The role of events in the survival of rural retail

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Abstract

Rural retailers in Sweden are currently in need of new strategies in order to meet the increasing competition from urban shopping centers and increased customer mobility. This study examines how events can influence local retail survival in rural areas. In interviews, local stakeholders involved in retail, events and municipal decision-making describe how events affect the retail of a rural municipality in Sweden. A questionnaire survey among the visitors of two local events is also conducted, in order to see how consumers perceive the services in, and around the events.

The result reveals that even if most retailers do not perceive an impact of the local events on their businesses, they acknowledge them as an important factor with potential of creating a competitive advantage. The main problem is the lack of communication between retailers, event managers and local governance. In order to get advantages from the events the local stakeholders need to form cooperative bodies where they can exchange information and knowledge, but also find joint business strategies. The study generates hypothesis for further research on the potentials of rural retail.

Keywords: Stakeholders, collaboration, rural economy, regional development, tourism

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1. Introduction

In many European countries, as well as in North America, the community-based retail activity has undergone a substantial change during the past decades. Economic growth have moved to new levels and transformed the range and localization patterns of retail. Especially retail in smaller towns and rural areas has been exposed to an increasing competition from large shopping centers and supermarkets in larger cities (Guy, 1990). “Outshopping” has become a term to explain how rural residents increasingly spend their money in nonlocal markets. The disloyalty towards local stores in rural areas has resulted in an increasing erosion of smaller retail markets (Crank, et al, 1995; Phillips and Swaffin-Smith, 2004).

This development is also evident in Sweden. Due to the changes in economy, as well as changes in social structure, the consumers shopping pattern has changed the last 30 years. These changes include e.g. increased car owning, resulting in increased mobility (for more details on underlying changes, see Forsberg, 1998).

In order to deal with the new retail conditions, it has become more urgent to find ways to keep a good service level in rural areas. New ideas which strive to strengthen the existing rural retail is essential if residents are going to have local shops and services available in the future. For example; local authorities could implement policies aimed at strengthening rural retail. Also, regional development strategies could be used in order to support rural retail (see for example Kottke, 1988; Taylor et al, 1993; Prop 2001/02:4). Furthermore, it has been advocated that in order to strengthen rural retail, communities could take advantage of local tourism (Cavaco, 1995; Opperman, 1996; Williams & Shaw, 1998). Earlier research has pointed out shopping as an important activity among tourists (Gratton & Taylor, 1987; Hudman and Hawkins, 1989; Kent et al., 1983). Thus, retail is an important component in tourism and vice versa. As tourism is an increasing industry in western economies, it is of interest to investigate if this is beneficial to smaller communities when it comes to retailing.

Even if rural retail consists of firms, limited in size and often located in remote places, they are a cornerstone in local economy (Tolbert, et. al. 1998). By attracting visitors to do their purchases locally, this could prove to be a positive factor of growth to the small shop on the countryside. However, not all rural communities have an extensive tourism. In most rural municipalities there is an ongoing discussion on how to attract visitors (Gannon, 1994). The event industry has become an important factor in Swedish tourism and act as a means to attract people to participate in social congregation and to draw attention to the host
community. Thus, events have developed into a common feature in most municipalities (Taylor et al., 1993). The aim of this paper is to examine the impact of events on rural retail and to explore the communication and collaboration between the stakeholders involved in retail and events in a rural setting.

2. Events – an important part of tourism

Due to the problems rural areas are facing in many parts of Europe, where both industry and retail are declining, tourism is increasingly considered as a possible economic growth factor. Several studies have indicated that tourism have a positive economic effect on communities with an extensive tourism (Fesenmaier et al. 1989; Johnson et al. 1989; Strauss et al. 1996a). Local governments increasingly promote tourism as complement or substitute to their traditional economic base (e.g. Kottke, 1988; Taylor et al., 1993). As part of the tourist industry, events have become an important component in order to attract visitors to a place. According to the Swedish authority of economic and regional growth, events of different kinds attracted 16,6 million visitors in 2003, thus making the event industry an important and influential part of Swedish tourism (from the report “Besöksmål I Sverige”, 2005).

Event research has suggested that short term events can create opportunities and act as an important motivator in order to generate positive images of any location (Ryan, 1998). Although the term events have a broad space for interpretation, Getz (2008) define it as “a spatial-temporal phenomenon, and each unique because of interactions among the setting, people, and management systems”. Events include everything from festivals and carnivals to fairs, conferences and private parties (for a more detailed definition see Getz, 2008).

Even though there has been an extensive research on how events affect a community in economic terms (e.g. Chhabra, et. al, 2003; Gartner and Holecek, 1983; Ryan, 1998), little attention has been made on the affect on local retail exclusively. Earlier findings suggest that event visitors spend most money on lodging, food and beverage. However, the impacts events have on communities is partial. This is due to low outputs, where multipliers concerning value-added and labour income affect the final result (Chhabra, et. al. 2003). Also, not all of the visitor expenditures accrue locally. Event organizers and other event participants may be resident in other municipalities. The income they earn during the events does not accrue the hosting municipality (Long and Perdue, 1990).
Stakeholders and collaboration

Freeman (1984) defined the term stakeholder as “any group or individual who can affect or is affected by the achievement of the firm’s objectives”. In terms of events and retail, this would mean that everyone affecting, or is affected by these phenomenon’s is considered a stakeholder. Thus, in retail stakeholders could include for example shop owners, customers and wholesalers.

In the event industry the expression includes a large range of different actors – not only the organizers, but also public authorities, inhabitants, local trade and industry, as well as sponsors and media (Larson, 2002). Other studies suggest a division of event stakeholders into a primary and a secondary category. Among the primary stakeholders one find employees, volunteers, spectators, attendances and sponsors, whereas secondary stakeholders consists of government, host community, emergency services, tourism organizations and general business (Reid and Arcodia, 2002). Thus, there are many actors to consider when events are studied.

Larson (2002) also augmented that “free-riders” play an important role in event research. These free-riders consist of companies marketing and selling products and services outside the event/festival area. Even though these stakeholders do not collaborate with the event organizers, they benefit from the arrangements by selling goods and services to visitors of the event. Thus, retailers active in event hosting communities are to be considered as stakeholders. Owners of local shops not only provide for the demands of the locals. They can also affect the consumers by adapting flexible strategies and by being committed to the local retail climate (Byrom, et. al. 2003). Also, retailers in smaller communities can adjust their business in order to meet the demands of tourists as well. By doing this, the result could be an increased significance to shops and retailers (Turner, & Reisinger, 2001). Besides these local entrepreneurs, local authorities also have significance to consumer behaviour and retail climate. By policy making and cooperation with other local stakeholders, they can influence and mitigate the competition from neighbouring retail markets (Niehm, 2009).

In the research on festivals and events it has been stressed that it is highly important that stakeholders involved in these types of arrangements cooperate and communicate (Getz, 1997; Watt 1998). Watt (1998) advocated that “these partners may be beneficial because of their special skills, the resources they have available or the funding they can attract to the event”. Håkansson and Snehota (2006) describe the dependence between different stakeholders and
the importance of communication between them in order to reach potential advantages. As an example they suggest that the communication between event managers and shop owners can result in a positive reaction among visitors of an event. They perceive the event as good quality when there are good services surrounding the event, and they distinguish the destination as more attractive. Good communication and cooperation between stakeholders give a win-win situation, where the community, the entrepreneurs and the visitors all can favour from it. Even the inhabitants perceive their home community in a more positive way if these stakeholders can cooperate. The social sense of identity among the citizens can be a result of this cooperation (Ekman, 1999; De Bres & Davis, 2001).

Another type of collaboration/cooperation that has been highlighted in research is that of retailers. It has been believed that an effective networking between retailers can give small firms advantages, when cooperating with each other. These advantages consist of getting access to information and markets that is difficult to reach without communication with others (Aldrich & Zimmer, 1986; Ramachandran & Ramnarayan, 1993). Social network theory suggests that a stakeholder could give access and control of information and could give advantages when it comes to organizational vitality (Kumar, et. al. 2001). Although, in network literature there has only been a minor attention to the conditions of smaller firms (Frazier & Niehm, 2004). Since small business account for a majority of firms in rural areas (Tosterud & Habbershon, 1992), the research within network theory is inconsistent in a rural perspective. According to Curran, Jarvis, Blackburn and Black (1993), networking is too time-consuming and lacks of motivation and resources in small firms. Thus, it is difficult for owners of small retail firms to engage in any network activities.

Despite this, there is reason to believe that networking and collaboration can contribute to advantages within rural retail. According to Burt (1992) network theory arguments that network contains information gaps. Since retailers’ acts as a bridge between consumers and markets, they can gain competitive advantages by networking, because of the information they get access to, through these connections. The participators of the networks get a competitive advantage over the retailers who does not engage in the collaboration (Burt, 1992).

Prerequisite for a successful networking is that the participators create the collaboration on social capital, trust, mutual obligation and commitment (Hoffert and Iceland, 1998). When this is accomplished and the involved stakeholders’ shares a common ethical and moral base,
with common goals, the networking and cooperation is more likely to succeed (Jones and George, 1998). Even though retailers compete with each other, all of them strive to attract customers and to sell products and services. Consequently, entrepreneurs in these kinds of business often share the same values and have the same goals. By cooperation between these stakeholders, they could gain advantages by setting up strategies in order to strengthen their business. With a common set of goals, small businesses can benefit from each other (Frisk, 2003; Grängsjö von Freidrichs, 2003). Studies have shown that especially in rural areas, cooperation between stakeholders is important to reach advantages on the market. This cooperation should then be grounded on a common strategy and a frequent dialogue (Miller, et al, 2003).

3. Method

Case presentation
This study is done by the mean of a case study. The case chosen is the rural municipality of Gagnef. It is located approximately 240 km northwest of Sweden’s capital city Stockholm and about 20 km from the city of Borlänge, the region of Dalecarlia population, labour market and retail centre. Gagnef has 10 000 inhabitants in 2010. About 75% of the population lives in eight villages that have a size between 400 and 2000 residents. In six of the villages basic service, as a grocery store and a gas station, are available locally. However, the supply of shops has decreased during the last decades, due to competition from the expanding retail in Borlänge. Thus, Gagnef has today a moderate supply of shops, mostly in every day commodity sector. The range of durable goods is also rather limited. Thus, Gagnef is a representative municipality, when it comes to the problems retail faces in rural areas at the fringe of urban markets.

Currently a number of different events are taking place mainly during summertime in Gagnef. Many of them have different organisers. The events have different audiences. Some attract mainly the local population; others attract visitors from other parts of the country. Thus, the municipality is also a good case of a municipality for study of different types of events and the stakeholders’ participations.

In this study we focus on two different events, Auktionsveckan and Skankaloss. Aktionsveckan (Auction week) is an yearly five day event in the summer during which different antiques are auction out, each day on a different sites. It is one of the largest (c 3 500 visitors) events in Gagnef. The Auction week is organised by three auction houses. One of the
auction houses is located to Gagnef the other two to Stockholm. The organisers bring their own service organisation and most of that service is offered on the narrow auction areas. The event attracts mainly local population (both permanent residents and second home owners), people from the neighbouring municipalities.

Skankaloss is also a yearly event. It is an art and music event and it takes place over two days. The event takes place in one of the villages in Gagnef and it has about 1000 visitors. Skankaloss is organised by people living outside Dalecarlia. However the organisers are keen to be local embedded. Therefore local entrepreneurs are hired for sound and light equipment as well as for food supply. The event attracts mainly people from outside Gagnef and Dalecarlia.

**Data collection**

This study is based on semi-structured interviews with stakeholders involved in retail, events and public administration in Gagnef. Also, a questionnaire was handed out to visitors of Auction week and Skankaloss.

Individual interviews with local stakeholders were made in order to get a picture of how these people perceived the current situation and their ideas in the future. Different interview-guides were used depending on the respondent’s role. The criterion for the selection of respondents was that the person had a connection to retail, events or participated in the local public administration of the municipality. The respondents consisted of both women and men and a majority was in the age group of 40-50.

The interviews were mainly conducted face to face at the respondents’ place of work. However, some of the interviews were made on telephone because of long distances. Most of the interviews were recorded on tape. The interviews lasted between 20 minutes and two hours. We stopped interviewing stakeholders when 22 interviews were conducted. We stopped at 22 interviews since there was limited addition knowledge about to the stakeholder situation generated by new interviews. When we stopped interviewing we had interviewed xxx retailers, xxxx organizers and xxx local public administrators.

A questionnaire was handed out to the visitors of the events. At the auction week 141 visitors answered the survey and at Skankaloss 92 people participated. In most parts the surveys was equally and fully comparable. Mainly, the questionnaires consisted of closed questions. This choice was made in order to facilitate the transcoding of the material and to give a more
general overview of the respondent’s opinions (Hay, 2005). The questionnaire was handed out at the entrances of the events and in order to get at random sample, every tenth visitors that entered the event location was approached with the survey.

4. The importance of the events in Gagnef

The findings of this study reveal that most of the interviewed retailers in Gagnef did not think of the local events as either positive or negative on their businesses. None of the events had any impact on their turnover. Since earlier studies have pointed at events as only partially influential to communities in economic terms, this finding might not be surprising. Problems highlighted in earlier research is e.g. that not all of the event visitor expenditure accrue to the hosting community (Long and Perdue, 1990).

However, one of the interviewed retailers perceived one of the events as having a positive impact on his business. During the Skankaloss-festival the nearest located grocery store increased their turnover considerably. One of the reasons was the visitors’ accommodation mode, where a majority camped in the festival-area. The survey among the visitors of this event confirmed that over 90% of the respondents lived at the camping site during their stay. This self catering living accommodation, in combination with the absence of competing grocery stores (within walking distance from the festival) gave the local shop an advantage during the event. Also, the owner of the grocery store thought that a successful cooperation with the event organizers was important to the positive result. By communicating with the organizers the shop could prepare and adapt their range of goods. By adjusting to the temporal change of demand during the festival, the shop could easily meet the customers’ requirements. The survey among the visitors of Skankaloss revealed that a majority of them visited the local store during the event. They were satisfied with the goods and services that were provided. The importance of networking and cooperation is acknowledged in earlier studies (Getz, 1997; Watt 1998). The Skankaloss-festival is a confirmation of the positive impact networking has on retail and tourism activities.

None of the retailers thought of The Auction Week as important to their businesses. According to the business unit within the local authorities, this could be explained by the lack of commitment and activity during the event. The retailers also confirmed this by revealing that they did not take any special actions previous to the event. Neither did they communicate with the event organizers. Since research concerning events and festivals suggests that networking is crucial in order to get beneficial advantages, the absence of cooperation during
the Auction Week should be treated as a confirmation of this. Also, the respondents of the survey among the visitors of this event revealed that most of them shopped at the event and not in the local shops. Many of the salesmen and actionists at the event is not locals, hence the money spent does not accrue Gagnef. Also, the respondents indicated that their purchases in local stores were dispersed over a larger area than in the case of Skankaloss. This means that more shops are utilized by the visitors and this affects the retailers’ perception. The shop owners do not see the same amount of customers as they would have if the visitor expenditure was more concentrated to fewer shops.

Even if only a few of the interviewed retailers perceived the events as significant to their businesses, most of them thought that the arrangements could become a benefit to the local retail. Solutions they suggested in order to benefit more from the events was to attract more external visitors to Gagnef by providing more living accommodations. This would increase their turnovers, they thought. From the local authorities it was recognized that it rather was a question of being able to cooperate with organizers, as well as with other shop owners, in order to benefit more from the event.

5. **Conclusions**

It is essential that stakeholders involved in event industry cooperate and communicate in order to perform a good quality event. A successful networking could give more advantages to the participators and give the visitors a higher level of service and experience. Retailers can benefit from the events by cooperation with event organizers, hence adapt their supply and meet the demands of the event visitors. The successful example from the Skankaloss-festival reveals that cooperation helps providing for good preparation and adaption to the event. Even if the exploratory nature of this study, in combination with the small sample in the questionnaire survey makes it difficult to generalize, it gives an important insight on the mechanisms of events. The lack of importance the events have on local retail today could be explained by deficiency of cooperation. In order to meet the visitors’ demands and needs, an increased dialogue with other stakeholders could prove crucial. By cooperation both retail and event could benefit in higher extent.

The study provides a foundation for further research on rural retail and delivers insights in the importance of communication and cooperative strategies involving stakeholders from different levels and sectors.
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