

# Malica

Markets and agriculture linkages  
for cities in Asia



RIFAV



## Working Paper



### Poor consumers' access to supermarkets in Vietnam

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January 2006

## FOREWORD

This study has been conducted within the framework of the project "Making markets work better for the poor," (MMWB4P) funded by the Asian Bank of Development and as part of the study "The poor's participation in supermarkets" coordinated by CIRAD. According to the progress report (Moustier, 2005), "the main objective of the study is to assess conditions for an increased involvement of the poor in the food value chains driven by supermarkets and other value-adding outlets, and more generally for increased benefits brought by food marketing activities to poor farmers in Vietnam. The study also investigates the comparative benefits of the different types of food distribution outlets for the poor as consumers". A synthesis of this last point is reported here.

Many studies have been conducted on the impact of supermarket development on the upstream component of the food chain but very few address the effect on the downstream component: consumption. This study attempts to contribute to filling this deficiency, through (1) a synthesis of very scattered sources from various disciplines on the possible impact of supermarkets' development on food consumption and poor households and (2) a survey on the present food purchasing practices of poor households in Vietnam.

These practices have been studied in three places (see table 1): Hanoi the capital, Ho Chi Minh City the largest city of the country and Moc Chau a secondary town in the northern mountain area (Son La Province). In Hanoi and Moc Chau, this work was carried out under the responsibility of Muriel Figuié (Cirad) and Nguyen Duc Truyen (IOS-VASS), by enumerators from the Institute of Sociology, and with the support of the local Women's Union. In Ho Chi Minh City, this study was carried out under the responsibility of Phan Thi Giac Tam (Nam Long University).

In Ho Chi Minh and Moc Chau, food purchasing practices have been studied through a "24h recall survey" (reported practices for the last 24 hours). In Hanoi, purchasing practices have been monitored during one week. Survey has been conducted with the person with primary responsibility for food shopping in the household. Moreover comparison of prices between outlets in Hanoi and Ho Chi Minh City has been made (by H.B.An, RIFAV and P.T.G Tam, Nong Lam University).

We present in this synthesis the data regarding supermarkets in order to analyse the present and potential insertion of supermarkets in the food purchasing practices of poor households in Vietnam.

**Table 1. Consumption surveys**

<b>2005</b>	<b>Hanoi</b>	<b>Ho Chi Minh City</b>	<b>Moc Chau</b>
<b>Sample</b>	110 poor households in Quynh Mai area	52 poor households 65 non poor households in Nguyen Cu Trihn ward	110 poor households
<b>Data collection</b>	one week monitoring and focus group discussions	one visit survey	one visit survey
<b>Price comparison</b>	basic foodstuffs	Vegetables Sugar	no comparison
<b>Responsible</b>	CIRAD/IOS RIFAV (price collection)	Nam Long University, Faculty of Economics	CIRAD/IOS

*Note: the poverty line was taken from women's union.*

***Related project reports:***

- Figuié, M. and Nguyen Duc Truyen (2005). The poor consumers' access to supermarkets in Hanoi. Project report: Making Markets Work Better for the Poor, The Poor's Participation to Supermarket in Vietnam. Hanoi: Malica (CIRAD-IOS) and Asian Development Bank: 63p.
- Hoang Bang An (2005). Price Comparison between Supermarkets and other Distribution Points in Hanoi. Project report: Making Markets Work Better for the Poor, The Poor's Participation to Supermarket in Vietnam. Hanoi: Malica (RIFAV) and Asian Development Bank: 4p.
- Moustier, P. (2005). The Participation of the Poor in Supermarkets and other Distribution Value Chains (MALICA-MMWB4P). Progress report. Hanoi, CIRAD-MALICA: 10p.
- Phan Thi Giac Tam (2005). The Poor Consumers' Access to Supermarkets in Ho Cho Minh City. Project report: Making Markets Work Better for the Poor, The Poor's Participation to Supermarket in Vietnam Hanoi: Malica (Nam Long University) and Asian Development Bank: 30p.

## MAIN FINDINGS

(see table 2)

### Poor consumers

Social policies in Vietnam do not address the poor as “consumers”, but instead, mainly as “farmers” or “ethnic” categories, through rural development support programs. This has proved to be efficient regarding the important decrease of poverty during these last years: 25% of households were under the food poverty line (less than 92\$/cap/year for food expenditure) in 1993, compared to 10% in 2002 (GSO, 2004). But these policies could be partially unsuitable in the coming years, if we consider the social transformation occurring in urban areas (increasing migration going with employment and accommodation problems).

Poor consumers are sensitive to change in food distribution system. Mostly because food represents a very high share (70%) of the value of their consumption. And the urban poor, having a low share of home production (less than 4% of self consumption in urban areas, 32% in rural ones) are much sensitive to food prices variations. Now, after a period of stability, food prices have begun to increase since 2004: +17.7 % for the staple food, + 15.6% for the other foodstuffs, for the year 2004. What could be the impact on these vulnerable households of the present modernisation of the food distribution system in Vietnam, and more specially the supermarkets development?

### Share of supermarkets in poor households purchasing practices

In Vietnam, the development of supermarkets is still at its beginning. We assessed that supermarkets represent 0.8% of national food market in 2002. Their present strategy is to gain customers among the middle or high income classes, of the major cities of the country: (Hanoi, Ho Chi Minh, Da Nang, Hai Phong, ...). There is not yet any supermarket in secondary cities such as Moc Chau. This situation may be considered as characteristic of the first stage of the same pattern in the rise of supermarkets development observed all over the world: “they start in upper-income niches in larges cities and they spread into middle-class and the poorer consumer markets and from larger cities to secondary cities to towns and from richer urbanised zones or countries to poorer and less urbanised areas” (Reardon and Berdegue 2002). In Ho Chi Minh City a supermarket chain has just been set in a poor area.

Nowadays, in Ho Chi Minh City, supermarkets are more numerous than in Hanoi (respectively 71 and 55) but in proportion of the population, Ho Chi Minh City is less equipped (one supermarket for 78.000 dwellers in HCM City, but one for 55.000 in Hanoi). Nevertheless, households in Ho Chi Minh City are much more numerous to shop in supermarkets than in Hanoi (table 2):

- ✓ In Hanoi, more than 60% of the poor households of our survey have never shopped in supermarkets and only 2.7% shop there regularly (from few times a month to few times a week). Food expenditure in supermarkets only accounts for 0.3% of the total food expenditure recorded during the week of the survey in poor households. Open air markets, formal or informal, are still the main place for purchasing food, in all households.

- ✓ In Ho Chi Minh City, only 33% of the poor households have never shopped in supermarkets (and 2% for non-poor households), and 38.5 % shop there regularly (81.2% in non poor households).

The higher attending of supermarkets in Ho Chi Minh is confirmed by other sources. In Hanoi,

As regards food purchased in supermarkets, poor consumers mainly buy processed food, i.e., milk and dairy products, instant noodle, canned food, and processed meat (in Ho Chi Minh City, non poor households buy the same main products, plus sweets).

### **Limits for poor households shopping in supermarkets**

Prices, habits, distance are the main reasons quoted by consumers for not shopping in supermarkets.

**Daily purchasing practices, importance of freshness.** Many of the respondents have quoted that they do not shop in supermarket because this is “not in their habits”. But what do they really mean? Poor households in Hanoi purchase very often and for a small amount: 13 purchases a week, 17,000 dong by purchase. This might be linked to the limited assets of the households (fridge, freezer,...) and the inability to transport big quantity of good. But the importance of freshness for Vietnamese consumers (confirmed by many studies in Asia) might explain also this practice. Fresh food products are very important in the Vietnamese diet (especially vegetables) and buying food daily is seen by consumers as a guaranty of the freshness of the product and then of its safety (Figuié 2004). And consumers show some reluctance for food kept refrigerated.

**High price** of products is another main reason quoted by respondents to explain they low attendance of supermarkets (and the price to pay for parking the motorbike). Food shortage can be important in these households (29% of the poor households in Ho Chi Minh declare to suffer regularly from food shortages, but only 2% in Hanoi) and these consumers are highly budget-conscious. Hanoi supermarkets do offer higher prices than open air markets (especially for vegetables +40% to +160%, according to our survey). But in Ho Chi Minh City a comparison of prices (for vegetables) does not show much difference. In fact this mention of high prices may be related to a global vision that, in a way, supermarkets are not for poor people: the shame quoted by few respondents in Ho Chi Minh City for poor clothing when visiting supermarkets and this common remark in Hanoi “poor do not shop in supermarkets” reflects this perception.

**Proximity.** Distance from home is another main reason for not shopping in supermarkets. Poor households have a limited purchase area (2 km radius in Quynh Mai, while the nearest supermarket is at 2 km). This is partly due to the lack of mean of transportation in these poor households. The question of distance has to be related to the one of time spending: time to park your motorbike (whereas you can shop from your motorbike in other outlets), to deposit your bag at the security desk, to wait at the

cashier... This is important considering that 47% of the persons in charge of food purchasing in our study in Hanoi work more than 10 hours a day. Distance must also be related to the question of trust. Developing personal relationship with retailers is important because this ensures (1) access to credit (one household out of four in our Hanoi sample had borrowed money to buy food during the month before the survey) and (2) the guarantee not to be misled on the quality of the goods bought: "I live here since longtime, I am well-known, traders cannot mislead me". For poor consumers, who cannot use high prices as a signal of quality, this is particularly important.

### **The potential of development of supermarkets**

Poor consumers generally have a rather good opinion of their primary food outlets (formal or informal markets, shops). Supermarkets and street vendors set themselves apart of this global assessment, giving two specific and opposite images: good price and rapidity but low quality of the products for street vendors, high quality but high prices and time spending for supermarkets.

Supermarkets are mainly seen as a place of high quality and trustable products (no fake products). Even those who do not shop in supermarkets have a very good opinion of this retailing point. They do not express any frustration for being excluded of this distribution channel. Supermarkets contribute to a sort of "enchantment" characteristic of a developing society of consumption: they should not be assessed only in terms of utility but they must also be viewed as places that offer pleasure and dream: if it is not a place to shop quickly, it is according to the respondents a place of leisure, offering cool air, playing ground for children (free of charge), or more simply places to sit. Those who have never been in supermarkets have heard about them from friends and relatives and really wish that they could visit one, one day.

Supermarkets symbolize the dream of access to the society of consumption, after a hard shortage period.

### **Impact of supermarkets development on poor households**

Assessing the impact of supermarkets development on poor consumers is quite difficult for the moment because they are at the first stage of their development. Supermarkets' development is supposed to benefit poor consumers in the second stage of their implementation, when they reach some economies of scale which allow them to lower their prices. But prices are not the only economic problem, access to credit is another one. Some private initiatives in other countries aim at encouraging access to supermarket for poor consumers through credit facilities (such as the Yamada supermarkets in Brazil who focuses on poor workers from informal sector).

Shall we regret, from a perspective of social development (and not from a commercial one) that Vietnamese poor consumers are little integrated into the modern distribution sector?

The results of our study relate back the questions of poor consumers' access to supermarkets to the question of (1) the access to food quality (2) the impact of the formalisation of the food distribution sector.

Whether supermarkets really offer safer products, as consumers pretend, is still to be checked. Nevertheless, at the moment, supermarkets seem to be the only actor in Vietnam able, through private standards, to improve the quality of the goods offered to consumers, facing the weaknesses of the State to impose public standards. Access to safe food is a right for all consumers and health being a public good, it should not be let only in the hands of private actors. This suggests to support the State in ensuring food safety for all, and to support collective actions, such as the one of producers or consumers associations.

Impact of supermarkets development relates back also to the present State's effort to officialize the Vietnamese food distribution sector, where informal economy is quite important. Poor consumers use a large number of kinds of outlets, which present complementarities. They consider with worry the process of officializing of food distribution sector which could decrease the offers in terms of retailing points and increase the price, due to the taxes that vendors have to pay (not even considering the impact in terms of income for the poor involved in the informal food distribution system).

Moreover we should consider the possible negative impacts of supermarkets development in a longer term. Our literature review suggests that the supermarket development should be accompanied by policies which help reduce the possible long-term negative impacts on consumption, such as 1) possible increasing food prices as a consequence of market concentration (Kinsey, 1998), 2) food dependency and unbalanced trade (through an increase of food importation, as the declared objective of the Cochrane programme funded by USDA, Hagen 2002), 3) decreasing number and diversity of food retailing outlets (Wrigley and al, 2002), 4) un-balanced diet (Tordoff, 2002), and 5) development of a culture of "retailtainment" (Badot and Dupuis, 2002) to the detriment of practical knowledge about food purchasing and other cultural activities.

This study suggests the necessity to build policies in order to accompany supermarket development considering consumers' interests, with the objective to avoid excessive concentration, to keep a balance in the different forms of outlets, and to enforce public quality standards to ensure the right of all to safe food.

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**Table 2. Selected results of the consumer surveys (1 euro= 20.000 VND)**

2005	Hanoi	Ho Chi Minh City		Moc Chau
	Poor households	Poor households	Non poor households	Poor households
Average income in the sample (VND/cap/month)	350.000	254.000	1.522.000	210.000 VND
Food expenditure VND/household/day	22.800	20.600	42.500	10.500 (but self consumption)
% of households suffering regular food shortage	2%	29%	0%	30%
% of families receiving food aid	50%	52%	14%	62%
% of supported families receiving food aid from government	5.5%	74%	33%	8.2%
Main place of shopping (% of food expenditure)	1. informal market (82%) 2. shops (9%)	1. formal market 2. hawkers	1. formal market 2. supermarkets	1. informal market (30%) 2. formal market (26%)
% of households with fridge	56.5%	15%	83%	7%
% of households with car	0%	0%	4.6%	0%
% of households with motorbike	53%	36.5	87.6	45.5
Prices of fresh products in supermarket compared to open air markets	higher	nearly equivalent		no supermarket
Frequency of households who never shop in supermarket	61%	33%	2%	100%
Frequency of households shopping few times / a month or a week in supermarket	2.7%	38.5% (3.2 times/month)	81.2% (6.4 times/month)	0%
Food expenditure in supermarkets	0.3% of total food expenditure milk and dairy products, instant noodle, processed meat	instant noodle, canned food, processed meat, milk and dairy products	canned food, sweet, dairy product, instant noodle	0%
Perceived advantages of supermarkets	quality and diversity of the products	quality and diversity of the products, pleasant place	high quality, no fake goods, "in my habits"	
Perceived disadvantages of supermarkets	high prices, "not in my habits", far from my home, takes time	high prices, "not in my habits"	high prices	

## MALICA (markets and agriculture linkages for cities in Asia)

Le consortium MALICA associe des instituts de recherche français et vietnamiens : le CIRAD (le centre de coopération internationale en recherche agronomique pour le développement), l'IOS (l'institut de sociologie de l'académie vietnamienne de sciences sociales), le RIFAV (l'institut de recherche sur les fruits et légumes), le VASI (l'institut des sciences agronomiques du Vietnam), l'université agricole de Hanoi, et l'université agricole et forestière de Ho Chi Minh Ville. L'objectif principal est de renforcer la capacité d'analyse des marchés alimentaires et des relations entre villes et campagnes des chercheurs, étudiants, cadres de l'administration, responsables de groupes privés. MALICA met au point des méthodes qui sont appliquées à des projets visant à adapter la production alimentaire locale et la demande du marché intérieur, en quantité et qualité (ex : projet régional sur l'agriculture périurbaine, SUSPER ; projet sur les comportements alimentaires et la perception des risques). Les mécanismes d'information et de concertation des acteurs de l'offre et de la demande sont considérés, en complément aux analyses classiques de l'efficacité technique et économique des filières à leurs différents stades.

Les méthodes d'analyse de la consommation et des filières sont appliquées à deux domaines de recherche prioritaires : l'élaboration de la qualité dans le secteur alimentaire ; la régulation des flux d'origine périurbaine, rurale et extérieure. Les principales activités réalisées concernent l'application de ces thématiques aux filières légumes, porc et maïs ainsi que l'analyse des marchés de gros.

The MALICA consortium brings French and Vietnamese research institutes together. These include the CIRAD – centre de coopération internationale en recherche agronomique pour le développement, the IOS – the Institute of Sociology of the Vietnamese Academy of Social Sciences, the RIFAV – the Research Institute on Fruits and Vegetables, the VASI – the Vietnam Agricultural Science Institute, as well as the Hanoi Agricultural and Forestry University of Ho Chi Minh City. Its main objective is to reinforce the capacity of researchers, students, administrations as well as private groups in analysing food markets and city/country relations. These methods are applied to projects which aim at a correlation between local production and local market demand, in terms of both quantity and quality, such as the regional periurban agricultural project, SUSPER, or the project about food behaviour and risk perception. Stakeholders' information and cooperation mechanisms are taken into consideration as a complement to classical technical and economic efficiency analysis for different stages in the commodity chains. Methods of consumption and commodity chain analysis are applied to two priority research fields: increasing quality in the food sector; and the comparative advantages of periurban and rural flows. The main activities over the past year have focused on the application of these methods to the vegetable, pork and maize commodity chains and the analysis of the wholesale markets.

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