving them. The business plan shows how the company from the wine sector will perform on the market, financial projections, market research.
- The purpose of a business plan is threefold: it summarizes the company's strategy, secures funding from investors, and helps anticipate future business needs.

The business plan is a very important document for the company from the wine sector and:<sup>24</sup>

- It helps to set priorities - it gives directions, defines the goals, shows how the goals will be achieved and helps to manage the possible difficulties that will appear during the work.
- Provides an opportunity to control the company's performance - the planning process helps to learn the various things that could affect the success of the company's operations.
- It helps to seek finance – if finance is sought for the company's operations, banks and investors need to be shown why they should invest in the company.

## CONCLUSION

Viticulture financing usually depends on the ability to manage a vineyard, plot size, land prices, location, variety, financial status, earnings history of the owner or company, and the financial strength of other entities involved. Financing of wineries and larger wine producers and companies in the wine sector usually focuses on operational activities, equipment, real estate and winery capacity, and coverage of the production cycle and inventories.

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<sup>23</sup> Beltis, A. J., (2022), What is a Business Plan? Definition, Tips, and Templates <https://blog.hubspot.com/w/>.

<sup>24</sup> Develop your business plan, (2021), <https://business.gov.au/deve>.

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Financing vineyards and small wineries can present additional challenges because they are a diverse group that often have a unique perspective on business growth and marketing.

Investors and entrepreneurs who are relatively new to the wine industry need to know and understand what those business risks are, what the financing needs might be and most importantly the time it takes to ensure success throughout the life cycle of a wine business.

Winemaking is a complex business regardless of the size of the company. manufacturing process management involves taking into account many variables such as land, labor, equipment, raw materials, work flow and more. Production management aims to optimize production and find a balance point between the quality and capacity of products as well as the time and resources spent on their production.

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