

ADAPTATION OF ROMANIAN PRODUCERS TO MARKET DEMAND DURING COVID-19 PANDEMIC

OANA DOBRE-BARON *

ABSTRACT: *The coronavirus crisis is a major shock to the European and global economy. Entire sectors of activity were affected, employers, employees, the general population feeling its economic impact. For other industries, however, for whose products consumer demand has exploded since the beginning of the COVID-19 pandemic, adapting to new market conditions has been a challenge. In this article we wanted to highlight the way in which the Romanian producers managed to face these challenges and to adapt their capacities for the development of new products and those regarding the production and distribution on the disinfectants market.*

KEY WORDS: *COVID-19 pandemics, adaptation of producers, market demand, company strategy, product development.*

JEL CLASSIFICATIONS: *D22, E21, L21.*

1. INTRODUCTION

The outbreak of the COVID-19 pandemic has brought profound social and economic changes worldwide. First, in order to slow down the spread of the virus and to protect the health of citizens, the authorities of all states have imposed a series of prevention and control measures, among which very important are the hygienic-sanitary ones. Thus, at the recommendation of the WHO, which officially announced the outbreak of the COVID-19 pandemic in March 2020, the authorities developed guidelines and launched information-education campaigns for all citizens on basic health standards aimed at preventing infections, including wearing a mask protection, rigorous hand washing, use of alcohol-based hand sanitizers and surfaces, etc.

Second, another factor associated with the pandemic crisis has been changing the structure and increasing the level of demand volatility, in the context of changing consumer preferences and needs. This influence has been noticeable since the first

* Assoc. Prof., Ph.D., University of Petroșani, Romania, [oanabaron@upet.ro](mailto: oanabaron@upet.ro)

months of 2020, taking the form of a peak demand for certain medical products at the same time as a strong reorientation of consumers towards other products. The economic impact of the crisis has also varied not only from one industrial sector to another, but also from one enterprise to another. It depended on a number of factors, including in some cases the ability to adapt production capacity to high consumer demand, and in others the ability to adapt to supply chain disruptions, the existence of stocks or dependence on production processes "just in time".

Thus, for example, since the outbreak of the COVID-19 pandemic, there has been an extremely high demand for hand and surface disinfectants, which has led to an unprecedented shortage of such products. In Romania, until then, there were very few disinfectants on the market bearing the trademark of domestic producers and authorized by the competent national authorities, which posed a serious threat to public health. The availability of new hand and surface disinfectants was crucial for controlling the spread of the disease.

In this context, we wanted to identify the reaction of Romanian producers and their ability to adapt to new market requirements, both in terms of new product development and the ability to expand the volume of production.

2. RESPONSE OF ROMANIAN PRODUCERS TO THE NEW MARKET REQUIREMENTS

In Romania, the development of new disinfectant products and their launch on the market can be done only on the basis of Government Decision no. 617/2014 on the establishment of the institutional framework and measures for the implementation of Regulation (EU) no. 528/2012 of the European Parliament and of the Council of 22 May 2012 concerning the making available on the market and use of biocidal products, as subsequently amended and supplemented. Based on this decision, all products must be approved by the Biocides Commission of the Ministry of Health and then registered in the National Register of Biocidal Products. In January 2020, this register contained eight disinfectants from domestic producers complying with the WHO-recommended formulation 2 containing propan-2-ol as active substance, which was approved for use in biocidal products of product type 1 (human hygiene), defined in Annex V to Regulation (EU) no. 528/2012.

Health safety and prevention measures against COVID-19 have led to an increase in demand in Romania for medical products and especially disinfectants from public institutions, companies and the population.

Below we will present the example of two Romanian companies that understood the needs of consumers and thanks to the business models aimed at research and development of new products managed to bring into Romanian market but also to export new disinfectants that complied with applicable laws.

2.1. Products of the Farmec company

Farmec S.A. Cluj-Napoca is the largest cosmetics manufacturer with 100% Romanian capital, and its history of over 130 years makes it remain an emblematic brand

for Romania. The company has developed over time a multibrand portfolio containing efficient products, designed in high-performance laboratories. This portfolio includes: skin, body and hair care products; makeup products; oral hygiene products; sunscreen products; professional cosmetics; products for men; home care solutions. The most popular ranges are Gerovital H3 Evolution, Gerovital Plant, Gerovital Expert Treatment, Aslavital, Doina, Farmec, Triumf and Nufăr.

In 2020, the network of branded stores owned by Farmec included 8 Farmec stores, 20 Gerovital stores and 2 Gerovital stores opened through the franchise system, thus covering strategic points in all regions of the country, and the Farmec online store for consumers who prefer online shopping and- has proven useful since the beginning of the COVID-19 pandemic.

Annually, Farmec launches and modernizes approximately 100 products, with a total production capacity of 27 million units. This extensive production capacity, with modern and flexible technological lines, as well as the national distribution fleet, contributes to the success of cosmetics manufactured in Romania, being appreciated both in the country and abroad. The company has international GMP certification and markets the products in its portfolio in approximately 30 countries.

Over time, in order to achieve its performance objectives and maintain a higher quality standard, Farmec has developed collaborative relationships with specialized institutions, universities and national and international laboratories for research, market research, but also for testing and obtaining international accreditations.

In response to the social context caused by the COVID-19 pandemic and the new needs of the market, between March and April 2020, Farmec prioritized the production of antibacterial soaps, cleaning products, hand sanitizers and developed as a matter of urgency. a new category of products - biocides. In less than 2 months, were launched on the market Farmec hand sanitizers with a concentration of 70% isopropyl alcohol, as well as hand and surface disinfectants from the Dermofarm range, based on 80% ethyl alcohol, specially created for medical and professional use.

Research and development of new hand and surface disinfectants in such a short time has been possible due to the ongoing dialogue with the authorities for all approvals, but especially the approval of the Biocides Commission of the Ministry of Health and also due to the stable relationship with suppliers of raw materials and packaging, respectively, for deliveries and support for the production of biocides as a matter of urgency.

The distribution of these new sanitizing products was prioritized, the company initially responding to the demands for collective consumption, respectively those coming from public institutions, which fight in the first line against the spread of COVID-19 virus, and then, depending on stocks, the products will be distributed to sales channels for final consumers.

It should also be remembered that the company's rapid response to the new market demands was due to its permanent business strategy aimed at maintaining the status of national leader on the Romanian cosmetics market. The strategy involves a proactive and creative attitude of developing its brands and researching new products based on a solid investment plan. It covers both production and distribution, depending on the demands and needs identified in the market.

To produce biocides for personal and medical use, Farmec has made investments of 500,000 euros, most of which has been allocated to research, testing and approval of products. The investments were based on the financial resources foreseen by the company in its permanent plan for innovation, research, and development of new products.

In just a few months since the launch of these new products, the company has registered a volume of 2 million disinfectants sold. Of the total volume distributed, 40% was intended for collective consumption (hospitals, schools, town halls, polling stations, police), and 60% was intended for the final consumer. The products were distributed through all distribution channels: own stores, traditional trade, e-commerce, but also in large retail chains.

Table 1. The evolution of the key indicators of the Farmec company in the period 2017-2020

Indicator \ Year	2017	2018	2019	2020
Net turnover (RON)	214.221.741	236.537.648	262.422.160	287.935.337
Total expenses (RON)	214.826.354	237.509.376	256.451.863	275.345.075
Net profit (RON)	10.533.512	9.218.844	14.236.561	23.784.567
Number of employees	714	730	720	739

Source: <https://www.confidas.ro/profil/199150/farmec-sa>

Thus, in a year marked by a pandemic, which affected all industries and businesses globally, the turnover of 287.9 million lei (59.5 million euros) registered by Farmec in 2020 was 9.7% higher than in 2019 (Table 1).

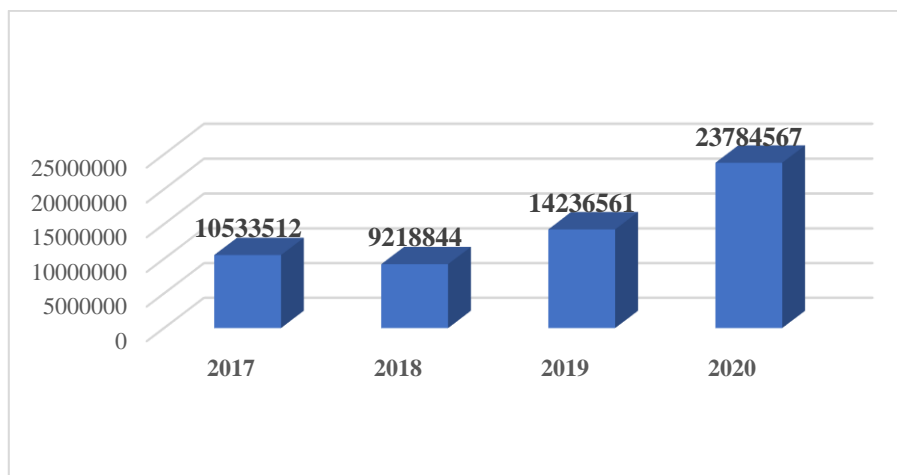


Figure 1. The evolution of Farmec's net profit in the period 2017-2020 (RON)

The dynamics are of course due to the company's strategies from the previous year, which aimed to adapt the entire business, from communication and marketing to

research and production - culminating in the production of disinfectants - to meet the needs identified in the market. However, the increase is also due to the results of the e-commerce segment, which recorded an 82% increase in sales, compared to 2019, the general traffic on the company's website increasing by about 45%. In addition, in Key Accounts, Farmec obtained a sales advance of 9.8%, given that the traditional trade registered a decrease in sales, being the distribution channel most affected by the pandemic. This justifies the value of the net profit registered in 2020 of 23.7 million lei, 67% higher than in 2019.

The proven trust of consumers in the quality, integrity and effectiveness of Farmec's products has allowed it to enter a new business segment, that of biocidal disinfectants, thus responding to new market demands in the context of the pandemic.

2.2. Hygienium disinfectant products

Grande Gloria Production is a developed multifunctional group of companies, which was born in 1993. The group brings together 7 food and non-food factories and is a major supplier under its own brand and Private Label, exporting to 53 countries, out of 4 continent. The group also has international subsidiaries in Germany and Turkey, with more than 700 employees. The brands in the non-food portfolio of the group of companies are: Hygienium, Expertto, Senzate, Cottonino, Aleda, Verdessi, Piccolino and Happy Cobby.

The group has its own laboratories and, together with the development and design department, constantly creates new products for cosmetic and household use, meant to meet the business partners, and especially the final consumers.

If by February 2020 the products of the group with the highest sales volume were wet wipes, liquid soap and paper products, the pandemic brought to the fore the Hygienium disinfectant range which, although present in its portfolio for over eight years, does not generate sales at the same level as wet wipes.

However, Hygienium is one of the premium brands with high market visibility, with a continuously rising market share over the years. It was born in 2013, from the group's desire to provide diversity and awareness of the need to use such disinfectant and antibacterial products, in the context in which at that time there is no increased attention to them, at least in Romania.

The fact that these products existed and were not designed quickly, with the onset of the pandemic, has given the consumer greater confidence. Under the Hygienium brand, at the beginning of 2020, there were several biocidal products, tested and approved by the Ministry of Health, with multiple applicability, which, in times of pandemic, became essential in the prevention of infection with the new virus. Although the range is wide, the most sought-after products were gel and disinfectant solution, which are sold in volumes ranging from 50 ml to 5 liters.

The challenges the group faced in 2020 came from the area of production management, in the context in which the supply was affected by the lack of raw materials and packaging, and the prices of suppliers were changed. According to the company, the Hygienium brand was the most sought-after disinfection product, both in Romania and in the countries where the company exports. This has led the group to expand its

production capacity and accelerate research and development of new products. By the end of 2020, investments of over 4 million euros were made in the Grande Gloria Production factories and in a logistics center in Bucharest, thus preparing the future launch of no less than 208 new premium products for personal hygiene and home care which are already under works in various stages of design.

Thus, the company's portfolio will have a variety of products and ranges:

- a special range of biocidal products (disinfectants and antibacterials), perfect for hand hygiene, disinfection and cleaning of objects, but also of the surfaces we come in contact with every day;

- a range of antibacterial-cosmetic products;

- a range of products for children - Hygienium Kids;

- a range of delicate products, specially designed for cleaning and moisturizing sensitive areas of the body;

- a special range of products, No Bzzz, to protect against mosquito bites;

- a range of cleaning products for glass objects and surfaces: screens and glasses.

As can be seen from the values presented in Table 2., since its inception, Grande Gloria Production has been in a continuous growth and development. But the year 2020 exceeded all expectations, the Group registering a turnover 80% higher than in 2019, the engine of this growth being of course the range of disinfectants, a highly sought after product in the context of the pandemic. Even though in 2020 the expenses were much higher than in previous years due mainly to the expansion of the range and volume of production of the Hygienium brand, the revenues were not long in coming and led to a net profit 509% higher than the from 2019.

Table 2. The evolution of the key indicators of the Grande Gloria Production company in the period 2014-2020

Indicator / Year	2014	2015	2016	2017	2018	2019	2020
Net turnover (RON)	1.530	2.012.313	10.848.082	36.578.910	81.238.497	80.683.730	147.337.497
Total revenues (RON)	1.530	2.148.523	10.901.139	36.673.982	82.308.553	81.296.355	152.481.606
Total expenses (RON)	188	1.699.010	10.189.733	34.702.857	80.919.316	74.446.758	109.132.674
Net Profit (RON)	1.296	381.791	612.144	1.671.149	1.187.577	6.281.914	38.267.775
Number of employees	-	19	49	113	299	314	363

Source: <https://www.confidas.ro/profil/33844286/grande-gloria-production-sa>

And in terms of the number of employees, given that in other industries employees have lost their jobs, in the case of the Grande Gloria Production group it was 15.6% higher in 2020 than in the previous year, new hires are being made to support the growing volume of disinfectant production.

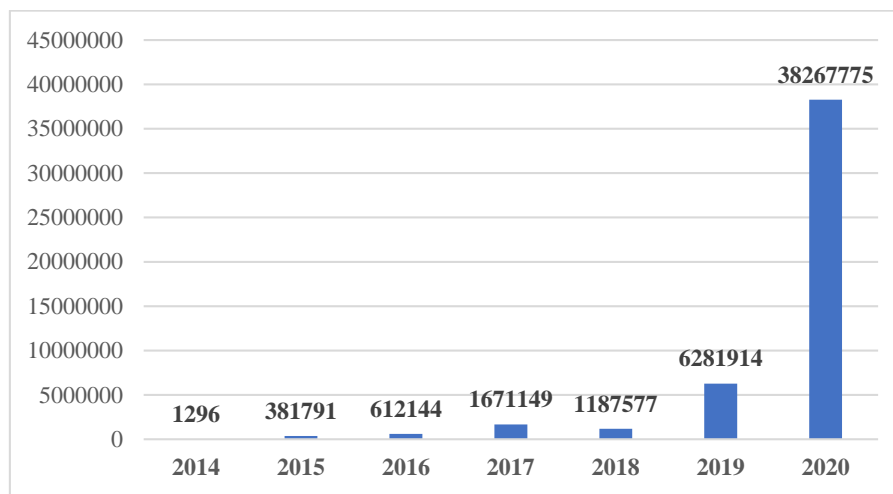


Figure 2. The evolution of the net profit of the Grande Gloria Production group during the period 2014-2020 (RON)

This extraordinary performance was possible due to the development efforts of the Hygienium product range, which managed to become a benchmark in the Romanian disinfectant market in just a few months, reaching almost all national fields of activity but also in over 25 countries worldwide.

Also, this new reality determined the group, together with other companies in the field of health safety to lay the foundations of the employers' association "Protect Romania". This initiative aims to build a business ecosystem capable of providing all the necessary disinfectant products for Romania but also for export, especially since it has been proven that Romania has the economic and human resources capable of developing a specialized industry at European standards.

3. CONCLUSIONS

Only two examples presented in this paper have shown us that Romanian companies, both those with an old tradition and the most recently entered the market, are able to adapt quickly and meet consumer demand. Even if it was an exceptional situation, the companies managed in a short time either to develop new products or to develop the range of the already existing ones, this under conditions of strict regulations regarding the approval by the competent authorities of the marketing of disinfectants.

Farmec S.A. and Grande Gloria Production with the Hygienium range prioritized the production of disinfectants, overcoming obstacles in the supply chain, expanding production capacity and distributing on the market for collective and individual consumption the disinfectant solutions so essential in the fight against the new virus.

We should not overlook the fact that our study also highlighted the gains made by the two companies during 2020 compared to the previous year. Both turnover and net

profit increased above expectations due not only to the high volume of sales but also to the increase in price, possible due to the increased demand for these products.

REFERENCES:

- [1]. **Dobre-Baron, O.** (2019) *Withdrawing Products from the Market - A Major Component of Company Strategy Regarding Customer Service*, Annals of the University of Petroșani, Economics, 19(1), 2019, pp. 79-86, [Online], Available at: https://www.upet.ro/annals/economics/pdf/2019/p1/Dobre%20-%20Baron_1.pdf
- [2]. **Zamfir, M.** (2019) *The Production Program of Economic Entities: Development and Control*, Annals of the University of Petroșani, Economics, 19(1), 2019, pp. 211-218, [Online], Available at: <https://www.upet.ro/annals/economics/pdf/2019/p1/Zamfir.pdf>
- [3]. **National Bank of Romania** (2020) *Raport anual, Caseta 1. Impactul COVID-19 asupra rețelelor de producție la nivel mondial*, [Online], Available at: <https://bnr.ro/DocumentInformation.aspx?idDocument=37496&directLink=1>
- [4]. https://ec.europa.eu/regional_policy/en/newsroom/coronavirus-response/#23, [Accessed 14 January 2021]
- [5]. https://ec.europa.eu/info/live-work-travel-eu/coronavirus-response/jobs-and-economy-during-coronavirus-pandemic_ro, [Accessed 14 January 2021]
- [6]. <https://eur-lex.europa.eu/legal-content/RO/TXT/PDF/?uri=CELEX:32020D2239&from=EN>, [Accessed 14 January 2021]
- [7]. <http://www.ms.ro/2017/01/17/registrul-national-al-produselor-biocide/>, [Accessed 7 December 2020]
- [8]. <https://www.farmec.ro/>, [Accessed 10 December 2020]
- [9]. <https://www.grandegloria.com/ro/>, [Accessed 7 December 2020]
- [10]. <https://www.hygienium.com/>, [Accessed 7 December 2020]
- [11]. <https://www.confidas.ro/>, [Accessed 21 January 2020]