
Rural Modern Retailing in Romania

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Abstract

Purpose - The purpose of this paper is to identify and present the landscape of modern rural retailing in Romania and the premises through which modern retailers should expand in this area.

Design/methodology/approach – The literature review is presenting the variables that make the rural area attractive for modern retailers. Then, is presented the actual scenario of Romanian rural retailing. Thirdly, are presented the premises that makes the rural areas attractive for modern retailers.

Findings – Corroborating the literature review with the actual context of Romanian rural retailing, the paper highlights the frame for modern retailers' expansion to rural area.

Research type – Analytical and descriptive.

Originality/value - This study is an important instrument for further research and for retail managers. It offers a valuable response that retailers should have to rural retail market specificities.

Keywords: Retail Marketing, Rural Retail Marketing, Retail Marketing Strategy, Rural Marketing, Modern Retailers.

JEL Classification - L81, M31.

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Introduction

The research in the field of modern rural retailing is quite poor, especially if we talk about Europe, where in emerging countries there is a recent interest in expanding modern international chains in rural areas (Twardzik and Heffner, 2019). In USA and Australia (Pearce, et al., 2008; Liese, et al., 2007; Bustillos, et al., 2009), the literature highlights research related to proximity trade and in close connection with the need for a healthy diet in rural areas, especially between the years 2005-2010. We find a greater interest in Asia, respectively India due to the high level of population density, including in rural areas, but also in China, Russia, Mexico and southern Africa (Pandey and Kaur, 2018).

In Romania, the modern grocery retailing has undergone numerous changes, following the trend of developed countries. However, adapted to the needs and specifics of the Romanian market, the large commercial chains have directed their expansion strategy mainly to urban areas. The agglomeration of large urban centers has led to their expansion in several formats. In the city centers, accessible and pedestrian proximity formats have been developed, while the large hypermarket formats have been developed mainly in large shopping centers outside the cities, in the neighboring localities within a radius of 20 km. Therefore, the paper will refer strictly to the shops inside the rural localities, located over 20 km away from the city.

Although at European and national level the legal framework and sustainable development strategy recommend the transition to short food chains to be distributed, the expansion of large commercial networks in villages, the development of regional storage centers and regional producer associations are slow to take shape in Romania. What are the reasons that prevent these aspects? Is traditional trade still preferred in villages? Is the independent trader in the village ready for change?

The aim of the paper is to identify and present the Romanian rural retail market specificities and the premises through which modern retailers should expand in this area.

Literature review

The definition of the concept *Rural Retailing* is approached by adding the definition of *Rural* with its multitude of ways with the definition of the concept *Retailing* (Paddison and Calderwood, 2007) and can be defined as 'sale of goods and services to the ultimate rural consumers'. The concept *Rural Retailing* is considered similar with the concept *Rural Retail Marketing* which has been derived from *Rural Marketing*. *Rural Retail Marketing* can be defined as 'a set of decisions which a retailer undertakes in order to identify the needs of the rural customers and satisfying them' (Pandey and Kaur, 2018). From another point of view, retailing is known as the final gate in delivering products to consumer and is matching the needs of people with those of manufactures and agriculturists (Lakchan, et al., 2020).

Analyzing rural retail along the entire land supply chain, the literature highlights the presentation of advantages (Pandey and Kaur, 2018) of expansion in rural areas but also disadvantages and even factors of decline and failure, there are assessments such as many concerns in this research area with a negative character, with a focus on problems and decline (Vias, 2004).

Financial issue, entrepreneur knowledge, geographical location, owner's perception and government support (Lackan, et al., 2020) are the factors that can impact for fail a retail business in rural area, thus the large international retail chains could be more appropriate for approaching rural areas. There is a need to grow all the rural business domains to lead regional development, in accordance with the economic development, expanding consumption and raising the living standards of the population (Greenberg et al, 2018). The need for education and entrepreneurship is also required for the dynamic change of retail and for customer expectation satisfaction as rural consumer can be incredibly challenging - they have lower incomes, are less sophisticated and often cling to local habits (Kotler and Keller, 2016). Big brands as Coca Cola, Unilever or Procter & Gamble have adapted to rural people consumer behavior in order to determine by education a new habit, for instance using hair shampoo by women in India rural area who were using only soap for washing their hair.

Considering India an example for less developed countries with its recent literature research contribution in rural retailing, in the following table are presented the specificities of rural retailing in terms of advantages, consumer behavior and marketing strategies.

Table no. 1. Rural retailing specificities

Advantages	Consumer behavior	Marketing Strategies
- extremely low or no promotional cost	-rural people are looking for utility, durability and quality	-credit services, occasional discounts, home deliveries based on personal relationship
- high and no cost personal relationship with the customers	-they have low literacy level which could be very risky for e-commerce or new technologies as electronic payments, self-checkouts	<p>- 4 Ps (product, price, promotion, place)</p> <p>product: special assortment, avoiding bulk as rural people want to try before purchase, special packages, for instance -pouches and sachets for shampoo and detergent</p> <p>price: as competitive as possible</p>

		<p>promotion/communication: adapted to local needs, especially print media, CSR initiatives</p> <p>place: full coordination of the supply chain</p>
-inexpensive distribution channel, easy and convenient	-no stocking purchase, they buy only what they need, looking for the price of commodity and value for money	<p>- 4 As (acceptability, affordability, awareness, accessibility)</p> <p>acceptability: customized and multifunctional products</p> <p>affordability: low prices fitting rural people capacity purchasing</p> <p>awareness: the major objectives of rural marketing communication are to create awareness and to induce trial-communication through rural perspectives, rural tradition, rural mentalities and rural values</p> <p>accessibility: creating sustainable channel partner relationships</p>
-no high expectation of people, their tastes are simple and static		
-government support	-low brand perception – need for education and CSR (Corporate Social Responsibility) initiatives	

Source: own research based on Pandey and Kaur, 2018; Naidu, 2017; Kalotra, 2013

Research Methodology

The methodology is based on online research. The secondary data revealed the actual context of rural modern retailing through the attractiveness and opportunities of the market, consumer profile and status of modern retailers' expansion in rural area.

Romanian actual scenario for rural modern retailing

On July 1, 2020, the population residing in villages in Romania represents 43.6%, being slightly increasing compared to July 1, 2019 (0.05%) (INSSE, 2020).

The COVID-19 pandemic also had effects on real estate, with a large part of the population choosing to move to the yard, most likely in residential complexes near large cities.

At the same time, the lockdown period and travel restrictions determined a specific behavior of the population eager to go out and socialize, who either spent more time online (gaming, movies, social networks, shopping) or chose agrotourism as the only possible option.

Another phenomenon registered as an effect of the pandemic was the definitive return to the country of many of those who went to work abroad due to the abrupt termination of employment contracts in various fields during the lockdown in countries severely affected by the pandemic such as Spain, Italy, Germany and England.

The web research unfortunately revealed data from 2017 the only and most recently report published by Nielsen Rural Romania Report. According to this report (Stan, 2017) we can highlight as following,

Rural Romania, with over 10,000 villages and 9 million inhabitants, has an insufficiently explored development potential, given that less than 10% of the modern shops are in rural areas. Moreover, rural stores represent numerically more than half (about 60%) of the total retail in Romania.

Rural residents generally have similar profiles to urban dwellers. Three of five identified typologies would represent a real potential for retailers in Romania, because they have a complex pattern of needs, a buying behavior and financial possibilities comparable to those in urban areas.

Regarding consumer behavior, they are influenced by access to different store formats, which implicitly determines the choice of different categories of products or brands. For example, over 70% of respondents who go to the hypermarket regularly have a car in the household. The traditional type of trade, available to most of the population, is the channel visited with the highest frequency, the considerations of convenience thus putting their mark on the elections, as it happens in the urban environment.

Among the most frequently bought categories are bread, cigarettes and beer, but also water or chewing gum. The shopping cart is made up of 66% food.

Moreover, the price and previous experience with the product are the main decision factors in choosing the brands purchased, and the preferred types of promotions are the discount and the gratuities.

On the other hand, the penetration of private labels is quite low (34%), mainly due to the distance from modern retail, but they are appreciated for good value for money.

The international retail chains that operate in Romanian rural area are Carrefour, Profi, Mega Image and Metro with the division 'La doi pași'.

The figures below 1, 2 and 3 are illustrating the current number of stores by channel type at national level, the annual evolution of the number of rural stores from 2015 and the number of annual rural stores new openings between 2015 and today.

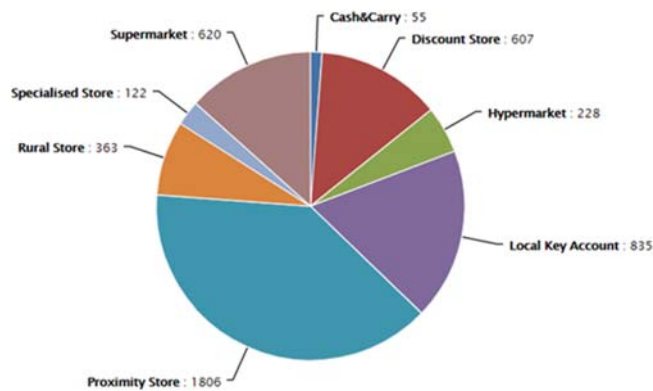


Figure no. 1. Current number of stores by channel type
 Source: Universul de Retail (2021)

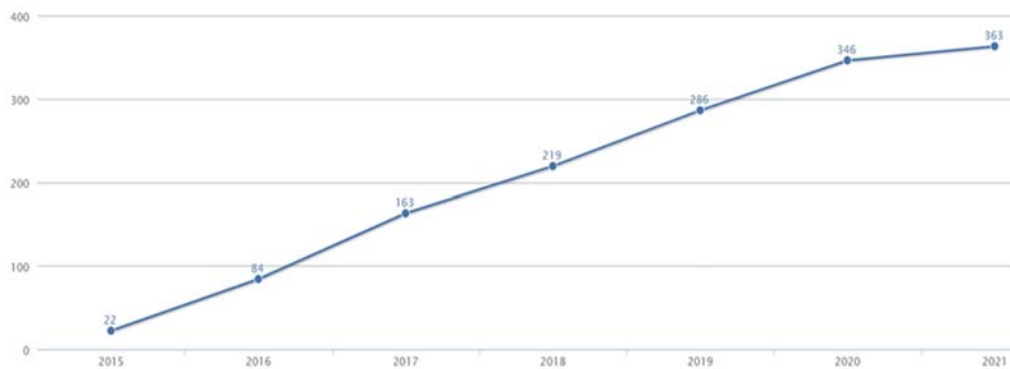


Figure no. 2. Evolution of rural stores
 Source: Universul de Retail (2021)

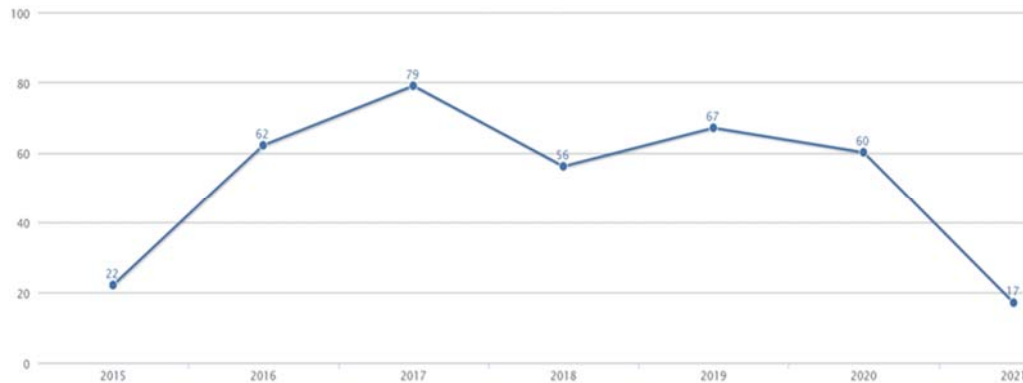


Figure no. 3. Evolution of new openings of rural stores

Source: Universul de Retail (2021)

The dynamic change of retailing and the emerging of e-commerce are also available for rural area. The technology development and the growing penetration of the smartphone have determined the growth of e-commerce even in rural area. The young generations opened to changes and more educated and also the new rural residents moved nearby big towns are illustrating the new customer profile for online sales from rural area. For instance, since 2018 a quarter of top 1 e-tailer eMag customers was represented by rural customers according to online publication Profit.ro (2018).

The future sounds very well for Romanian rural area as EU rural development policy has a long history of stimulating various forms of innovation in response to the challenges and opportunities that have raised in rural area and a relatively new initiative regarding the concept of 'Smart Villages'. Smart villages were further highlighted in the Commission Communication on the Future of Food and Agriculture (November 2017) as a priority to help 'local communities address issues related to inadequate broadband connectivity, employment opportunities and service delivery in a clear and comprehensive manner' (Highclere Consulting, 2021).

Conclusions and recommendations

According above corroborating research of literature review and the opportunities offered by the actual context of Romanian rural area, for surely the rural market can offer numerous privileges both to international modern retailers and small retailers. In the new context of COVID-19 pandemic, as in urban area brick and mortars are very threatened by e-commerce, in rural area, physical stores are preferred in detriment of e-commerce as the access to public spaces like bus stops will always be just as challenging as getting to the local store (Grewal and Levy, 2015).

Retailers should build efficient and innovative distribution systems to reach rural people (Naidu, 2017) in order to overcome this main disadvantage of long supply chains, in which goods pass through many hands, and therefore are additional products' cost (Grewal and Levy, 2015).

Considering that the rural customer could be very loyal to the traditional store, it is necessary for modern retailers to create value-added products, with attractive prices for current needs, to educate and to make him aware of the importance of the brand through promotion and CSR initiatives with high impact at the local community level.

There is a need for the involvement of retailers in building sustainable businesses in rural areas to support the development of the economy, by creating jobs. According to government policy and EU Commission future plans for rural area, retailers should be in first line to support regional development by enhancing short distribution chains and by serving local producers.

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