

# The Financial Impact Of COVID-19 Pandemic: Evidence to A Supermarket in the Philippines

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**Abstract-** *It is innate to a human being to think of ways to survive each day and, most notably, in times of peril. Due to necessities, people started to innovate and make things easy—the products made uncomplicated through the institution of groceries or supermarkets. According to history, a self-service store was first opened in America, wherein customers were free to roam among the goods and pick out goods they needed or that happened to catch their eye. The multi-department large grocery store in the United States has earned the title of the first supermarket. Supermarkets' rise has been introduced based on expansion from the "developed" world into the less developed world. In the Philippines, there were early established supermarkets, but no data can ascertain which was considered the first. One of the famous supermarkets was established in the 1990s but continuously growing throughout the years. It has labeled its supermarket to cater to the neighborhood sundry stores, known as "sari-sari stores." However, at the onset of 2020, the world has encountered another risk in the form of an unseen enemy. The author would like to seek the impact on the financial aspect of the Retail/Wholesale Industry due to the Coronavirus pandemic, particularly in the supermarkets located in the Philippines. The strong demand was stimulated by the panic-buying caused by the government's declaration of Enhanced Community Quarantine. Though the company's ROA and ROE were not that high, the company still resulted in a positive conclusion. Overall, the retail/wholesale industry was one of the industries affected by the pandemic. However, it was able to withstand the situation and innovate itself to better its customer service to the public.*

**Indexed Terms-** *Maslow, Financial, Necessity, Pandemic, Supermarket*

## I. INTRODUCTION

It is innate to a human being to think of ways to survive each day and, most notably, in times of peril. According to Maslow's hierarchy of needs, air, water, food, shelter, clothing, and reproduction, called physiological needs, are its base. These needs are a biological component of human survival. Hence, humans are required to satisfy physiological needs to pursue a higher level of inner satisfaction.

Through necessities, people have started to innovate and make things easy—the availability of the products made uncomplicated through the institution of groceries or supermarkets. According to history, a self-service store was first opened in America, wherein customers were free to roam among the goods and pick out goods they needed or that happened to catch their eye. As years passed, the grocery store evolved, which then sold thousands of different products in one store with various departments for produce, meats, dairy, baked goods, and other dry goods. The multi-department large grocery store in the United States has earned the title of the first supermarket. Hence, the success of the supermarket concept was due to the inventions of cars and refrigerators. Further, supermarkets' rise has been introduced based on expansion from the "developed" world into the less developed world.

In the Philippines, there were early established supermarkets, but no data ascertain which considered the first. One of the famous supermarkets was established in the 1990s but continuously growing throughout the years. It has labeled its supermarket to cater to the neighborhood sundry stores, known as "sari-sari stores." This type of small business is widespread and can be seen on every alley or even every country street regardless of cities or suburban areas. Thus, this shows how groceries or supermarkets

have played an essential role in people's livelihood and the economy.

However, at the onset of 2020, the world has encountered another risk in the form of an unseen enemy. The Coronavirus or COVID-19 has tremendously impacted the world. Countries worldwide have imposed borderline restrictions through "lockdown" due to the severity of this virus. Therefore, the movements of people all over were restricted. Further, essentials like food and personal care were also limited. The fear of scarcity relative to these essentials has created a panic buying mindset for everyone. As a result, people immediately rushed to the nearby supermarkets, groceries, or convenience stores to acquire all necessities. The supermarkets are considered a critical business at this period. Hence, this event impacted the people and the process of the wholesale and retail industry, particularly in supermarkets.

## II. STATEMENT OF THE PROBLEM

The survival from the COVID-19 pandemic became the utmost priority of everyone and resulted in a domino effect on our economy. The food supply chains have needed to adjust rapidly to demand-side shocks, including panic buying and changes in food purchasing patterns, the plan for any supply-side disruptions due to potential labor shortages, and transportation and supply networks (Hobbs, Jill (2020).

In this article, the author would like to seek the impact on the financial aspect of the Retail/Wholesale Industry due to the Coronavirus pandemic, particularly the supermarkets located in the Philippines, to learn the favorable or unfavorable effect. Further, to answer the questions on how does the supermarket in the Philippines address the issues of high-demand, supply-side disruptions, and business operations? What impact has occurred to the financial aspect of the supermarket or retail / wholesale industry? What is the resolution of the organization to address the effects?

## III. CAUSES OF THE PROBLEM

- COVID-19 Pandemic

It is undeniable the significant change upon the existence of this COVID-19; Though it is not the first time the world has experienced this based on history; its occurrence is unprecedented. In this regard, several challenges have appeared to the business industries, particularly in the supermarkets.

- Physiological Needs

Studies reveal that the expression of basic human needs has increased during the pandemic compared to the pre-pandemic period. Since survival is essential, we consider first food, drink, and other necessary products, which have been an issue from the very start of the pandemic with 'panic buying' and stockpiling reported everywhere, causing supermarkets and stores to run out of supplies.

- Lockdown & Restrictions

Countries worldwide have imposed lockdown to mitigate Coronavirus spread, and specific protocols are needed to observe to pass through. In regard, the transportation of materials from one place to another causes delay. Thus, limited products are available to other supermarkets.

- Workforce

The limitation of available personnel during the pandemic is evident due to protocols and constraints being in effect. Those who have comorbidity and seniors of age are encouraged to stay at home. Although some workers or employees were allowed to work from home, some jobs still required physical presence to address consumers' concerns. The rapid spread of the virus and its danger fear the people to go out.

## IV. COURSES OF ACTION

The retail/wholesale industry revealed that it is one of the resilient sectors in this time of the pandemic. The corporation has already established its name to the public, catering the middle and low-income households. Further, its financial standing is stable; however, the corporation should not be complacent with the current situation.

The impact of the pandemic on the economy is still uncertain as to when it will end. To adjust to the

current situation, the corporation has introduced a shopping ally using a mobile app. Nowadays, most people are internet-connected, and every transaction is online; thus, this action of the corporation is of great convenience to the customers. It also has continuous hiring of employees to cater to the surging demand of customers. In addition, the corporation also ventures into social media to widen its horizon of potential consumers. These actions radiate the aim of going concern concept of the company.

#### V. RECOMMENDATION

The corporation is on its proper path; however, there should be plans for any subsequent fortuitous events, as we all know there were several pandemics that happened before this. Further, the corporation should evaluate the cost of sales and operating expenses and make necessary adjustments to its suppliers to reduce its impact on its net income. Moreover, the public is indeed dreadful about the situation at this moment. Helping with the government, private individuals, and non-government organizations would be the best about corporate social responsibility. This action includes providing help to low-income households and educating small and business owners, particularly those who own "sari-sari stores," in developing their own business. Therefore, creating rapport with loyal customers and could generate added sales.

#### CONCLUSION

Using the vertical analysis to evaluate the performance and condition of one of the supermarkets in the Philippines.

On the financial condition, for the first quarter of 2020, the net sales increased more than 17% compared to the pre-pandemic sales, driven by the increase of new stores. However, the cost of sales grew faster by 18%, bringing 13% in gross profit. Further, operating expenses also increased by 11%, but there was an increase in the net income of 16% on the bright side. According to the company's data, the company's performance was due to the continuous expansion of stores due to sustained strong consumer demand. The strong demand is due to the panic-buying caused by the government's declaration of Enhanced Community Quarantine. It was a great risk for the company to

expand despite the situation but the result was advantageous as the data showed an increase in the overall financial condition.

On the financial position, as of the first quarter of 2020, the total assets contracted by 1% due to a decrease in the current assets - the drop was due to lower accounts receivables and investments trading. As reports showed that the stock market was also affected due to the continuous spike of COVID-19 cases. The inventory and accounts receivable turnover have a favorable impact of a 3% increase and -1.2% decrease, respectively. In addition, the reduction in current assets was partially offset by the increase in non-current assets. The current ratio of the corporation was increased due to the settlement of current liabilities, while the debt ratio remained stable. Meanwhile, the first quarter's return on assets and equity is 1% and 2%, respectively. Though the company's ROA and ROE were not that high, the company still resulted in a positive conclusion.

Overall, the retail/wholesale industry was one of the industries affected by the pandemic. However, it was able to withstand the situation and innovate itself to better its customer service to the public.

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