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**IMPACT OF THE PANDEMIC ON ACCELERATING  
THE DIGITALIZATION OF THE WINE INDUSTRY**

The deterioration of the Ukrainian economy has shown a tendency to deepen during 2020. There were several causes and factors that led to the crisis, which in turn caused political, social, and cultural problems. At the local level, there was a decline in industrial

production, adverse weather conditions, increased export substitution, little predictable policy of the National Bank, a long pause in cooperation with major international financial donors, flaws in the legislation, low investment attractiveness of the country.

But the greatest impact on the economies of the world in 2020 had the COVID-19 pandemic. It has led to several lockdowns all over the world, the travel limitations, deteriorating trade relations, restriction of commodity and sales markets, changes in demand structure, and worsening unemployment.

We assume that only the flexible, far-sighted economic policy can minimize the negative impact of crises and help to recover the economy. We strongly believe that even in difficult circumstances we can observe the great number of «windows of opportunity», which always open against the background of global restructuring.

The overall economic well-being of a country is determined by the economic stability in each industry. Therefore, it is extremely relevant to assess the impact of the pandemic on the economic condition of Ukraine, in particular, the winemaking industry, which is strategic for the agro-industrial complex of Ukraine and provides quite significant revenues to the state budget.

Having analyzed the dynamics of grape production volume, we see that grape production volume for the period January-November 2020 decreased by 26.5% as compared to the same period of the previous year. Even key areas for the industry, such as Odessa, Mykolaiv and Kherson, lost significantly in the volume of production (Table 1).

Heavy weather conditions, such as the snowless winter of 2019-2020 and the lack of summer precipitation led to a drought in the south of Ukraine, while in the west of the country the vines were first damaged by a late frost and later the harvest was hindered by prolonged rains. The small quantity and poor quality of raw materials led to a significant decrease in the wine produced. Overall demand for wine declined due to the decreased purchasing power of the population and the limitations of HoReCa activities caused by the COVID-19 pandemic.

Table 1

**Dynamics of production volume of grapes as of 01 December 2020**

<b>Region</b>	<b>January-November 2019, thsd. centner</b>	<b>January-November 2020, thsd. centner</b>	<b>% to 2019</b>
Vinnitsya	36.2	37.2	102.7
Volyn	2.6	2.6	101.0
Dnipropetrovsk	72.6	96.3	132.6
Donetsk	62.7	51.9	82.8
Zhytomyr	0.9	0.7	77.4
Zakarpattia	266.9	266.9	100.0
Zaporizhzhya	76.9	48.6	63.2
Ivano-Frankivsk	8.1	8.2	101.1
Kyiv	28.6	21.3	74.4
Kirovohrad	33.4	32.1	96.0
Luhansk	28.7	26.9	93.6
Lviv	13.9	13.4	96.1
Mykolaiv	306.0	218.2	71.3
Odesa	2416.0	1587.3	65.7
Poltava	27.6	27.3	99.0
Rivne	3.2	3.2	99.0
Sumy	2.2	2.6	115.6
Ternopil	1.6	1.8	110.3
Kharkiv	7.1	6.9	97.4
Kherson	224.2	200.2	89.3
Khmelnyskyi	7.1	6.4	89.6
Cherkasy	19.6	17.0	86.9
Chernivtsi	11.7	11.7	100.2
Chernihiv	3.4	3.1	91.6
<b>Ukraine</b>	<b>3662.3</b>	<b>2691.8</b>	<b>73.5</b>

*Source: [1]*

The difficult economic situation makes the enterprises that strive to stay in the market of wine products and be as successful as possible, quickly adapt to the current conditions, using all possible competitive advantages, among which the tools of digitalization are especially relevant. With the right use of such tools, companies have the

opportunity not only to stay afloat at a crucial time for the economy but also to increase their market share. As Winston Churchill famously said, «Never let a good crisis go to waste». Therefore, it is not surprising that COVID-19 has become the main driver of the digital transformation of society and business.

This forced the historically traditional wine industry, significantly less digitalized than other industries, to rapidly realize the importance of up-to-date technology.

The partial transition of the personnel of wineries to remote operating mode due to quarantine restrictions allowed to ensure the relative health safety of workers and minimize the negative effect of the disruption of the usual mode of work, although not all domestic companies (especially small) were ready for such a transition: you need specialized programs (Bitrix24, Zoom, etc.); availability of office equipment and a stable Internet connection; clear distribution of work tasks and control over their implementation; discipline of the personnel. It is reasonable to implement a sectoral ERP-system that will solve a complex of tasks on accounting, production management, sales management, financial management, human resource management, etc.

Restrictions in the HoReCa sphere and the resulting drop in demand for wine have forced the wine industry enterprises to look for other channels of product sales. Promising is the creation of an online store of the company or prompt updating of the existing one in accordance with the rapidly changing circumstances, which allows selling wines directly to the buyer, regardless of its location, as well as the creation or improvement of logistics offers. Thus, winemaking companies can use the services of delivery services, the most famous of which in Ukraine is Glovo. Despite the fact that the presence of a corporate site and/or online store has long been a mandatory attribute for wineries around the world, in Ukraine, this practice is not yet widespread. But the pandemic accelerates the transition of Ukrainian enterprises to Internet commerce, which makes it possible to compensate for the fall in sales through traditional sales channels.

The massive increase in demand for online alcohol sales was met by rapid investment in e-commerce channels by many wine retailers.

To attract attention to their activities and products, wineries are increasingly using digital communication channels, such as social networks, video blogs. To successfully connect and engage with customers through digital channels, businesses needed to come up with more creative and innovative approaches to content.

The pandemic has also seen a decline in wine tourism. Since visiting vineyards and wine clubs is impossible or very limited, wine tastings in the world have moved to the virtual plane. In Ukraine, virtual tastings are not yet very popular, which may be due both to the relatively small supply of such services due to the lack of flexibility of producers and their lack of understanding of the fact that the world has changed forever and the previous economic model is a thing of the past, and the low awareness of potential customers about this service – culture of wine consumption (especially elite varieties) is little developed, Ukrainians prefer other alcoholic beverages.

Of course, any measures for modernization of the enterprise require additional costs. However, it is obvious that neglecting the need for such modernization will cost much more, up to irreversible destruction of the industry due to the loss of a large number of wineries that could not compete with foreign producers – especially against the background of the additional threat associated with the introduction of zero duties on wine imported from the European Union, from January 1, 2021, as provided by the obligations of Ukraine on zero import duties on several goods during a seven-year period after the ratification of Association Agreement between the European Union and Ukraine.

For the modernization of the enterprise and its transition to the principles of digitalization, we recommend attracting both own and borrowed funds. It is expedient to involve businessmen in the state program of financing of the enterprises «Affordable Loans 5-7-9%» which provides reception of loans through the banks defined by the program under much smaller credit percent in comparison with existing market offers.

Also, we recommend the wine branch management to pay special attention to the ability of the personnel to adapt in conditions of emergency and crisis. For substantiation of an effective strategy of the digital transformation of the enterprises of winemaking branch it is vitally necessary to have highly skilled experts, and in their absence – to involve experts of top-level (in particular crisis managers) on a temporary basis, simultaneously raising the qualification of own personnel.

### **References:**

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