Sales performance during COVID19, an analysis for microenterprises in the state of Querétaro

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ABSTRACT
The current pandemic has had a profound impact on Mexico's economic situation. Production, employment and business expectations have been seriously affected. The business environment has changed, forcing companies to explore new ways to stay relevant and survive the current situation. However, most of the diagnoses of the effects of the pandemic have focused on large companies, in the
top sectors of the economy, leaving out, except for some light reporting, formal and informal microenterprises. This document shows the effects that the current pandemic has had on the sales of microenterprises in three municipalities of the State of Queretaro; for this purpose, a survey of microentrepreneurs in the State was carried out between April 2020 and September 2021 with the objective of finding out what the effect of the pandemic had been on their sales and if they had adopted other strategies to maintain or even increase them. For this purpose, variables such as: profits, gross sales, sales strategy, means used for sales and pricing were considered. The results show a considerable decrease in sales in a high proportion of the surveyed population, as well as in the profits obtained during the period; in addition, there was little response capacity of the microenterprises to adapt to the new sanitary reality.

**Keywords:** sales, microenterprises, sales strategy, profitability.

### 1 INTRODUCTION

According to the Ministry of Economy, micro-enterprises are those businesses that have between 1 and 10 workers and generate annual sales of up to 4 million pesos. The latest Economic Census published by the National Institute of Statistics and Geography INEGI (2019), shows that, of the universe of economic units in Mexico, 95.2% are microenterprises, generate 45.6% of employment, and contribute 15% of the added value of the economy. The National Survey on Productivity and Competitiveness of Micro, Small and Medium Enterprises ENAPROCE (2018) denotes that in the country there were a total of 4 million 169 thousand 677 Micro, Small and Medium Enterprises (MSMEs), classified in the manufacturing, commerce and non-financial private services sectors, of which, a total of 4 million 057 thousand 719 were Microenterprises, with a market share equivalent to 97.3 percent. This indicates the importance of these companies in our economy.

According to the aforementioned census, in the state of Queretaro there were a total of 115,532 establishments with 853,477 people employed in them, 92 percent are microenterprises, of these, 46.1% of the establishments correspond to the Commerce sector, 42.2% to Services, 9.4% to Manufacturing and 2.2% to the rest of the economic activities. Of the total number of establishments, 92.0% are Micro size (0 to 10 people employed); 7.5% are SMEs (11 to 250 people) and only 0.5% are Large (more than 251 people). Another important fact is that 47.1% of the total number of establishments are informal.

On the other hand, according to INEGI's 2019 statistical yearbook, the state of Querétaro has shown accelerated growth. From 2004 to 2018 the average state GDP growth was 4.5% which represents almost double the national average 2.3%.

The municipalities of El Marqués, San Juan del Río and Querétaro concentrate an important part of the state's economic activity. According to the Statistical and Geographic Yearbook of the State of Queretaro (2017), the three municipalities concentrated 66.66% of the entity's GDP, 74% of the state's economic units, 83% of the employed personnel and 82% of the Foreign Direct Investment. The above
shows the importance of these municipalities in the economic activity of the state, but, at the same time, the effect that the current pandemic has had has been concentrated primarily in these three municipalities.

At the international level, the effects of the pandemic at the economic level have been devastating\(^1\), as well as at the national level\(^2\). Specifically, in the case of microenterprises in Latin America, it is estimated that by the end of 2020, 2.7 million companies could close, equivalent to 19% of all firms in the region. In the case of microenterprises, this percentage could reach 21%. In terms of employment, this would generate the destruction of more than 8.5 million jobs: 8.1% of total formal employment in the business sector and more than one fifth of the jobs generated by microenterprises (ECLAC,2020) for the case of Mexico, even before COVID the situation for microenterprises is not very flattering, only 25% of Small and Medium Enterprises (SMEs) manage to subsist the first two years of creation in Mexico, according to information from the Development Center for Business Competitiveness (Centro de Desarrollo para la Competitividad Empresarial). However, as of 2017, around 52% of the Gross Domestic Product (GDP) is generated by that 25% of the SMEs that survived the first years, these represent 94.9% of the total local companies in the country (Schorr, 2021).

In another study, carried out from September to October 2021, almost eight out of 10 companies reported a decrease in sales as the main type of impact. In addition, 51.2% suffered a drop in demand and 22.8% suffered shortages of inputs or products. Despite this panorama, the institute highlighted the birth of 619,443 establishments, which now represent 12.75% of the country's business population. So far in the pandemic, it went from 14.66 to 11.77 million employed people, representing a 19.68% decrease with respect to the employed population in May 2019, despite the difficulties they face, 94.1% of the companies declared not having received any type of official support. The survey found that 23.1% of companies applied temporary closures or technical stoppages, a lower figure than the percentage recorded in the first edition conducted in April, when the proportion was 59.6% (INEGI,2021).

In the case of Querétaro, a report found that 43% of micro, small and medium-sized companies could be affected by the Covid19 health emergency and are in danger of running out of income to pay their employees and closing their curtains for good. This is because their sales and the demand for their services have decreased. The states with the highest percentage of affected companies are Colima (47%), Aguascalientes (46%) and Querétaro (46%), because they have a higher percentage of MSMEs in

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1 According to World Bank data (2021), the global economy suffered its steepest decline since World War II. Global GDP declined by 5.2% in 2020 compared to the previous year. By economic zone, Latin America had an average decline of 9.5%, the Eurozone slowed its growth by 10.2% and the United States had a 7% drop. Job losses are in the tens of millions. Poverty and extreme poverty have increased notably; in Latin America, according to ECLAC (2021) it will increase from 30% of the population to 37.5% and extreme poverty will increase from 11% of the population to 11.5%.

2 According to INEGI (2021) the Mexican economy had a drop of 8.5% in 2020, the worst since statistical records have been kept. The loss of formal jobs was almost 650,000 (out of a million counting informal jobs) and the closure of thousands of companies of all sizes. In the case of Querétaro, in 2019, the drop in GDP in 2019 was almost 1% and for 2020, close to 9%.
industries that, according to Moody's analysis of the North American economy, are seeing their sales and the demand for their services decrease. Among the most affected industries are businesses in areas such as restaurants, transportation, entertainment, hotels, consumer durables and auto parts (COPARMEX, 2020). With concrete figures, according to the Chamber of Small Commerce of Querétaro: "The economic effects of Covid-19 generated the closure of at least 2,100 small businesses in the State. The businesses that could not survive correspond to different types of businesses: miscellaneous, stationery stores, esthetics, restaurants, among other types of businesses". The president of said Chamber affirms that "that is why 7% of our members have closed, but we also have to help them to change their line of business or try to enroll them in a new activity, that is what we are doing, maybe with a new business plan... out of every 10 businesses established in commercial plazas, four closed; while among those located on public roads, out of every 10, two closed.... now we are looking at the whole estimate with the closing of the quarter, (we dare to mention) that more than 200 million pesos have not been sold, not received, and we hope that we can implement strategies to generate more economy, more sales, more business, but in this environment it is not easy because we are still in a difficult environment in which contagions continue, so we must take important measures" (Estrella, 2020).

Finally, according to the National Chamber of Commerce (Ibid) "At least 60% of the 20,000 associates have a level of sales that only allows them to subsist, in addition to the fact that the level of sales recovery is between 30 and 50% on average, of what they had before the pandemic".

Regarding informal commerce, the analyses are even scarcer, even though its importance in the creation of jobs and GDP is indisputable. In the case of Queretaro, the local CANACO recognized 90 thousand business units operating informally, and although they have not updated the data, they do perceive an increase in these businesses. They point out that roadside food, stationery stores and clothing sales are the most likely to operate under an informal scheme, although, he said, this should not be related to something negative, but as a reflection of how complex and costly it is to maintain an active operating license (Gómez, 2021). In other words, the pandemic has forced many previously formal establishments to resort to informality. However, due to health restrictions, the effect on sales and employment affects everyone equally. The same publication mentions the effect on an important informal sector such as the tianguistas, "This segment of the commerce sector is experiencing a drop in sales, particularly the sellers of articles that are not basic necessities, who are experiencing a drop of up to 80% in relation to the sales they had before the spike in contagions". Further on he adds "Sales are down, totally collapsed; added to the second wave and the fear of going out, the economy that we perceive has suffered many changes, people do not bring to compare and besides the rains, a phenomenon that is inevitable and that contributes to the collapse of sales that we are now suffering".

The above shows the importance of analyzing this important sector of the local economy,
therefore, this article aims to analyze the effects that the current pandemic has had on micro-entrepreneurs, both formal and informal, particularly in their sales and to know some strategies followed by them to cope with this situation.

2 METHOD DESCRIPTION

This is a quantitative, exploratory and descriptive study. A survey was applied to a representative sample of microenterprises in the three municipalities, which was determined using the formula for finite populations, with a confidence level of 95%. A likert scale was used for the responses, with five possible answers: totally disagree, partially disagree, indifferent, partially agree, and totally agree, giving a value from 1 to 5, respectively, to the possible answers. To validate the survey, Cronbach's alpha coefficient was calculated with five items and the result obtained was an alpha of 0.76, which indicates a good internal consistency for this scale, with a variance of 0.64. A total of 568 microenterprise surveys were administered to formal and informal business managers in the three municipalities. The distribution of the surveys was as follows: 319 surveys in the municipality of Querétaro, 163 surveys in the municipality of San Juan del Río and 96 surveys in the municipality of El Marqués. The questions focused on five items: Sales, Profit evolution, Employment situation due to change in sales, Financing due to change in sales, Sales strategy and future prospects due to change in sales. In turn, for each of the items, some variables were considered which, when averaged, gave the value of each of the items. The above is shown in Table 1.

<table>
<thead>
<tr>
<th>ITEMS selected</th>
<th>Aspects included in each ITEM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>Sales performance in the period under study.</td>
</tr>
<tr>
<td>Earnings performance during the pandemic</td>
<td>Profit behavior in the period studied.</td>
</tr>
<tr>
<td>Employment status resulting from change in sales</td>
<td>Hiring or dismissal of workers in the period studied.</td>
</tr>
<tr>
<td></td>
<td>Incorporation of family members to the work center.</td>
</tr>
<tr>
<td>Financing for change in sales</td>
<td>Seeking financial support from relatives or acquaintances.</td>
</tr>
<tr>
<td></td>
<td>Seeking support from financial institutions.</td>
</tr>
<tr>
<td></td>
<td>Selling personal assets to raise funds.</td>
</tr>
<tr>
<td></td>
<td>Seeking support from government institutions.</td>
</tr>
<tr>
<td>Sales strategy</td>
<td>Pricing strategy to maintain sales</td>
</tr>
<tr>
<td></td>
<td>Use of electronic media to sell.</td>
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<tr>
<td></td>
<td>Home delivery of the product</td>
</tr>
<tr>
<td>Future outlook related to change in sales</td>
<td>Possibility of closing the business in the short term.</td>
</tr>
<tr>
<td></td>
<td>Possibility of expanding their business</td>
</tr>
<tr>
<td></td>
<td>Perception of the future state of the economy.</td>
</tr>
</tbody>
</table>

Once the data were obtained, they were classified into the six items considered and a general
analysis was made of the results obtained, as follows.

3 RESULTS OBTAINED

Figure 1 shows the results obtained in response to the question "Have your sales decreased? We can see that 36% agree that sales have decreased, 39% partially agree and only 4% disagree.

![Figure 1. Sales behavior](image1)

Figure 2 shows the responses to the question "Have business profits decreased considerably? As can be seen, the responses clearly show that microenterprises have seen their income decrease considerably. Only 17% responded that they partially disagreed or that they have remained the same.

![Figure 2. Earnings behavior](image2)

Figure 3 shows the employment situation in response to the question, Has the number of employees
in your business increased? The distribution is more homogeneous than in previous questions, with 25% maintaining the same number of employees; 36% partially or totally disagree, and 39% totally or partially agree.

Figure 4 shows the results to the question Have family members joined the business substituting employees due to the impossibility of paying salaries? It shows that only 28% still agree and 56% partially or totally agree that they have hired family members to replace workers who had a salary.

Figures 5, 6, 7 and 8 show the financing aspect of the company as a consequence of the change in sales. Figure 5 shows that only 17% partially or totally agree, 17% are indifferent and 66% totally or partially disagree. Figure 6 shows whether microenterprises have resorted to any financial institution to solve any economic problem of the business derived from changes in sales; 65% partially or totally
disagreed and only 11% partially or totally agreed. Figure 7 shows whether the microentrepreneur has resorted to loans with friends and family during the pandemic stage; 39% totally or partially agreed, 17% did not try and 44% mentioned that they partially or totally disagreed. Figure 8 shows that 64% of respondents sold some asset to keep the business afloat and the rest were indifferent or partially or totally disagreed.

Figure 5. Support has been received from any government agency. Figure 6. Financial institutions have been approached.
Figura 7. ¿Se ha recibido apoyo por parte de algún familiar o amigo?

- 30% Totalmente de Acuerdo
- 21% Parcialmente de Acuerdo
- 18% Totalmente en desacuerdo
- 17% Parcialmente en desacuerdo
- 14% Indiferente

Figura 8. ¿Se vendieron Activos para mantener el negocio?

- 39% Totalmente de Acuerdo
- 25% Parcialmente de Acuerdo
- 16% Totalmente en desacuerdo
- 11% Parcialmente en desacuerdo
- 9% Indiferente

Figures 9, 10 and 11 show whether there were any changes during the period studied in strategies to maintain or increase sales. Figure 9 shows that 44% of the respondents mentioned that they had to decrease their prices for goods or services and 2% did not modify them. Figure 10 shows that very few businesses were indifferent to starting to use electronic media and 66% fully or partially agreed to use them to increase sales. Figure 11 shows that almost half, 48%, were indifferent or partially or totally disagreed to incorporate home delivery of their products; more than 50% incorporated this new modality.
<table>
<thead>
<tr>
<th>Figure 9</th>
<th>¿Se ha aplicado una estrategia de precios para mantener las ventas?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Totalmente de Acuerdo</td>
</tr>
<tr>
<td>29%</td>
<td>32%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Figure 10</th>
<th>¿Se ha utilizado algún medio electrónico para incrementar las ventas?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Totalmente de Acuerdo</td>
</tr>
<tr>
<td>54%</td>
<td>18%</td>
</tr>
</tbody>
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<thead>
<tr>
<th>Figure 11</th>
<th>¿Se incorporó la entrega a domicilio?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Totalmente de Acuerdo</td>
</tr>
<tr>
<td>40%</td>
<td>30%</td>
</tr>
</tbody>
</table>
Finally, Figures 12, 13 and 14 show the respondents' perception of their future business decisions as a consequence of the change in their sales and their appreciation of the future of the economy. Figure 12 shows the possibility of short-term closure of the business. Only 29% of the respondents are sure or partially sure that this could happen, almost half totally or partially disagree, and one in five have not considered it. As for the possibility of expanding the business, Figure 13, only 16% partially or totally agree, a quarter have not considered it and almost 60% totally or partially disagree. When asked if the performance of the economy will improve, less than half totally or partially agree, 15% think it will remain the same and almost 40% totally or partially disagree.

Figure 12. Possible closure of the business  
Figure 13. Possibility of expanding the business  
Figure 14. Perception of the economy

![Figure 12](image1.png)  
![Figure 13](image2.png)
4 DISCUSSION

The microenterprises in the region studied exhibit many of the elements that businesses in general have suffered. The study showed that both sales and profits decreased as a consequence of the pandemic, however, a significant percentage responded that things continue in the same way, i.e., pandemic or no pandemic, sales are similar. This also applies to profits. Although a relevant percentage saw their profits decrease, one out of five mentions that the situation is similar and another crucial percentage mentions that they do not agree with the decrease in profits. It is possible to explain this due to the fact that a valuable part of microentrepreneurs, and in particular informal ones, offer inferior goods and in times of crisis where income decreases they see their sales increase or do not decrease in an important way Cortés (2017).

On the employment side, we see that even when many of these companies had to do without employees due to the decrease in income, they had greater flexibility to alleviate the situation, resorting to family members to support them. This is possible because, traditionally, microentrepreneurs who are supported by family members do not remunerate them and can cushion the effects of a decrease in income; additionally, there is greater ease of reincorporating them into their employment because there are no established contracts Tapia (2016). In terms of financing, microentrepreneurs respond that the situation in this aspect did not change due to the pandemic and access to formal financing continues to be practically closed. It is worth highlighting that a relevant percentage mentioned that they resort to financing with friends and family; although it is not stated, financing with suppliers is very important for microentrepreneurs Lecuona (2019). A possible advantage of the above is that, with the economic recovery, microenterprises will not have to face new debts that, due to high intermediation margins, are contracted at very high interest rates. One factor to highlight is government support, whether municipal,
state or federal, for small businesses. In the responses we see that microentrepreneurs practically do not come forward to request government support because they are accustomed to the fact that it will be denied or conditioned. This is clear, since, like bank financing, government support has focused in previous years on medium and large companies that show guarantees for loan recovery. However, in order to mitigate the effects of the COVID-19 pandemic and reactivate the country's economy, the federal government has promoted the delivery of loans to micro and small business owners. The Tandas para el Bienestar program has a budget of 2,500 million pesos (mdp) for 2020, and as of the second quarter, it has registered an advance of 32.5% of the approved amount. On the other hand, the program Créditos a la Palabra plans to deliver 25 billion pesos in loans, of which 74.21% of the total was delivered as of July 15, 2020 (Mondragón, 2020).

Regarding strategies to maintain or increase sales, it is shown that there is not a high percentage of respondents who have implemented strategies to maintain their sales. The use of electronic media, home delivery of goods and applying a price reduction strategy show an important percentage in microenterprises. The above is congruent with a publication by the Federal Telecommunications Institute (IFT, 2020) who mentions that the adoption of online banking to carry out their activities, predominates in medium-sized companies, with 69.9%; small companies, with 53.7%; and micro-companies, with 30.2 percent. In addition, 44.6% of micro companies have a website with a business domain or social networks; while this rate is higher among small companies, with 57%, and medium-sized companies, with 71.5%. However, it differs from the figure that states that 85% of medium-sized companies offer their services or products online, while in 2018 they were 62.5 percent; while, in the case of micro-enterprises, the percentage went from 46.2% in 2018, to 55% in 2019.

As mentioned above, the flexibility of microenterprises provides them with the opportunity to be able to price discriminate and to be able to incorporate the delivery of goods through the use of the numerous companies that offer home delivery services. This may be due to the fact that decisions in this type of business are centered on a single person who can decide more quickly. In this case, it differs substantially from some publications (Garcia-Madurga, 2021) who mentions, among other things that "companies have evolved their portfolio of products and services to adapt it to the characteristics of a new reality plagued by constraints such as, fundamentally, physical proximity. Secondly, technology has gone from being a futurible to becoming a reality, which must support more efficient manufacturing processes, the rise of online commerce, teleworking and the digitization of all organizational processes" This shows that micro-enterprises are not considered in isolation, but that they are considered as a whole. This is the case of another study who states something like this for the case of Mexico;". Among the technological changes that SMEs have implemented in the face of the pandemic, remote work stands out (49%), especially for small and medium-sized companies, followed by the reinvention of the business objective
(42%), the adoption of technologies (28%) and digital marketing strategies (26%). For micro, the most relevant aspect was reinventing the business objective and strategy (43%). However, micro and small companies that made changes in technologies highlighted the acquisition and/or change of laptop computers. On the other hand, medium-sized companies prioritized software for video calls and cloud storage" (Microsoft, 2021).

Regarding the expectations that micro-entrepreneurs have for the future performance of the economy, only 29% show any intention of withdrawing from the market, so on this point the vision is rather optimistic. It is important to emphasize that 15% of those interviewed show an intention to expand the business, remembering that this survey was applied in February of this year and there was still no consensus about a rapid recovery of the economy as is happening. Only 40% of the interviewees have uncertainty that the Mexican economy can recover and this is emphasized because the general perception of the businesses was almost entirely negative³.

5 CONCLUSIONS

This article shows the effect of the pandemic on the sales of microenterprises in the region and the results are worrisome. Sales have declined considerably and have affected profits and employment levels, the study also exposes the attempts of microenterprises to seek options to maintain sales, however, adapting to new technologies and new sales tools involve disbursement of money, which in times of crisis is unthinkable for most of these companies. Unfortunately, the outlook for microentrepreneurs is not optimistic and more than anything else reflects a desperate situation. Finally, it is urgent that the reports that are released on the effects of the pandemic on businesses discriminate between the different types, since the interviews with business leaders, Chambers of Commerce and others, when they speak of companies, regularly refer to those of large size that have greater media impact.

RECOMMENDATIONS

Based on the results obtained, it would be desirable to know the differences that exist between the various municipalities, so that if public policies are implemented to support them, they can be more effective in the case of the municipalities studied, it should be noted that microenterprises in the municipality of Querétaro may have different conditions than those of the other two municipalities studied, mainly due to the concentration of economic activity in this municipality. Another aspect that could be considered is to

³ For February 2021, according to Banco de México (2021), the consensus among investors was that economic growth would be 3.4%, with a very wide margin of error. For May, most analysts mention a growth of almost 6% with the possibility of it being higher due to the expectation that the vaccination program will meet the established deadlines. In addition, the incentive program of the U.S. economy encourages much higher growth figures.
perform an analysis by sector to show possible differences in the effects of the pandemic. Something that would be fundamental would be to isolate the behavior of sales as a consequence of COVID 19 and the decrease in sales due to "natural" factors due to the high mortality rate of microenterprises. Finally, it would be desirable to compare the results obtained for microenterprises with those that affect medium-sized and large companies because in most cases they are generalized.
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