
IS THERE ANY MORE SPACE FOR THE COOPERATIVES INTO THE ROMANIAN MARKET?

Alina-Elena Iosif¹, Sonia Capelli² and Mirela Octavia Sîrbu³

¹⁾³⁾ *The Bucharest University of Economic Studies, Romania*

²⁾ *Lyon University, IAE Lyon, Magellan*

E-mail: alina.balalia@com.ase.ro; E-mail: sonia.capelli@univ-lyon3.fr

E-mail: mirela.sirbu@com.ase.ro

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Abstract

As the cooperatives were visible and practical “engines” of the Romanian socialist economy, generations had to pass in order to diminish the negative association between the cooperative and the communist regime into the people’s mind. Even though the cooperative subject seems not so actual and with a low attractiveness for the new generation, the cooperative solution is more useful than ever, including in Romania, and an awareness increase among the young people should be supported. Moreover, the subject of the cooperative in the particular case of Romania has still remained an unexploited topic. The purpose of the current paper is to provide a picture on the current framework of the cooperatives in Romania from both young and senior consumers’ perspective. For the current study the technique of free association, namely keywords that respondents had to place in the semantics universe of the cooperative or non-cooperative (classic enterprise), was applied. The paper contribution regards a more in-depth understanding of the cooperatives’ status in the current Romanian economy, by taking into consideration the consumers’ view. Based on the results of the study, a necessity for solid knowledge and awareness on the forms of association among the young generation has been pointed out. In this way the young people would have the possibility to include cooperatives among their potential variants for their entrepreneurial future career.

Keywords

Cooperative, Romania, perception, consumers

JEL Classification

P13, Q13, J54, L 26, L31, D12

Introduction

In general, cooperatives are seen as entrepreneurial initiatives of the middle-class population, and even low-class population, that lead to the creation of small economic enterprises that

satisfy their social needs (Săulean, 1998 in Petrescu, 2011). Besides the cooperative predominant projection into the rural environment and mostly related to the agriculture, the trend invoked by Ben-Ner (2018, p.109) indicates a movement towards “an increase in the number of social non-profit and cooperative enterprises that are oriented towards the satisfaction of needs of specific ethno-cultural groups”. Moreover, even for the Romanian seniors that have an untapped potential in the area of entrepreneurship (Drăgușin et al., 2019), cooperatives could be considered a feasible solution to initiate or be part of a business.

Addressing the particular case of agriculture, most of the cooperative enterprises are hold by the local producers that have a lot of challenges to overcome in order to offer their products at competitive prices on the market. Even though numerous consumers express their interest in buying local products, they are not always fairly evaluating the quality of the products by comparing the prices with the ones practiced by big companies for similar products. In most of the cases, behind the local products there is a mechanism of production and distribution that implies high costs determining the local producer to practice high prices for his products. Given the situation, the producer has to be competitive on a market dominated by large scale products and in the same time to cover its costs and obtain an additional gain for its efforts. In the particular case of Romania, the food market is shared between the big chains of supermarkets that offer competitive prices, leaving almost no space to local producers. As Boboc et al. (2017) also highlight that there are numerous cases where the selling of the own production represents a truly challenge for the small producers.

The local producers have several options, out of which the followings are the most visible:

- they are focused on a particular niche of clients, different from the supermarkets, offering more exclusivist products to persons that are interested in buying from locals, based on their beliefs (higher quality, less additives etc.),
- they are forced to sale their products at a cheap price to various wholesalers;
- sale themselves the products by assuming the risk of not recovering their investment;
- they are finding solutions to cooperate and integrate their local products within the channels of distribution hold by the big players on the market.

In order to assure the contracts for selling the products, to support the distribution, to cover the potential loses and others, the cooperative could be considered as a viable solution that may offer the necessary support for the local producers to overcome these shortages of the market. Consequently, the local producer could diminish a part of these potential risks by becoming a member of a cooperative, but it depends also on the awareness of this form of association among them and their perception on it. Additionally, the increasing demand for local products is determining even more the local producers’ businesses to be part of an association (Stanciu et al., 2019). A local producer could be any one of us and it is important to be informed about the available levers of the market in order to obtain the maximum of a given situation. In relation to the valorisation of the cooperative as a potential viable option for the local producers, the paper is tackling the following research questions:

- What is the current opinion of the young and senior Romanian consumers on the cooperatives?
- What is the status of the cooperative compared to the classic enterprise into the consumers’ view?

The main aim of the current research paper is to provide an actualized picture on the cooperative framework in Romania envisaging its current necessity and utility for the market. The paper is addressing the question of market space for the cooperatives as a rhetorical one for both the producers and the consumers that are still influenced by the “old way of operating of a cooperative”. The current paper is offering answers by analysing the collection of the opinions both from the young people and seniors on the subject of cooperatives in Romania.

A snapshot on the “universe” of the cooperative in Romania

Cooperatives have appeared in Romania before the communist period, but between the second world war and 1989 there were seen as public enterprises whose management regulations were established by the public authorities (Galera, 2004 in Petrescu, 2011). Cooperatives were influenced by the communist ideology that considered the cooperative’s property as being a special collective and transitory form towards the state property. Moreover, cooperatives were acting as a principal actor in reaching the socio-economic objective of the political regime regarding the full employment of the labour market. At that time, the cooperatives were part of a strong hierarchized structure with a top down control assured by different specialized structures. The people were obliged to become cooperative members in order to benefit of various goods. In the rural environment, the consumers’ cooperatives were holding the monopoly on the area of both commerce and services, while the crafts’ cooperatives were holding the monopoly in urban area on the provision of services.

Nevertheless, there are opinions of several respondents to our current study revealing that *“cooperatives were a good choice at that time [communism regime], although many viewed them with reservation”* (F, 48 years old, rural environment) and *“At that time, these cooperatives were the economy of the country. I remember that they led to the achievement of the program focused on balanced economic and social development of the country's counties and on the systematization of all the localities.”* (F, 69 years old, rural environment). Indeed, the instauration of the cooperatives has not been accepted so easy by the people or even after the ending of the communist regime a negative perception has remained. *“Even if during the communist period the people who owned large areas of land opposed it[cooperative system], because the profits had to be divided and the production was not entirely theirs, the cooperative has turned to be the best thing since then, as a result, their abolition is a very bad thing for the agriculture.”* (M, 56 years old, urban environment).

The main problems of the cooperative system in Romania after 1990 were connected to the redistribution of the property towards the real owners and the introduction of the reforms associated to the market economy.

Nowadays, in Romania the cooperative societies are established and organized according to the Law no. 1 from 2005 regarding the organizing and functioning of the cooperative, with subsequent modifications and amendments. According to art 7(1) (Law no 1/2005) “the cooperative society is an autonomous association of natural and/or legal persons based on their free consent in order to promote the economic, social and cultural interests of the members of the cooperative, being commonly hold and controlled by the cooperative’s members according to the cooperative’s principles.” These principles have an international appliance, being recognized by the International Cooperative Alliance, and refer to voluntary and open membership; democratic member control; economic participation by members; autonomy and independence; education, training and information; cooperation among cooperatives; and concern for community.

The invoked law represents a major change in the legislative framework of the cooperative in Romania as it introduced major modifications regarding the decrease of the control expressed by the central units within the cooperative system and the elimination of the benefits offered by the state. According to the invoked law the cooperatives are not any more constrained to join counties or national unions, but in practice a high percentage of the cooperatives are affiliated. Each cooperative is independent and the counties/national union has no right to control or survey the cooperatives. Nevertheless, the power of the unions to coordinate the activity of the affiliated cooperatives is still high, as the highest proportion of the patrimony is hold by the unions themselves.

Opposite opinions on cooperatives, influenced mostly on their connection with the past in Romania, intrigued us to investigate the subject of consumers’ perception on the cooperatives

both from the view of the young generation and the seniors. In the following section the methodology of this research study is presented.

Methodology

The current methodology is designed in line with the main points of the methodology applied by Faure-Ferlet, Capelli and Sabadie (2017) in their work dedicated to the way French consumers are perceiving cooperatives. Our research is based on a projective study by using the technique of free association, namely keywords that respondents had to place them in the semantics universe of the cooperative or non-cooperative (classic enterprise). The cooperative subject was very little known by the audience that was constituted of 24 teams of 2 participants each and a team of 3 participants. A total of 25 teams representing 51 young persons (M age=21) were formed to carry out the research on the free association of 28 given terms to the concept of cooperative, classic enterprise, with both or none. After each team has distributed the keywords on their poster paper, a common discussion on the direct and indirect criteria they used when classifying a keyword on the side of cooperatives or not was carried on and the commentaries were noted. This research was conducted at the beginning of March 2020 in Romania. In addition, a group discussion where 10 young participants attended has taken place on March 10, 2020. A non-structured approach has been adopted for this group discussion offering the possibility to register also the implicit arguments offered by the respondents regarding their knowledge and perception on the cooperatives. For a more complete picture on the perception of the cooperatives, 7 opinions from seniors were collected in the same month. The profile of the seniors is heterogenous in terms of age (M age= 62) and social status. Finally, the content analysis has been applied and various patterns have been notified and exposed in the following section where the main dimensions associated to the cooperatives are pointed out.

The main dimensions associated to the cooperatives

A snapshot on the respondents’ opinions regarding the way they associated each of the 28 keywords to one or both of the two categories, cooperative or classic enterprise, is provided in fig. no. 1.

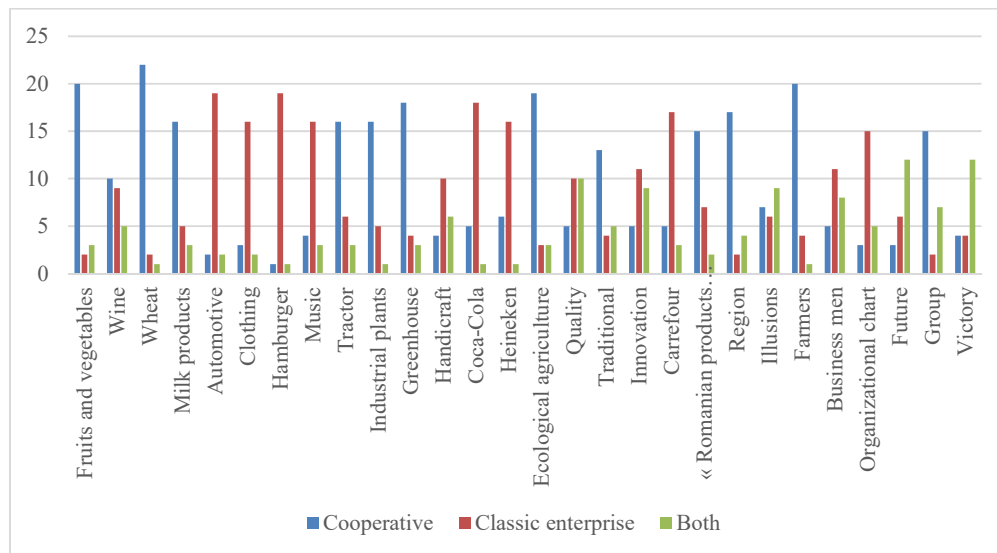


Fig. no. 1 The distribution of the respondents’ opinions on the keywords
Source: own representation, based on the conducted research

The keywords that were predominantly connected to the cooperative concept were “fruits and vegetables”, “wheat”, “milk products”, “tractor”, “industrial plants”, “greenhouse”, “ecological agriculture”, “traditional”, the “Romanian products’ store”, “regional” level, “farmers”, and “group”.

The research conducted in Romania is revealing similar results as the one conducted in France, where Faure-Ferlet, Capelli and Sabadie (2017) have pointed out three main characteristics of the cooperatives from the consumers’ point of view, such as “community”, “agriculture”, and “proximity”. If is to discuss dimension by dimension, a series of common points between the opinions of the Romanian and French respondents are to be found.

The universe of a cooperative for the consumers in Romania is highly associated to the agriculture sector as in the case of France. The results of the *agriculture dimension*, such the fruits and vegetables, wheat, milk products, are predominantly nominalized by the respondents in relation to the cooperatives. These products are obtained through the efforts of the farmers, especially “*peasantry*” that are cultivating “*more natural products*”, “*not too artificial*” compared with the products sold by the big companies. “*The first thing I think of when I hear the word cooperative is agriculture and I believe that these cooperatives will never die in the villages. They sustain the Romanian agriculture and the sale of natural products. They should increase their number and replace the imported products with the natural ones, because the Romanian products are better.*” (M, 55 years old, urban environment). Imaginary pictures of “business men” and “organizational chart” are associated more to the multinationals’ environment and less to the image on cooperative that goes more connected to the “farmers”, “greenhouse”, and “traditional”. The same image is accepted also by the French respondents that perceive the cooperative production as being artisanal (Faure-Ferlet, Capelli and Sabadie, 2017). The products resulted out of the efforts deposited by the members of the cooperatives are perceived as being natural and highly connected with the “ecological agriculture”. As the farmers are producing in not such a big quantity as in the case of the classic enterprises, the products belonging to cooperatives are expected by the potential consumers to be more natural, as they are cultivated with a much more particular care and even with less chemicals.

The opinions of the respondents by associating cooperatives with the agriculture sector are also confirmed by the statistics of the International Cooperative Alliance (2020) where insurance sector is placed on the first place in relation to the economic activities where cooperatives are encountered, followed by the agriculture and food industries.

As the young consumers highlight, the more developed industries, such as automotive, clothing, music and fast food, are components revealing more the capacity of a classic enterprise to produce them and less probably their results are to be obtained by cooperatives that have producing, distributing and marketing limits.

When the respondents are asked about various brands of cooperatives or brands of products/services offered by the cooperatives, little opinions are expressed. But when talking about the “Romanian products’ store” that indeed is a cooperative, the respondents are guided after its name and place it preponderantly in line with the cooperative category. The name of the store that “*seems authentic*” and locally based made the respondents associate it to the cooperative and declare that “*[the store] most probably is offering particular products not distributed on large scale*”. As this kind of stores are present on the local market, they “*do not have the power to market themselves to the big public*”. In this respect, the majority of the respondents have associated big brands to the classic enterprises as they consider that the cooperatives wouldn’t have the financial power to market their products through the mass media channels dedicated to the large public. Moreover, the audience is not capable of nominalizing additional cooperative brands, precisely because of the lack of visibility of the concept and of the cooperatives themselves on the market.

The brands are often nominalized by the respondents in relation to the classic enterprise (“Coca-Cola”, “Heineken”, and “Carrefour”), as the cooperatives *“don’t have the financial and marketing force to produce this kind of products and advertise them properly [these famous brands]”*. As the cooperatives produce locally, they *“are not capable of producing large quantities and even more difficult to distribute them at national level”*. When brands are specified, the participants at the discussion group associate them with classic enterprises and with capitalism; a respondent specifying that *“for me these brands are something new, after the communism, and the cooperative is part of the communist period”*, being still related to the past (image built on the stories told by grandparents and / or parents), where the variant provided by the cooperative *“it was a sure thing, they had a fixed salary ... but on the other hand, you were stuck, you had to know how to manage your income.”*

The respondents associate cooperatives with local producers that offer *“good quality products”*, but in the same time *“they are making a lot of efforts to survive on the market”*. As the local producers are aware of their low force, not only financial, to activate alone on the market they could associate themselves in cooperatives, but *“a consistent investment [by the state, unions, cooperatives themselves] in promoting cooperatives has to be done”*. The way of acting as a “group” of the local producers would be the potential solution to overcome the shortages of acting alone on the market and obtain the advantages implied by being part of a “community”, such as the negotiation of large contracts and distributing the cooperatives’ products in large supermarkets. The solidarity is one of the keys that Romania would need to develop more in order for the *“community” dimension* to gain more visibility among the consumers. Efforts are done towards the development of the community spirit in Romania, but it is a long way to go up to the moment when the initiatives are absorbed and highly implemented in practice.

The proximity dimension, as in the case of France, could be outlined based on the answers given by the Romanian respondents. They are specifying very often the local producers and businesses in connection with “regional” level when talking about cooperatives. Some of the respondents are highlighting that there is a close relationship between the local producer and its consumers, but on the other way *“it makes it difficult for the potential consumers that are living in the town to benefit of the products obtained in rural areas”*. *“If I want to buy products from the farmers [from the point of view of a person living in the urban area], it is somehow difficult to purchase them if the cooperatives lack advertising”*. The Romanian consumers’ opinions are similar to the ones expressed by the French respondents in line with the proximity characteristic, pointing out the trust component gained by knowing the origin of the products. As regards the prices of the local products, the Romanian respondents are perceiving them as being higher than the ones practiced by the large companies for similar products. The name of the FruFru cooperative, which *“adapted to the present demands of the market”* is mentioned during the discussion. FruFru Cooperative is present in the area of Bucharest, distributing products in the Mega Image network. *“I knew the name of [the FruFru cooperative], but I didn't realize that it was a cooperative.”* The participants acknowledge that the prices of the products made by the FruFru cooperative are quite high, being included in the category of expensive products compared to other variants offered on the market, but on the other hand these prices are justified by the quality of the healthy ingredients used. The cooperative's products would target consumers with slightly higher incomes, if referred to fresh vegetables and fruits produced by local farmers. Advertising is a powerful tool to make the cooperatives’ products visible on the market, but *“as cooperatives grow their business, it is possible to experience a marketing budget increase, leading to the awareness improvement of their brands among the customers”*.

There were also keywords that made the respondents pledge for both the cooperative and the classic enterprise variants. “Quality”, “illusions”, “future”, and “victory” are the keywords that are named by most of the respondents as belonging to both the cooperative, and the classic

enterprise. “Quality” is qualified as being provided by the cooperatives, as much as by the classic enterprises. The “future” and the “victory” are associated to both the cooperatives and the classic enterprises, consumers pointing out the coexistence of both of them on the market. The cooperative could primordially bring wealth and development in the less developed areas, while the classic enterprise is more connected to the developed economic mechanisms of the market that generate demand for its products and/or services. Competition could be anywhere, but in the less developed regions solidarity is more necessary in order to generate common good for all the participants, while the classic enterprise tend to act alone on its niche to gain market share. There are a lot of examples of strong cooperatives that are competing with huge multinationals and they are sharing the market at national level. A picture on the top 10 cooperatives at the international level based on turnover is provided by the International Cooperative Alliance and EURICSE (2020) in the World Cooperative Monitor 2019, where Groupe Credit Agricole is placed on the first place, followed by the Groupe BPCE, both from France, and REWE Group from Germany occupying the third position in the 2017 ranking. Further on, the respondents are considering that the future is belonging to both forms of businesses, the cooperative being “*more oriented towards societal wealth*”, while the classic enterprise “*goes more towards individual benefit*”. In the latter case it is worth mentioning that at least the big enterprises have allocated budgets to social corporate responsibility campaigns in the last 10 years in Romania and investing in the societal welfare.

Conclusions

The current paper is exposing the universe of the cooperatives by offering a picture on their status in Romania and the consumers’ perception on them. The conducted research pointed out that three main characteristics, namely agriculture, community and proximity, are attributed by the consumers to the cooperatives. These characteristics were formulated into a study conducted in France and were confirmed by our current study. The dimension that needs a consistent improvement in the case of Romania is referring to the “community” spirit that is essential for the initialization and development of the cooperatives. Beyond the spirit itself, there are places in the world where community cooperatives are naturally implemented starting from the diversity of the community needs and based on the intensive citizen participation (Mori, 2014).

The results of the study indicate that the cooperative status is influenced by the restrained attitude of the seniors and the lack of connection to the young generation that has a scarcely knowledge about the subject. This current position of the cooperatives in the consumers’ mind would give room for the expansion of the cooperatives and for sure, a lot of work has to be done in order to familiarize and attract young people to adopt and join cooperatives. The awareness increase of the cooperatives among the new generation should constitute one of the main points of discussion on the agenda of the cooperatives’ unions that would have all the interest to expand this viable way of association for the development of the Romanian economy.

A further line of research consists of finding out how cooperatives could constitute pertinent solutions that react and correspond to the demands of the new economic and social context generated by the current sanitary crisis.

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