

STUDY ON THE IMPACT OF THE MARKET SITUATION ON THE ECONOMIC RESULTS OF A COMPANY SPECIALIZED IN THE SALE OF JEWELRY

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Abstract:

The economic performance of any society/company depends on the decisions made in organizing its entire activity (in all aspects, including marketing), as well as its ability to ensure an outward orientation. From a marketing perspective, understanding the multitude of connections, relationships that each company develops, and being aware of the importance of their impact on its activity, have led to an increased interest in studying the external environment. Anticipating the future evolution of external environment components and potential implications for the company's activity are important concerns for marketing activity management. This article presents a study based on the analysis and interpretation of the economic results achieved by a Romanian company during the Covid-19 pandemic. The aspects identified and conclusions drawn from this study highlight the fact that the change in market conditions has been an important element/factor for the company's performance and image.

Keywords: economic trend, marketing research, market reply, jewelry products.

1. Introduction

The emergence of the Covid-19 pandemic has shaken the entire global economic and social activity. The abrupt changes in unexpected directions, generated by the pandemic, have compelled economic entities to either close or reduce their operations and, in certain situations, even change their field of activity. For many companies, negative economic results began to gradually surface. In some sectors, other new issues also arose: a crisis in raw materials, price increases, a shortage of labor, and more. Simultaneously, people's lives have undergone radical changes. For many individuals, professional activities began to take place from

home, in addition to the instauration of travel restrictions. Visits to relatives and friends were greatly reduced (sometimes even eliminated during certain periods), as were participation to social events and vacation celebrations. Some individuals faced health problems, job loss, income reduction, decreased purchasing power, and a decline in living standards. These are just a few of the changes brought about by the pandemic, contributing to the modification of economic conditions.

2. Theoretical background

When considering the approach to elements related to a company's external environment, various concepts such as the external environment, market environment, micro/macroeconomic environment, economic conditions, and market conditions are used in specialized literature. Economic conditions are the result of the interaction of many factors and phenomena on an economy or even just a region, a sector of activity (Korka et al. 2003, Ristea et al. 2018). Regarding the importance of economic conditions, Professor Ionașcu believes that they are the subject of permanent research that requires observation, evaluation, analysis, and short to medium-term forecasting, useful for decision-making (Ionașcu, 2003 p. 163). In terms of scope, economic conditions can be national, international, and even global (Popa et al. 2013).

As a component of economic conditions, market conditions specifically address demand, supply, prices, and competition, analyzed in their continuous dynamic/change over time. Market conditions can be approached/perceived as a reflection of economic conditions and also as "the expression of the different forms that the market takes in its evolution under the influence of different environmental components" (Balaure et al. 2000, p. 110). Additionally, market conditions include a certain relationship between different participants in market activity, in their roles as suppliers and buyers. Thus, depending on the interest of each participant, market conditions can be considered favorable or unfavorable (Florescu et al. 1992, Ionașcu, 2003).

Studying market conditions allows the identification of phenomena, their causes, and their impact (effects) on the company's activity. The main purpose of market conditions studies is considered to be understanding the relationship between market components and anticipating changes that may occur both among these components and among business partners (Burbulea, 2009). In this context, Professor Pop emphasizes that an important and constant concern for any marketing specialist should be the "anticipation of the future evolution of phenomena and processes occurring outside the market" (Pop, 2003, p. 449).

3. Research methodology

Experts consider that several methods can be used for market conditions research, including the method of correlating indicators, the balance method, and the method of conjunctural tests (Ionașcu, 2003, p. 164). In this study, it was used the method of correlating indicators. The database consisted of concomitant indicators related to the volume and structure of sales, market share, number, and structure of customers. Desk research was based on quantitative information in a longitudinal profile (Jupp, 2010; Silverman, 2004). The interpretation of the results obtained from the research led to an understanding of a company's economic performance affected by the market conditions during the Covid-19 pandemic.

4. Findings

Since its establishment in 2003, the analyzed company (specialized in the sale of gold jewelry) has experienced continuous growth. As of December 31, 2022, it owned the largest chain of physical jewelry stores in Romania (64 stores) and 5 online stores. Since 2018, the company has implemented the strategy of internationalizing its activities. In this context, the company opened 3 stores in Bulgaria, 6 in Poland, 4 in Hungary, and one in the Czech Republic. The change in economic conditions at the European level and the concern to eliminate high administrative expenses led the company to abandon its branches in Italy and Germany (starting from October 2022).

The period of the Covid-19 pandemic represented a challenge for the company's activities in new, uncontrollable, and difficult-to-anticipate directions. In our study, we analyzed, on the one hand, the evolution of the company's overall activity, and on the other hand, the evolution of the activity at the level of one of the company's stores located in Constanța.

The results recorded by the analyzed company in the Romanian market are presented in Tables 1 and 2.

Table 1. The evolution of key economic and financial indicators of the company, 2019-2022 (in RON)

Financial Statement Indicators	31/12/2019	31/12/2020	31/12/2021	31/12/2022
Turnover	152.892.975	140.398.214	231.475.470	274.669.844
Gross Profit	111.915.868	74.576.919	118.322.089	130.663.840
Operational Profit	16.895.560	18.978.410	27.066.527	27.162.114
Net Profit	15.859.080	16.815.495	19.760.143	16.057.588

Source: Internal data base

Table 2. Comparative analysis of the evolution of the company's key economic and financial indicators, between 2019-2022 (in % and RON)

Indicators	2020/ 2019	2021/ 2020	2021/ 2019	2022/ 2021	2022/ 2020	2022/ 2019
Turnover	-8.17% -12.494.761	64.87% 91.077.256	51.39% 78.582.495	18.66% 43.194.374	95.63% 134.271.630	79.64% 121.776.869
Gross Profit	-33.36% -37.338.948	58.65% 43.745.170	5.72% 6.406.221	10.4% 12.341.751	75.2% 56.086.921	16.75% 18.747.972
Operational Profit	12.32% 2.082.850	42.61% 8.079.117	60.19% 10.169.967	0.35% 95.587	43.12% 8.183.704	60.76% 10.303.034
Net Profit	6.03% 956.415	17.51% 2.944.648	24.59% 3.901.063	-18.73% -3.702.555	-4.5% -757.907	1.25% 14.471.680

Source: Internal data base

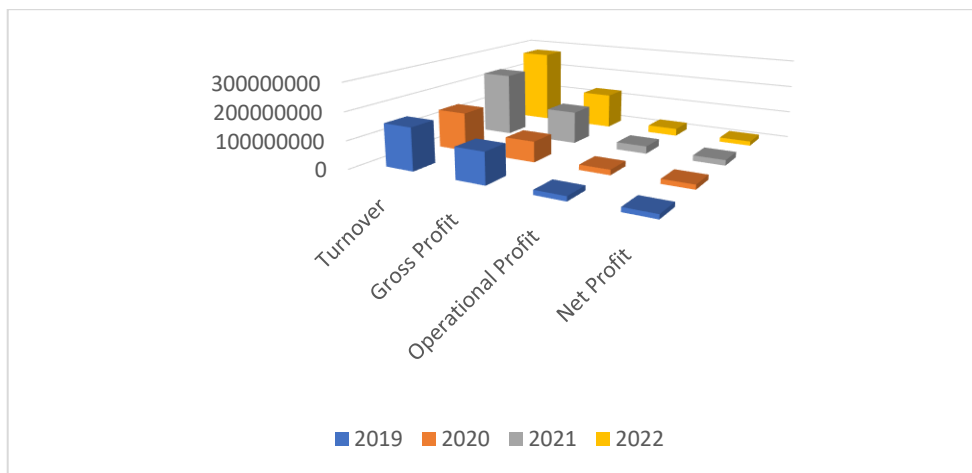


Figure 1. Graphical Representation of the Evolution of Key Economic and Financial Indicators of the Company, 2019-2022 (in RON)

Source: Own processing of internal database

From the presented data, it can be observed that, considering the year 2019 as a reference for activities conducted under normal conditions, the first part of the pandemic period (in 2020), marked by the most restrictive decisions - local lockdowns implemented as a measure to combat the COVID-19 situation, resulted in different changes of the levels of key economic indicators.

On one hand, the values of two indicators decreased: turnover by 8.17% (from 152,892,975 RON in 2019 to 140,398,214 RON in 2020) and gross profit by 33.36% (from 111,915,868 RON in 2019 to 74,576,919 RON in 2020). On the other hand, the values of two other indicators increased: operating profit by 60.19% (from 16,895,560 RON in 2019 to 18,978,410 RON in 2020), and net profit increased by 24.59% (from 15,859,080 RON in 2019 to 16,815,495 RON in 2020).

In 2021, even though the pandemic continued, many restrictive measures were lifted or limited, resulting in a different way of conducting economic activities and freedom of movement for people/customers. The consequences are observable in the company's results, as all analyzed indicators recorded significant increases compared to the levels of 2020, and even those from 2019. Turnover increased by 64.87% in 2021 compared to 2020 and by 51.39% compared to 2019. Gross profit increased by 58.65% in 2021 compared to 2020 and by 5.72% compared to 2019. Operating profit increased by 42.61% in 2021 compared to 2020 and by 60.19% compared to 2019, while net profit increased by 17.51% in 2021 compared to 2020 and by 24.59% compared to 2019.

In March 2022, all restrictions were lifted, signaling the end of the pandemic, implying that social and economic activities were expected to return to a normal framework. However, around the same time, a new change began to shape in the economic and social context, this time driven by the military conflict between Russia and Ukraine. Compared to 2019 (considered a year of normal economic and social activity), all analyzed indicators recorded increases in 2022: 79.64% in turnover, 16.75% in gross profit, 60.76% in operating profit, and 1.25% in net profit.

Analyzing the indicators' evolution in comparison with the level in 2020, three

indicators showed significant increases: turnover by 95.63%, gross profit by 75.2%, and operating profit by 43.12%, while net profit decreased by 4.5%. A similar trend is found in the comparison between the levels recorded in 2022 and those in 2021, but the increases were of a smaller magnitude (18.66% in turnover, 10.4% in gross profit, 0.35% in operating profit), and the decrease in net profit was more significant (18.73%).

Another indicator used in our study is the number of the company's customers. Individuals represent the main category of customers. Since 2016, the company has launched a loyalty program (in the form of a club), through which 115,000 people have become affiliated customers by December 31, 2022.

The company's objectives aim to increase the number of club members, customer loyalty through personalized offers, offering gifts and rewards with complementary products to the purchased jewelry, surprises on anniversaries, invitations to corporate events, and more.

Table 3. The evolution of the company's number of customers, between 2020-2022

		2021	2022	2022/2021
1.	Individual clients	251.043.748	264.639.396	+13.595.648 +5,42%
2.	Other categories of clients	6.079.935	10.030.448	+3.950.513 +64,98%

Source: internal data base

Table 4. The evolution of the customer types' distribution within the company, during the period 2020-2022

Year	New clients	Recurring customers
2019	63,4%	36,6%
2020	73,1%	26,9%
2021	64,2%	35,8%
2022	62,9%	37,1%

Source: internal data base

For a clearer picture of the position held by the analyzed company within the Romanian gold jewelry market, we utilized the market share indicator (calculated as the proportion of the company's sales volume in the total national sales).

The market share was 10.2% in 2018, 12.4% in 2019, 13.1% in 2020, and 15.6% in 2021. The increase in the market share level demonstrates the very favorable position that the company holds.

At the level of the analyzed store, the year 2021 recorded the highest sales volume for gold jewelry at 5,275,044 RON. However, in 2022, there was a notable decrease of 1,293,764 RON, representing a decline of 24.53%.

December consistently represented the month with the highest sales each year. The levels in 2020 (559,980 RON) were close to those in 2022 (514,515 RON), but significantly different compared to December 2021 (731,414 RON), which also represented the highest sales volume during the analyzed period.

**Table 5. The evolution of the total sales value volume of gold jewelry
(in RON and %)**

Month/Year	2020	2021	2021/ 2020	2022	2022/ 2021	2022/ 2020
January		253.130		317.730	64.600 25,52%	
February		391.385		386.795	-4.590 -1,17%	
March		555.150		345.445	-209.705 -37,78%	
April		360.270		341.820	-18450 -5,12%	
May		461.560		303.265	-158295 -34,3%	
June	171.100	599.845	428.745 250,58%	304.845	-569.000 -132,72%	133.745 78,17%
July	335.820	365.070	29.250 8,71%	398.245	33.175 9,08%	62.425 18,59%
August	369.950	571.455	201.505 54,47%	294.435	-277.020 -48,47%	-75.515 -20,41
September	504.680	407.755	-96.925 -19,21%	280.975	-126.780 -31,1%	-223.705 -44,33%
October	233.615	266.490	32.875 14,07%	330.585	64.095 24,05%	96.970 41,51%
November	214.120	311.520	97.400 45,49%	162.625	-145.895 -47,8%	-51.495 -24,05%
December	559.980	731.414	171.434 30,61%	514.515	-216.899 -29,65%	-45.465 8,12%
TOTAL	2.389.265	5.275.044	2.885.779 120,78%	3.981.280	-1.293.764 -24,53%	1.592.015 66,63%

Source: internal data base

During three specific months of 2021, very high-sales volume levels were achieved, namely March (555,150 RON), June (599,845 RON), and August (571,455 RON). The sales value in March 2021 is close to that recorded in December 2020, which was 559,980 RON. Throughout 2022, the sales volume on a monthly basis was below the level recorded in 2021, but with smaller variations (month to month) compared to the situation of 2021.

Table 6. The evolution of the value volume of sales of gold jewelry with and without precious stones (in RON)

Month/Year	2020	2021	2022	2020	2021	2022
	Gold jewelry with precious stones			Gold jewelry without precious stones		
January		183.165	287.975		69.965	29.755
February		270.695	332.080		120.690	54.715
March		429.660	250.125		125.490	95.320
April		271.025	262.530		89.245	79.290
May		336.995	215.265		124.565	88.000
June	121.185	505.875	198.175	49.915	93.970	106.670
July	256.585	248.020	261.960	79.235	117.050	136.285
August	264.385	367.085	157.985	105.565	204.370	136.450
September	391.265	288.670	197.900	113.415	119.085	83.075
October	157.065	185.095	253.075	76.550	81.395	77.510
November	171.180	227.685	109.680	42.940	83.835	52.945
December	440.910	586.235	297.980	119.070	145.179	216.535
TOTAL	1.251.694	1.925.644	678.176	371.986	471.033	520.903

Source: internal data base

The data presented in Table 6 indicates that in 2021, the analyzed store recorded the highest sales volume for both the collection of gold jewelry with gemstones (3,900,205 RON) and the range of gold jewelry without gemstones (1,374,839 RON).

The highest sales for the range of gold jewelry with gemstones were recorded in December of 2020 and 2021, and for the year 2022, in the month of February. For the assortment of gold jewelry without gemstones, this was observed in December 2020 and 2022, while in 2021, the highest sales volume was reached in August.

Comparative analysis of monthly sales volume for each year shows oscillating trends, with no clear repetition of patterns from one year to another.

A particular situation occurred during June and July of 2020, 2021, and 2022, where it can be observed that the sales volume for gold jewelry without gemstones demonstrated continuous growth.

Table.7. Comparative analysis of the evolution of sales for gold jewelry with and without precious stones (in both absolute and percentage value)

Month/Year	2021/2020 Δ Δ%	2022/2021 Δ Δ%	2022/2020 Δ Δ%	2021/2020 Δ Δ%	2022/2021 Δ Δ%	2022/2020 Δ Δ%
	Gold jewelry with precious stones			Gold jewelry without precious stones		
January		104.810 57,22%			-40.210 -57,47%	
February		61.385 22,67%			-65.975 -54,66%	
March		-179.535 -41,79%			-30.170 -24,04%	
April		-8.495 -3,13%			-9.955 -11,15%	
May		-121.730 -36,12%			-36.565 -29,35%	
June	384.690 3,17%	-307.700 -60,82%	76.990 63,53%	44.055 88,26%	12.700 13,51%	56.755 113,7%
July	-8.565 -3,34%	13.970 5,62%	5.375 2,1%	37.815 47,73%	19.235 16,43%	57.050 72%
August	102.700 38,84%	-209.100 -56,96%	-106.400 -40,24%	98.805 93,60%	-67.920 -33,23%	30.885 29,26%
September	-102.595 -26,22%	-90.770 -31,44%	-193.365 -49,42%	5.670 5%	-36.010 -30,24%	-30.340 -26,75%
October	28.030 17,85%	67.980 36,73%	96.010 61,13%	4.845 6,33%	-3.885 -4,77%	960 1,25%
November	56.505 33,01%	-118.005 -51,83%	-61.500 -35,93%	40.895 95,24%	-30.440 -36,31%	10.005 23,3%
December	145.325 32,96%	-288.255 -49,17%	-142.930 -32,42%	26.109 21,93%	71.356 49,15%	97.465 81,85%

Source: internal data base

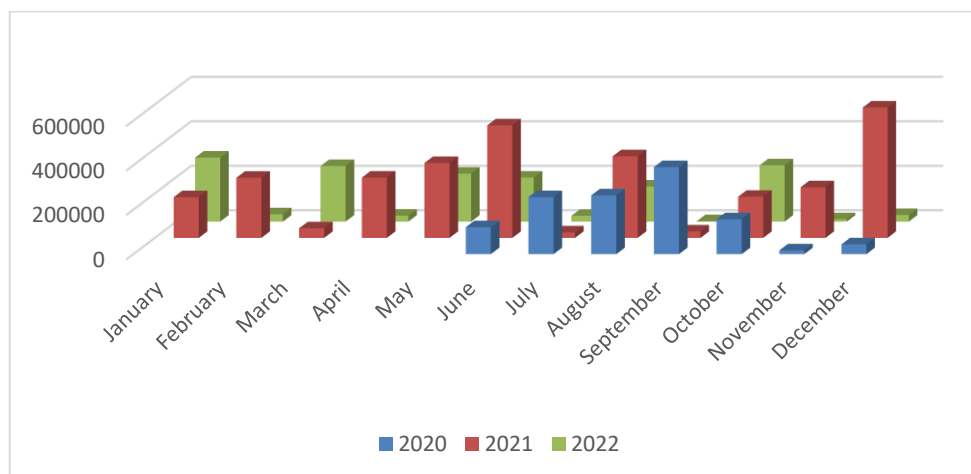


Figure 2. Graphical representation of the evolution of the sales volume of jewelry with precious and semiprecious stones, during the period 2020-2022

Source: Own processing of the internal data base

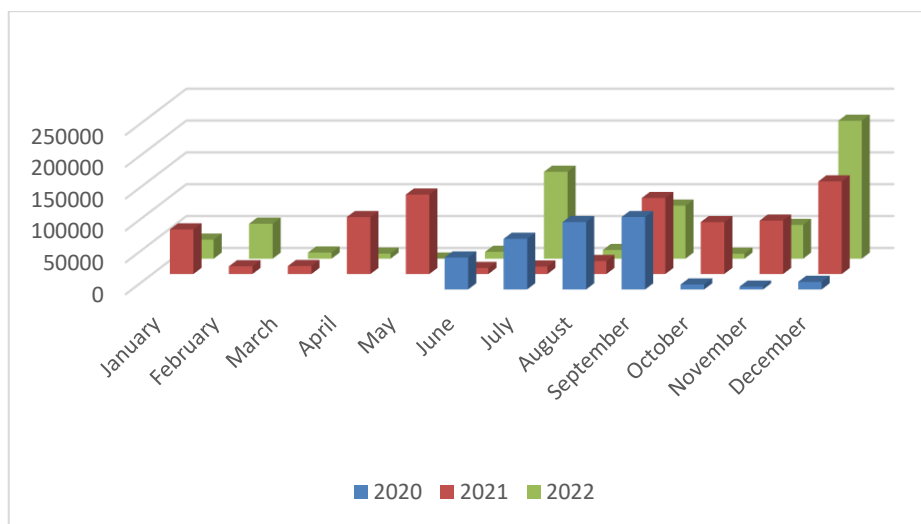


Figure 3. Graphical representation of the evolution of the sales volume of jewelry without precious and semiprecious stones, during the period 2020-2022

Source: internal data base

Conclusions

The global economic landscape underwent significant changes with the outburst of the COVID-19 pandemic, beginning in early 2020. In the Romanian economy, the effects became visible after the first part of March 2020. Our analyzed company, engaged in international marketing, felt the effects of the changing market conditions both in each foreign market it was operating at that very specific moment in and within the domestic market. The multitude of factors and phenomena arising in the new market environment had an impact on the company and its relationships with business partners.

The results obtained from data processing (to which we had access, specifically reflected in the size of certain economic indicators) indicate that the change in market conditions had different impacts. This includes temporal aspects, presented in Tables 5, 6, 7, as well as in terms of the analysis level (macroeconomic, represented by the company's results in the Romanian market - Tables 1, 2, 3, 4, and microeconomic, highlighted by the results recorded at a store located in Constanța - Tables 5, 6, 7).

The lack of access to a larger database prevented a comparative analysis between the results recorded by the other 63 physical stores in Romania. It also hindered the identification of any particularities in different geographic regions. Additionally, a comparison between the trends recorded in the evolution of sales (total and jewelry categories) between physical and online stores was not possible.

The changes brought about by the COVID-19 pandemic drew the company's management's attention to the importance of continuous study of economic conditions and the market. This is crucial for making informed decisions and understanding the consequences on the company's performance and image.

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