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Conference on Land Economy and Rural Studies Essentials**INTERNET BUSINESS IN THE CONTEXT OF THE  
CORONAVIRUS PANDEMIC**

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**Abstract**

The coronavirus pandemic has affected large, medium and small businesses, which were forced to adapt to a new reality. The epidemic has affected all countries, forcing them to impose restrictions in order to stabilize the situation in the health sector. Rapid digitalization has changed the traditional marketing, and the global crisis has forced governments and companies to support citizens. The article examines Internet tools and online business activities of Russian companies during the COVID-19 pandemic. It analyzes measures aimed to support companies by the governments of European countries, the United States and Russia in the context of the COVID-19 pandemic. The main problems for small and medium-sized businesses are described. Attention is paid to the impact of the coronavirus pandemic on the development of the agricultural industry. It was revealed that most agricultural enterprises were not affected by restrictive measures. The most affected agricultural businesses are manufacturers of high-value, high-cost products, and suppliers of products to restaurants. The measures developed can improve the financial situation of small businesses after the quarantine. These are an increase in the minimum wage, rent freezing, credit holidays for all small and medium-sized businesses, and tax payment deferral. Further development of online trade in farm products requires solving three main tasks: ensuring the veterinary well-being of peasant (farmer) households, creating mechanisms to control the quality of farm products; simplification of farmers' access to credit and leasing resources necessary for the development of production; ensuring stable sales of farm products.

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*Keywords:* Agriculture, coronavirus pandemic, COVID-19, crisis, internet business



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## 1. Introduction

The global economic slowdown caused by the COVID-19 pandemic affects the development of online marketing. Due to the self-isolation or quarantine, remote work, or unemployment, the use of Internet and Internet marketing has increased significantly.

Consumers are interested in all types of online deliveries, on-line training, on-line services (photos, classes with children, tutoring services), on-line trade and on-line entertainment. With the development of information technology, the availability of smartphones and tablet computers, an increase in the percentage of the population using mobile devices and PCs to communicate and search for information on the Internet, manufacturers and distributors began to use Internet marketing technologies to market their products (Dvorak et al., 2020).

If earlier attention was paid to expensive marketing tools such as the development and promotion of an Internet site, market research using the Internet (competitors, goods and consumers), SEO-promotion of online stores, with growing competition on the Internet, manufacturers began to use social media and viral marketing.

The most widespread marketing tools in the Internet space are

- Contextual advertising (Yandex Direct, Google Adwards).
- Targeted advertising (Vkontakte, Instagram, YouTube, etc.).
- Banner advertising.
- SEO optimization (search engine promotion - Yandex, Google).
- SMM (Social Media Marketing - promotion in social networks).
- E-mail - mailing.

## 2. Problem Statement

The COVID-19 pandemic has made significant changes in all areas of the economy, causing stagnation and recession in some of its segments, and growth in others. The areas that suffered from the COVID-19 are as follows: tourism business; hotel business and apartment booking; HoReCa; retail trade of a non-product group; import in different areas; advertising business; education; events; entertainment and sports; B2B areas (Streimikienė & Korneeva, 2020).

The fall in demand allows for the reduction in the cost of active advertising, but stimulates the creation of a resource cushion for a quick start after the crisis. Marketing resources can be used in the long term; these are opportunities to increase the level of return on investment in marketing (ROI) and revise the promotion channels: website renewal; content update (make a substantial stock of publications, videos, posts, infographics for the future); updating product lines depending on the changed preferences of the audience and taking into account weakening competitors and their niches; improving product quality, because after the end of the recession, the usual cost and high quality will be an advantage; focus on trust-building tools, communication and loyalty programs to retain an audience that will to study alternatives and count money.

All sectors began to develop online promotion channels, with an emphasis on SMM and e-mail newsletters. Manufacturers' posts have been also optimized depending on the market situation.

This tactic correlates with data on changes in the activity of Russians on the network during the COVID-19 pandemic. According to Mail.ru Group and ResearchM, self-isolated people began to read news more often (70%) and study online (58%).

Almost every fourth Russian (23%) is interested in online lectures and excursions to museums, every fifth (20%) - in access to educational Internet sites. 21% of respondents started using on-line ordering and delivery of groceries and 35% ordered food from restaurants. 53% confirmed that all the services they need were available during the quarantine period. At the same time, 23% of respondents lacked the opportunity to get an online consultation with a doctor, and 18% would like to order goods from pharmacies. 11% of Russians need alcohol delivery (15% of men and 8% of women). RedTrack.io analyzed changes in the online advertising market amid the coronavirus pandemic. It was revealed that online traffic is growing rapidly with the tightening of isolation requirements. For example, in Italy, it grew by 70%, in France - by 30%. In the United States and Russia, its volume has increased by 20-30% (Koksharov et al., 2020).

The average time spent on social media has increased. For example, Twitter's audience increased by 23%. Facebook reported a double increase in traffic. Average engagement rates and total ad volumes fell. Consumers spend more time on mobile apps but pay less. A significant increase in traffic was due to the interest in education, games, sports and health applications, and communication programs (social networks, dating and communication applications).

The current economy is affected by a number of trends, including globalization, integration foreign economic relations, reduced barriers and borders between markets, digital transformation of production and business, highly intelligent technologies and a change in the structure of world GDP with a predominance of its high-tech manufacturing and services (Crick & Crick, 2020).

To a large extent, these trends are determined by technical progress and a number of threats to human life and health, including environmental problems, terrorism and war, and diseases. The coronavirus pandemic is a serious threat which forced many developed and developing countries to implement quarantine measures, which reduce the economic efficiency, deteriorate investment attractiveness of organizations and regions, and reduce jobs.

### **3. Research Questions**

The economy is cyclical. There are periods of recession and recovery. The crisis lowers the living standards, as it decreases the share of GDP and causes massive bankruptcies and unemployment. Since the crisis is often unexpected, people are not ready for it. They buy goods or services because they are afraid of losing their money. Then they cannot afford much, since they try to save money (Dynkin & Telegina, 2020).

In the context of the global crisis, the government is a more desirable employer. Since it provides employees with a stable income. The downside is growing corruption, as the government influence on the economy increases.

Crises often arise as a consequence of political or global changes. In 2020, such a push was the Covid-19 pandemic. Given the adverse economic impact of the pandemic, government relief measures are aimed at staving off the banking and unemployment crises. Small and medium-sized businesses, which

make up a significant share of the national GDP, are most affected. Governments are using various measures to cushion the economic blow.

Canada and the UK have offered temporary payroll subsidies. The US government issued an economic stimulus package that will provide emergency loans to small and medium-sized enterprises. Companies cannot rely only on external stimulus and assistance; all business owners are trying to find ways to adapt to the new economic environment and the rapidly changing market.

There is a global recession in all sectors; emergency measures are being taken to support the population and stabilize the economy. On March 18, the Council of the European Union allocated € 37 billion to protect the economies from the coronavirus impacts. Of these, € 8 billion were distributed among companies that are suffering large losses. On March 19, the Board of Governors of the European Central Bank decided to launch a € 750 billion securities repurchase program to support the financial stability amid the spread of the coronavirus.

On March 23, the EU Council for Economic Affairs and Finance approved the European Commission's proposal to suspend the Stability and Growth Pact to support the economy. This decision allowed the governments to borrow without restrictions to provide assistance to businesses. In the UK, the Treasury Department also announced measures to support business. In particular, the companies were provided with loan guarantees for \$ 400 billion, which is 15% of the national GDP.

The maximum loan amount has been increased from \$ 1.5 to \$ 6 million, with interests not being paid for the first six months. Small retail, hospitality and tourism businesses are exempt from business taxes during the epidemic. Britons facing financial difficulties have been granted a three-month grace period on their mortgages. The German government adopted a package of assistance to private entrepreneurs and companies, as well as various groups of the population that were affected by the coronavirus. The total amount of government support is more than € 750 billion.

In particular, the € 600 billion fund was created to help large enterprises. Small companies and private entrepreneurs can receive direct subsidies of up to € 15 thousand. On March 23, the Ministry of Economy of Germany launched a special program through the banking group Kreditanstalt für Wiederaufbau (KfW) intended to allocate unlimited loans to small businesses. Landlords are prohibited from terminating contracts with tenants who, due to financial difficulties caused by the coronavirus situation, are not able to pay their rent.

One of the most affected countries is Italy. The Italian Council of Ministers allocated € 35 billion to support families and companies. The government allocated € 3.5 billion to finance the health care system. Payments on loans and mortgage loans to businesses and the population were suspended - they will be covered by government guarantees. The government provides support to the citizens who cannot work due to quarantine. Working parents are offered a special voucher for € 600 to compensate for babysitting services. Parents working in the private sector can take paid leave and receive up to a 50% supplement if the family has a child under 12 years old. All employees with a total income of no more than € 40 thousand per year, who have continued to work under the quarantine, will be able to receive a small bonus - up to € 100 (Sidorova, 2021).

In Spain, the government allocated € 200 billion to fight the coronavirus and its consequences. This amount is about 20% of the national GDP. Of these, € 117 billion are public funds, the rest are

attracted private resources. In particular, € 100 billion will be provided in the form of loan guarantees supported by the government. The Prime Minister called the plan "the largest resource mobilization in the democratic history of the country" (Nikulin, 2021, p. 45).

The Prime Minister of Poland said that the estimated cost of the anti-crisis package is about € 46.2 billion. Part of these resources will be provided to entrepreneurs in the form of loan guarantees, microcredits, and operating leasing for the transport sector. Companies that try to avoid layoffs of employees will receive 40% of the payroll, employees will be granted a social payment deferral.

€ 1.6 billion has been allocated to support the health care system. In France, the government announced the allocation of € 45 billion to help companies incurring large losses, as well as to pay benefits to partially unemployed workers. Small industrial enterprises will receive assistance in the amount of € 1,500. The General Directorate of Civil Aviation will receive € 500 million.

As for the United States, Donald Trump signed a \$ 100 billion bill to provide financial assistance to victims of the coronavirus outbreak. It includes provisions for paid emergency leave for workers, as well as free testing for the virus. The law also obliges companies with fewer than 500 employees to pay for up to two weeks of sick leave if an employee falls ill with the coronavirus. In addition, employees are allowed to take 10 weeks of vacation and receive two-thirds of their salaries. In addition, the law covers the six month unemployment benefits for state budgets.

The US Senate approved a \$ 2 trillion stimulus package for the economy. In particular, it is planned to transfer \$ 500 billion to the fund to support companies, cities and states, of which \$ 25 billion will be granted to airlines and \$ 17 billion - to strategically important enterprises. The government intends to pay \$ 500 billion to Americans with an income of up to \$ 75 thousand per year (\$ 1.2 thousand per adult and \$ 500 per child). \$ 350 billion will be allocated to support small businesses, \$ 250 billion will be allocated for the expanded unemployment insurance, and \$ 46 billion - for the fight against the coronavirus. In addition, the Federal Reserve System will allocate \$ 4 trillion (Petrova et al., 2020).

The Indian government allocated about \$ 2 billion for the development of medical infrastructure, personal protective equipment and equipment to isolate infected citizens. In order to restore the national economy, the Reserve Bank of India allocated more than \$ 13 billion.

In early February, the Chinese government announced a number of measures to support the financial system and protect the national economy. In particular, the People's Bank of China provided additional liquidity in the amount of \$ 170 billion. The NBK has cut interest rates on loans to support companies (Zhang Xin, 2020). The Ministry of Finance allowed local authorities to make additional borrowings of 290 billion yuan (\$ 41.5 billion) in the form of targeted bonds to finance infrastructure projects, which can stimulate the economic growth. The UAE government announced the allocation of \$ 34 billion to support the economy.

Since the crisis is just developing, it is impossible to predict changes. However, for small and medium-sized businesses, there is a positive side, since they are more flexible, can quickly respond to market changes and adapt to new realities, rebuild the structure of their business models, thereby optimizing their costs (Mau, 2020).

Most agricultural enterprises have not been affected by restrictive measures due to the coronavirus pandemic. They are mastering online trade and see the export of products as a growth point.

The greatest difficulties are experienced by manufacturers of expensive products with high production costs, companies from risky farming zones, producers of greenhouse vegetables or livestock breeding companies, since they have to invest a lot to produce competitive products.

The most affected businesses in the agricultural sector are manufacturers of high-cost, high-cost products, suppliers of products to restaurants, which were closed during the pandemic.

Some farmers managed to reorient themselves to online sales.

The development of trade in farm products via the Internet is an important trend in the Russian food market. Thanks to the growing demand for natural products, Russian farmers have a new direct sales channel for their products.

Direct trade and local food supply chains are the most modern global tools for the development of the food market. These are effective mechanisms for supporting and developing farms.

The growing number of farmers' websites is one of the main trends in the online market for natural products.

There are two key business models for online stores of farm products:

Aggregator sites. These are companies that offer marketing services on the Internet. Such companies have a wide range of products, the most customer-friendly terms of delivery, a significant number of suppliers. The online supermarkets use various channels of communication with consumers to promote their products.

Farmers' websites. This is a new format.

The online health food market will continue to grow rapidly. The development potential is far from being exhausted. There are three main vectors of development: stores that combine traditional trade and Internet trade; websites offering a wide range of healthy food products; farmers' websites.

Further development of online trade in farm products requires the solution to three main tasks:

- ensuring the veterinary welfare of peasant (farmer) households, creating mechanisms to control the quality of farm products;
- simplification of access to credit and leasing resources;
- ensuring stable sales of farm products.

In Russia, online trade in farm products has found its most successful formats and directions of development. In the long term, its growth will continue, which is positive for the development of farming, especially in the context of the pandemic.

Since it is impossible to hold various offline events, organizations are directing their resources to digital marketing, which is adapting to changes in demand and other consumer trends. The demand has increased in many specific areas, and organizations can occupy these new niches.

The main problem for small and medium-sized businesses is rent. This issue affects those enterprises that are idle during the quarantine period. As a rule, the rent depends on the profit. In addition to paying for the premises, they should rent equipment.

The second problem is salaries. Many small businesses are not able to cope with this social function. Many banks offer a payment deferral or freeze programs. This means that after the end of the quarantine, the company will have to pay its debt.

The third problem is tax payments, including insurance premiums. The situation is similar to a credit vacation, because there is no certainty that after the crisis the company will not go bankrupt. The following measures could help small businesses to survive:

1. Raising the minimum wage twice on an ongoing basis. It will help quarantined SMEs to pay salaries and support employees.
2. Freezing all rent payments. Another option for freezing is insurance for payment of downtime by the government.
3. Credit holidays.
4. Deferral of tax payments.

Thus, entrepreneurs have a real chance to improve their production and financial performance. By using the "window of opportunity", one can minimize negative consequences of the economic downturn, and develop business.

#### **4. Purpose of the Study**

The purpose of the article is to study the current state and areas of development for the Internet business in the context of the COVID-19 pandemic.

#### **5. Research Methods**

The research methodology includes the systematic approach and a set of research methods (monographic, theoretical, empirical, sociological research, etc.), used to describe the interactions of economic, social and other factors in the development of Internet business.

#### **6. Findings**

The COVID-19 pandemic has caused a catastrophic economic slowdown. The strict quarantines measures decreased the GDP and the levels of production and consumption of goods. Neither large companies, nor the government, nor even small businesses were ready to this situation.

The role of e-business is an acute issue. Will it be able to withstand a sharp increase in demand? Will the structure of the Internet business be able to quickly adapt to the current situation? Will buyers develop a new habit of using the Internet for shopping? It is necessary to determine which economic areas have suffered much. The Government of the Russian Federation approved the list of sectors of the Russian economy that are most affected by the new coronavirus infection:

- air transportation, airport activities, road transportation;
- culture, leisure and entertainment;
- physical culture, recreation activities and sports;
- tourism;
- hotel business;
- catering, etc.

The government will provide assistance to these sectors. Support measures will be aimed at reducing the fiscal burden and delaying loan payments.

The government support will smooth over the sharp corners of the burden on small businesses, but the measures taken will not be sufficient to solve the problems and will not stop the growth rate of unemployment, the bankruptcy and the growth of "unpaid" vacations.

It is necessary to distinguish between the following categories:

- a business that is not present on the Internet;
- a business that is present on the Internet;
- a business that provides only online services

The first category will suffer due to a decrease in offline traffic and inability to sell products or services on the Internet. It is for this category that the government is providing support. The second category will face a major challenge - reorganizing the existing business structure to adapt it to the online sales. In addition, businesses will have to face such a problem as branding on the Internet, since many small and medium-sized enterprises have not been involved in Internet marketing or have insufficiently funded it. In such conditions, it will be difficult for them to compete in the digital environment.

The third category will take the full blow of market demand, as people begin to spend more on their education and entertainment, or order goods online. This may cause a shortage of supply or technical difficulties. There is still no unified and coherent government strategy. Attempts to remove part of the tax and credit burden will not save the first category of business from bankruptcy.

In this situation, measures aimed to transfer part of the business to the online space would be extremely effective. Yandex is already working in this direction. It launched the delivery of goods through the Yandex.Taxi service. This measure can create an effective internal environment for employees working remotely. Ready-made solutions have been developed by many companies, including Yandex. Implementation of such solutions and restructuring of all business processes can take only a few days. In addition, these services are very available, since the subscription fee is not high. These measures will help businesses to survive. Yandex states that since the beginning of self-isolation, delivery requests have increased significantly (Yandex.Lavka and Yandex.Eda).

A business that knows how to adapt can survive in this crisis situation. The coronavirus infection is an impetus that has changed traditional economic relations and accelerated the global digitalization.

## **7. Conclusion**

Online marketing has undergone significant transformations during the COVID-19 pandemic. The advertising budgets of large manufacturers have decreased; as a result, the focus has been shifted to low-cost direct communication channels (social networks, direct e-mail mailing). Modernization and optimization of Internet sites, content improvement and format adaptation to mobile applications have been launched. All manufacturers have moved from off-line to on-line.

Rapid changes in the non-standard conditions caused the intensification of digital transformation of economic relations and greater development of the digital economy. The epidemic became a catalyst that accelerates the processes of digitalization. The coronavirus pandemic is a global challenge for the economy and business structures, which need to transfer a significant part of their business to online platforms. This will also entail an increase in funding for new developments, programs aimed at the implementation of digital projects and the use of new information technologies that improvbusiness



activities in the virtual space. Researchers argue that one of the consequences of the coronavirus is “mistrust in the government” (Mukhina et al., 2020).

According to the analytical forecasts and studies of the level of the Russian economy, the global economy will fall by more than 3% in 2020. The COVID-19 pandemic may turn out to be the worst factor for the development of the Russian economy. For national economies, this is a great chance to change their structure, make public administration processes more transparent and reduce costs.

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