The Crisis of Food Brands
Sustaining Safe, Innovative and Competitive Food Supply

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Are Supermarkets Poor-friendly? Debates and Evidence from Vietnam

BY PAULE MOUSTIER,* MURIEL FIGUIÉ,† DAO THE ANH* AND NGUYEN THI TAN LOC§

Keywords

supermarkets, Vietnam, poverty, street vendors, farmer organizations, quality.

Abstract

Are supermarkets poor-friendly? Scientific literature offers a controversial answer to this question, and this study compares the viewpoints of different authors for the case of Vietnam. Surveys of the access of poor consumers, traders and farmers to different food retailing points in the country's main cities show that supermarkets are not adapted to the specific constraints of poor consumers. Street vending and informal markets generate more employment than supermarkets, especially for the poor. Poor farmers have no direct access to supermarkets because of the high volume, stringent payments and quality requirements they impose. Recommendations aimed at maintaining the diversity of retail trade and supporting supermarket access for poor producers emerge from this analysis.

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Introduction

This chapter investigates the potential benefits and risks of the development of supermarkets relative to other forms of food distribution, especially for the poor population of Vietnam. The poor here include consumers and traders as well as farmer producers. The first section of this chapter explores the rapid development of supermarkets throughout the world and particularly in Asia and Vietnam. This development has been accompanied by marketing innovations and the concentration of capital among selected investors. Issues relating to the distribution of value generated by supermarket development, especially in Vietnam where poverty alleviation is a major policy concern, are raised in the second section. The controversies spawned by these issues are then developed, including the positive approach applied to the development of supermarkets in Vietnam versus a more balanced approach investigating the potential exclusion of the poor due in particular to labour-intensive technologies and diversity in the types of food distribution. The relevance of this balanced approach is confirmed by empirical evidence gathered in Hanoi and Ho Chi Minh City regarding the access of poor consumers, traders and farmers to different food retailing points. Managerial recommendations suggest ways that each of these food retailing points could sharpen their competitive advantages relative to supermarkets, especially in terms of consumer proximity. This chapter also addresses supermarkets and ways to incorporate small-scale suppliers. The conclusion provides an examination of the intrinsic value that the Vietnamese situation demonstrates and the need to preserve diversity and consumer proximity in food distribution, which has now declined in many other countries.

Background

Although Vietnam continues to receive praise for its success in poverty alleviation, poverty and unemployment remain major concerns for the government and donors. In 2004, the poverty rate was estimated at around 20 per cent (compared with 58 per cent in 1993). Vietnam would like to achieve the status of a middle-income country by 2010 and increase its present gross domestic product of 600 (US) dollars to a level in excess of 1000 (US) dollars per year. Poverty in Vietnam is mostly rural; the rural poverty rate is 25 per cent compared with 4 per cent in cities. Yet urban poverty often gets underestimated, because most migrants are not registered and do not benefit from social services. Cities also are growing at a rate of 3 per cent per year, though urbanization remains limited in comparison with other Asian countries (for example, 25 per cent in 2002 compared with an average of 36 per cent for Southeast Asia). Reducing rural and urban poverty is one of the four pillars – termed social inclusion – of Vietnam's 2006-2010 Socio-Economic Development Plan.

Food distribution is a key factor for the social inclusion of the poor, because it creates small-scale business activities and affects the access of the poor to food commodities. Although not as rapid as in other countries of Asia, such as Thailand, the development of supermarkets in Vietnam is progressing at a steady pace. In late 2001, Vietnam had a total of 70 supermarkets, 32 in Hanoi and 38 in Ho Chi Minh City, whereas there had been none before 1990. Consumers also are expressing growing concern for the quality – and more importantly safety – of food products. This demand has encouraged the development of supermarkets as the point of sale for food products and is promoting new retailing enterprises operating through market stalls or shops, for which efforts toward
visual quality (for example, attractive presentation or packaging) and communication about product safety represent major promotional tools.

The rapid development of supermarkets in both developed and developing countries has been extensively reported on in the last decade, particularly by Reardon and Berdegué in Latin America and through a recent workshop organized by FAO in Malaysia with regard to the Asian context. In Asia, the first supermarkets emerged in the 1990s, and Malaysia is reportedly the most advanced in terms of supermarket development. China has seen a staggering rise in supermarket development, with annual growth rates of 40 per cent for supermarket outlets and 80 per cent in the value of sales.

In Vietnam, the marketing of fruits and vegetables is still characterized by a diversity of distribution chains that include formal and informal markets, street vendors, shops and supermarkets. Formal markets are planned by the state (may be totally or partially roofed), and each has a management board. In these markets, retailers pay monthly rent for their stall, plus taxes. Informal markets are open air and not subject to state planning. Street vendors usually are mobile vendors selling from baskets, bicycles or motorbikes who move from one place to another. Street vendors also may sell as groups at certain times in the day. Stores are defined as a shopping area of less than 500 m², with walls and roofs. They are commonly set up on the ground floor of residences. According to the Vietnamese Ministry of Trade, supermarkets are diversified retail sale units occupying an area of more than 500 m² and characterized by self-service and various infrastructures, including parking areas.

The government is promoting the expansion of supermarket distribution and had plans to eliminate all informal trade at the time of this research work. The examples reported from other countries raise doubts about the sustainability of forms of food distribution other than supermarkets. In Latin America for example, where poverty affects 40 per cent of the population, supermarkets experienced rapid growth, initially in major cities (1980s), followed by small cities and towns (late 1990s). Supermarkets were initially established in wealthier neighbourhoods and then middle-class areas, before finally reaching working-class areas. Their share in supplying consumer demand increased from 10 to 20 per cent by 1990 and then to 50–60 per cent in 2000, a growth pattern that took 50 years in the United States. In Guatemala, the poorest country in Latin America, supermarkets increased in number from 66 in 1994 to 128 in 2002 and sell 35 per cent of the total quantity of food sold in retail outlets (up from 15 per cent in 1994). Since the 1990s, Asian countries such as Singapore, China and Thailand have had increased access to supermarkets, the diversity of which reflect the living standards of the customer base. In Thailand and Taiwan, large-volume distribution represented 20 per cent of fresh product purchases in 2000. Three main factors explain the growth of large-volume distribution worldwide: (1) urbanization; (2) growth in incomes, which has both direct and indirect effects (for example, purchase of refrigerators, means of transportation); and (3) increasing proportions of working women.

Issues

The development of supermarkets goes hand in hand with value-adding activities: 'Modern' wholesale and retail firms are characterized by investments in shelf presentation (packaging, storage), advertising and selection of suppliers based on quality and regularity criteria. These investments, together with the economies of scale generated by volume distribution, add
much value to the business of food retailing, compared with more traditional retail outlets that sell uniform, undifferentiated products to consumers. Thanks to economies of scale, they also have the potential to cut distribution costs and offer more affordable products to consumers. Although at present, most supermarkets still sell at higher prices than marketplaces in developing countries, the situation may change as supermarkets expand, as was the case in Latin America in the 1990s. The challenge is how to ensure that the value added by these new enterprises can be distributed effectively to the poorest people rather than primarily bringing profit to those who are able to invest in this demanding business and excluding the poor who cannot compete with them. What are the effects of new distribution chains on the poor, who are both consumers and suppliers of food products? How can the modernization of distribution better fit the demands for food and income for the poor? Which, among present and alternative distribution chains, should be promoted and supported with more positive effects for the poor?

These issues are all the more acute in developing countries, where poverty reduction, employment generation and affordable food are major concerns of many governments and donors. Currently, the planned rapid increase in supermarkets and the elimination of provisional markets and street vendors appear in the strategy of the Vietnam Ministry of Trade's Domestic Trade Department from the present until 2020, based on the grounds of ‘modernization’ and ‘civilization’.

**Controversies**

The debate about rapid supermarket development throughout the world can be expressed as follows: It is a positive approach to food modernization, an innovation that benefits all actors in the chain, or it is a negative approach that injects foreign capital into the economy to the detriment of local actors. In Vietnam, the first position usually appears in documents and in the policy statements of public officials and international experts. The idea of modernizing food distribution as a positive innovation has been convincingly summarized by Hagen. One of the main features of retailer innovation is self-service, which goes hand-in-hand with pre-packaging and thus protects products from damage by handling. Mass distribution enables economies of scale and market power, themselves drivers of cost reductions. According to Hagen, most of these innovations have a positive effect on cost reductions, and if the private sector is slow to adopt them, it is mostly because of a lack of external impetus.

Yet this characterization may be a naïve assessment of innovations. Innovations are rarely neutral, relative to the factors of production; they are generally biased in favour of capital. Most of the innovations listed by Hagen require substantial capital investment. Some of them are labour-saving, such as self-service, mass volume distribution and scanning cash registers, whereas others transfer labour from traders to consumers (for example, self-service), from traders to employees (cash registers) or from traders (and consumers) to farm enterprises (pre-packaging, processed food). Because food retailing has very high labour costs relative to profits, modern retailers such as Wal-Mart have paid much attention to managing them and increasing labour productivity. The problem with labour-saving and scale-biased innovations is that they have a greater negative impact on employment of the poor and may be less suitable to a country like Vietnam, where labour is in excess supply, than is the case with capital-saving or neutral innovations (without massive credit programmes focusing on the poor).
A major challenge for poverty reduction may be the need to develop capital-saving and scale-neutral innovations. The flexibility of street vending may enable access to consumers in a decentralized way, which could be regarded as an innovation that reduces costs (time, money) for the consumers compared with the more centralized distribution patterns of supermarkets. In Europe and the United States, the development of modern distribution systems has coincided with greater concentration of power in the hands of a few multinationals (for example, Wal-Mart), less favourable working conditions, lower salaries for employees and the creation of 'food deserts' (areas where it is difficult to purchase food if consumers do not have their own means of transportation).14 Numerous advocates of 'alternative distribution food chains' claim that citizens should be able to access local, neighbourhood, small-scale retail points – run directly by farmers if possible – rather than being limited to mass-scale monopolistic distribution.15 Supermarkets vary with regard to social objectives (balancing ethical standards versus competitive pricing); there should at least be the promotion of 'responsible' supermarkets. As for the impact of supermarkets on food prices, the situation is highly variable according to the stage of supermarket penetration and the nature of the products they sell.16

Reports from other countries show that supermarkets have brought about several changes that challenge small-scale farmers. Food quality standards developed by supermarkets compensate for the absence or inadequacy of public standards. They also serve as marketing tools, enabling supermarkets to compete with the informal sector by claiming superior product attributes.17 In addition, large volume requirements, daily delivery obligations, requests for deferred payments and the need for bank accounts all result in the exclusion of small-scale farmers.18 The characteristics of small-scale family agriculture, with its diverse farming systems and practices that result in disparity and a lack of uniformity in agricultural produce, complicate matters for supermarkets that have exacting requirements and standards. This typical situation marks Vietnam, where tens of millions of farmers cultivate less than one hectare per household.19 Thus, intermediaries such as wholesalers or farmer organizations can play important and needed roles by connecting farmers and supermarkets, providing economies of scale and offering specialized skills in product assembly, grading and the transfer of information between buyers and sellers.

We advocate a balanced attitude when analyzing the impact of innovations on all actors in the chain of supermarket development, one based on stringent assessments of the impact of different types of distribution with variables pertaining to of capital and labour resources for consumers, traders and farmers. These issues are not commonly dealt with in existing literature, which highlights the value of this research presented for the case of Vietnam, which investigates the impact of supermarkets and alternative distribution chains on the poor, who include consumers, traders and farmers.

Methodology

To test our hypotheses, we collected data about the access enjoyed by both farmers and consumers to the various distribution points and the reasons that determine their choice of retail outlets, with a focus on poor households. We also used secondary and census data to estimate the impact on employment (induced by centralization) of the various distribution points. The data collection methods are summarized in Table 18.1 and Table 18.2.
Table 18.1 Nature of data collection by issue

<table>
<thead>
<tr>
<th>Issue</th>
<th>Nature of information</th>
<th>Collection method</th>
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<tbody>
<tr>
<td>Trends in the nature of distribution</td>
<td>Changes in retail points; policies on food distribution</td>
<td>Documents from interviews with Vietnamese Department of Trade and other government levels (Vietnam)</td>
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<tr>
<td>points</td>
<td></td>
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<tr>
<td>Consumer access</td>
<td>Where and what they buy and why they buy at certain places</td>
<td>Surveys of poor households: 110 in Hanoi, 52 in Ho Chi Minh City (+65 non-poor)</td>
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<tr>
<td>Price differences between supermarkets,</td>
<td>Comparison of 10 products in Hanoi and Ho Chi Minh City</td>
<td>Comparison of 10 products in Hanoi and Ho Chi Minh City between supermarkets, shops, street vendors and markets (3 points/type, 3 vendors/type, randomly selected)</td>
</tr>
<tr>
<td>markets and street vendors</td>
<td></td>
<td></td>
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<tr>
<td>Supplier access</td>
<td>4 value chains analyzed (vegetables in Hanoi and Ho Chi Minh City, lychee in Bac Giang, rice in Hai Hau)</td>
<td>Census in 2 districts and extrapolation (Vietnam)</td>
</tr>
<tr>
<td>Impact on employment (retail)</td>
<td>Number of people employed by supermarkets, markets, shops and street vending</td>
<td>Census in 2 districts and extrapolation (Vietnam)</td>
</tr>
<tr>
<td>Mapping of value chains</td>
<td>Nature and location of intermediaries</td>
<td>Cascade interviews from sample retailers to farmers (Vietnam)</td>
</tr>
<tr>
<td>Organization of value chains</td>
<td>Relationships (horizontal + vertical)</td>
<td>In-depth interviews among a sample group of traders (retailers, wholesalers, collectors) and farmers (Vietnam)</td>
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<tr>
<td>Performance of value chains</td>
<td>Constraints and opportunities in production and marketing</td>
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<td></td>
<td>Distribution of costs and benefits</td>
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CONSUMER SURVEYS

Our results combine quantitative and qualitative data for a simple descriptive analysis. Surveys on the access of poor consumers to different retailing points were performed in Hanoi (the capital of Vietnam) and Ho Chi Minh City (the country’s largest city), together with a comparison of prices among different points of sale in these cities.

The poor are rarely considered consumers. Most studies conducted in Vietnam pertaining to purchasing habits attempt to assess the potential for expanding modern distribution systems in Vietnam. They thus focus on middle- or high-income consumers. This study is the first to analyze the purchasing habits of poor consumers, an approach with some specific difficulties and limitations (for example, surveying a sufficient number of people to obtain a representative sample). We choose to combine the data on declared practices with observed practices through a follow-up study of 107 poor families. This approach succeeds because the focus of the study is mostly a description of the constraints on consumer food purchases and because it sidesteps the specific limitations and difficulties of an impoverished sample population.

The chosen survey area, Quynh Mai district, is a poor district in Hanoi, 21 populated by government factory workers and their families (their official monthly income at the time of the survey was 40 US dollars for at least a 48-hour week). In practical terms, the families earn a low but regular income, which reflects the increasing number of factory workers in Vietnam. Although this sample group may be quite different from a group of unregistered families who have settled in Hanoi and are unemployed or without a regular income (and
Table 18.2 Sample interviews of farmers and traders

<table>
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<th>Commodity</th>
<th></th>
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<tr>
<td></td>
<td>Lychee (to Hanoi)</td>
<td>Vegetables (to Hanoi)</td>
<td>Vegetables (to HCMC)</td>
<td>Rice (to Hanoi)</td>
</tr>
<tr>
<td>Supermarket managers or purchasers (1)</td>
<td>13</td>
<td>13</td>
<td>8</td>
<td>19</td>
</tr>
<tr>
<td>Wholesalers (2)</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>6 Hanoi wholesalers</td>
</tr>
<tr>
<td></td>
<td>3 Hanoi wholesalers</td>
<td>3 food companies</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>20 Hanoi wholesalers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market retailers (3)</td>
<td>6</td>
<td>8</td>
<td>6</td>
<td>10</td>
</tr>
<tr>
<td>Shop vendors (2)</td>
<td>6</td>
<td>11</td>
<td></td>
<td>10</td>
</tr>
<tr>
<td>Street vendors (4)</td>
<td>(all fruit)</td>
<td>30</td>
<td></td>
<td>10</td>
</tr>
<tr>
<td>Collectors (2)</td>
<td>3</td>
<td>5</td>
<td>4</td>
<td>13</td>
</tr>
<tr>
<td>Farmers</td>
<td>north of Vietnam</td>
<td>Moc Chau: 32 randomly chosen from list given by local authorities. The head of Moc Chau farmer's association and five members of the association. Soc Son: 4 farmers in the groups supplying supermarkets, 12 farmers outside the groups supplying supermarkets. Dong Anh: the head of farmer association (Van Noi) supplying one supermarket.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>North of Vietnam</td>
<td>Cu Chi district: 2 heads of farmer organizations, 5 members of the organization, 5 outside the organization. Lam Dong Province: 3 heads of farmer organizations, 120 farmers, including one third members of organizations.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Hai Hau district: 44 farmers in 2 communes (Hai Phong, Hai Toan) randomly chosen from list given by local authorities including 24 non-members of the organization and 20 members. Head of rice farmers' association.</td>
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</table>

(1) This number accounts for more than 80 per cent of the total number of supermarkets selling the selected products in the selected cities; the choice of supermarkets is representative of their diversity in terms of scale and location.

(2) This number accounts for more than 30 per cent of the total number of traders selling the selected products in the selected cities; they were chosen to be representative of the diversity of traders in terms of scale and location.

(3) The study also used the results from secondary studies of the organization of traditional fruit and vegetable markets in Hanoi that provide data about the source and nature of mediators in commodity chains, based on a representative sample of traders.

(4) Street vendors were interviewed in two districts: one medium to high income and one medium to medium income (randomly chosen in all areas of these districts).
who perhaps still depend on their village of origin for food provision), it nevertheless
draws a comprehensive picture of the poorer strata of society. Similarly, the Ho Chi Minh
City sample group, though small in absolute size (52 poor households and 62 non-poor
household surveyed on a single occasion), provides interesting points of comparison.

CASE STUDIES OF VALUE CHAINS

Four value chains were considered for case studies:

1. Lychee to Hanoi from Yen The and Luc Ngan districts in Bac Giang province in the
north.
2. Vegetables supplied to Hanoi from Soc Son (in suburban Hanoi) and Moc Chau (a
secondary town in the northwestern mountains, in Son La province).
3. Vegetables supplied to Ho Chi Minh City from peri-urban areas (Cu Chi district), as
well as from the Duc Trong and Don Duong districts in Lam Dong province.
4. Flavoured rice from Nam Dinh Province (Hai Hau district) in the North of Vietnam.

The choice of the case studies was based on the involvement of the poor (albeit in
small numbers) in production and trade, as well as the involvement of supermarkets and
other quality chains in the marketing process.

To identify different supply and distribution chains, we use representative samples of
traders. To quantify the access of farmers to the chains, we gathered data from interviews
with commune and district leaders, as well as in-depth interviews with a sample of poor
and non-poor farmers in selected villages and with the heads of eight selected farmer
organizations supplying supermarkets. The villages from which the farmers were selected
are representative of the diversity of farmer profiles (even though the sample size used is
too small to draw definitive scientific conclusions). We gathered information from the
interviews with the provincial authorities and a representative sample of farmers from
these villages, determined by random selection from a list supplied by the local authorities.
In-depth interviews of stakeholders along the chains helped us investigate three key
interlinked conditions: the horizontal and vertical coordination that links the poor to the
markets; the distribution of costs and benefits between the farmers and the traders along
the chains (incomes have been estimated by adding monetary incomes and the monetary
value of self-consumption, if any); and the respective advantages and drawbacks involved
in supplying different types of outlets, as perceived by the stakeholders.

POVERTY STANDARDS

Prior to commencing the study, we established a baseline poverty level. The national
standard of poverty, 100 000 VND/month in rural areas and 150 000 VND in urban
areas (before 2006), then 200 000 and 260 000, respectively (after 2006), is defined at
the overall national level. In reality, each province has its own standard for poverty.
In its 2004 Vietnam Development Report on Poverty, the Vietnam Consultative Group
acknowledges that the national standard is useful for time-based comparisons of poverty
rates but is inadequate for practical purposes to conduct surveys on poverty or for aid

1 USD = 16 000 VND in 2005.
allocation. This study therefore uses the standards established by the local administrations. For the survey of poor consumers in Hanoi and Ho Chi Minh City, we adopt the standard of the Women's Union, an organization responsible for allocating support funds to poor households, which also guided us toward an ideal target group for surveying. The following definitions of poverty provide the baseline for this study: 80 000 VND/month (5 USD) in rural areas of northern Vietnam, 130 000 VND/month (8 USD) in the peri-urban districts of Hanoi, 250 000 VND/month (16 USD) in Lam Dong province; 300 000 VND/month (19 USD) in Hanoi and 500 000 VND/month (31 USD) in Ho Chi Minh City. Poverty criteria in Vietnam are based on the cost of obtaining a basket of food and non-food products in the respective locality, including expenditures for access to basic services (health, education and transportation), as well as self-consumption of foodstuffs that may be grown and not sold. Thus, though it is a financial definition, it also reflects the difficulties that households experience in accessing primary services.

Empirical Evidence

The empirical data collected in Vietnam confirm the importance of maintaining a diversity of existing food distribution systems for the poor. Despite the advantages of supermarkets and other distribution value chains, the poor still have limited involvement as consumers, traders and farmers.

LIMITED ACCESS FOR POOR CONSUMERS

Viewed from the perspective of poor consumers, more than 60 per cent of households surveyed (110) in Hanoi have never shopped in a supermarket, only 2.7 per cent shop in such stores regularly (a few times a month to a few times a week) and 95 per cent purchase their food from mobile vendors or informal market traders on the street more than once a week. In Ho Chi Minh City, 33 per cent of poor households (52) have never shopped in a supermarket, and only 38.5 per cent shop there regularly. Among poor households in Ho Chi Minh City, 60 per cent visit formal markets to purchase food on a weekly basis, 40 per cent buy from street vendors, 42 per cent purchase from shops and 13 per cent buy from supermarkets. These figures contrast with those for non-poor households, among which only 2 per cent (out of 65) have never shopped in a supermarket and as many as 81.2 per cent shop there regularly. The consumers who do not shop in supermarkets cite prices, time and distance as the main reasons. Comparing prices for 10 products among samples of street vendors, market retailers and supermarkets, we find an average difference of 20 per cent in Hanoi between street vendors and retailers versus supermarkets. Furthermore, poor consumers have positive opinions of their primary food outlets (generally formal markets or informal markets such as street vendors and shops). In particular, poor consumers have specific and opposing perceptions of supermarkets and street vendors: The former offer good quality in terms of food safety but also command high prices and a high time commitment, whereas the latter offer lower quality for a lower price and are more convenient in terms of time and freshness.

Street vending is perceived by trade authorities at the national, city and district levels as having various negative impacts, as reflected by the legislation, including (1) traffic congestion, (2) poor food safety, (3) attraction of illegal migrants to Hanoi and (4) a
bad image for the city. Yet these alleged problems are difficult to assess. Buying from supermarkets implies using a motorbike or car, whereas many consumers can access street food on foot. Food safety also has various dimensions, including the amount of chemical residues, such as fertilizers and pesticides, in the products bought. Because the sources of supply used by both street vendors and fixed formal market retailers are similar, that is, mostly night wholesale markets, the food safety of commodities should be similar. This assumption is confirmed by the quick test analyses of pesticide residues carried out by the Vietnam Fruit and Vegetable Research Institute (FAVRI) in 2004 and 2005. Of a total of 25 samples from street vendors and 23 from fixed formal retailers, only one offending case was found in the sample from street vendors (0.4 per cent) and 2 in the market sample (8 per cent). A higher difference in pesticide residues was observed between products sourced from ordinary markets or street stalls and ‘safe vegetable’ stalls, shops and supermarkets than between informal and formal trade. Excess pesticide residues were also tracked on one sample collected from one supermarket by FAVRI. Another dimension is the problem of waste collection, which may be aggravated by street vendors selling on the tarmac, but this point has not been assessed.

Regarding the bad image of the city, this problem was never mentioned by consumers interviewed in Hanoi. The image of street vendors actually appears as an attractive feature in various Vietnam tourism promotion campaigns.

LIMITED INVOLVEMENT OF THE POOR AS TRADERS

With regard to the poor as traders, according to the survey, supermarkets create less employment in a geographical area and per unit of volume sold than do markets and street vending. The supermarket share of total employment in the retail trade in Hanoi is estimated at approximately 6 per cent (directly) or 11 per cent (if we include indirect employment). Using the limits of Hanoi defined before 2004, street vending accounts for around 32 per cent of retail quantities traded and 37 per cent of employment created by the vegetable retail trade, whereas supermarkets represent 1.3 per cent and 0.6 per cent, respectively; shops provide 9 per cent for both measures; and retail markets account for 58 per cent and 53 per cent, respectively. The figures are even higher for lychee street vending. In addition, we estimate that the retail sale of one ton of vegetables per day provides jobs to 13 street vendors, whereas big supermarkets provide employment to only 4 employees to handle the same volume. Whereas street vending and informal markets employ mainly the poor, with a required investment limited to 400 000 VND, entry to formal markets is constrained in terms of the investment required (around 12 000 000 VND). It may be difficult for the poor to be hired by supermarkets because of their low education. In our sample of 60 street vendors, 18 per cent are poor according to the 2005 threshold of poverty in Hanoi (500 000 VND per month). Other forms of food distribution do not employ the poor. Most street vendors (89 per cent) are part-time farmers who come from rural areas on the periphery of Hanoi. They cannot generate enough income from their farms to feed their families, so street vending provides their main source of income, which supplements their home-grown food and the income generated by the farm. The remaining street vendors (11 per cent) are Hanoi residents of limited income, such as retired women. For these women, street vending is a means of subsistence. In contrast with the rural background of the street vendors, the fixed market
retailers interviewed by Van Wijk et al. generally have backgrounds as either industrial workers or small traders.  

**LIMITED INVOLVEMENT OF POOR FARMERS**

As for poor farmers, though they are potential suppliers to supermarkets, they often lack direct access because of the strict requirements of the supermarket in terms of safety, quantity and provision of invoices. Especially in the case of vegetables, supermarkets want to work with suppliers who can display quality control certificates (even if out of date) and can deliver vegetables and/or other products daily. The bulk of vegetables supplied to Hanoi supermarkets now originate from 'leading safe cooperatives' outside the city (for example, Ba Chu, Dao Duc) or semi-public companies (for example, Hadico, Bao Ha). 'Safe vegetables' refer to those vegetables produced in areas where farmers have received training in low chemical production. Safe vegetable cooperatives consist of voluntary associations of farmers who have neighborhood and/or family relationships and a higher-than-average financial capacity and land size. The cooperatives also have small vans to transport vegetables to the supermarkets and can collect enough vegetables to meet the supermarkets' requirements in terms of quality and diversity.

In our investigation of the value chains, we find poor farmers' participation in supermarket supply is limited to some members of farmer associations that supply supermarkets with specialty products, in addition to farmers supplying food companies with flavoured rice on an individual basis. Of the 3000 farmers producing flavoured Hai Hau rice, approximately 20 per cent (600) are poor; 103 of them (3 per cent) have their products sold in supermarkets either through their farmer association (52) or through food companies. In the Moc Chau region, 102 farmers grow tomatoes, and 20 of this group sell to one cooperative that supplies safe vegetable shops. Among these farmers, four have contracts with the cooperative, and two are salaried by the cooperative. These six farmers are from the Thai ethnic minority. They have stepped out of poverty due to their involvement in the cooperative vegetable supply for the past 10 years. They were previously involved in rice and maize production for self-consumption, but the commitment of the cooperative to endorse the risks, in case of production losses, and the guaranteed purchase of all outputs by the cooperative convinced them to become involved in commercial tomato production. Signs of their gradual escape from poverty include extensions and improvements to their residences and investments in a motorbike.

In the Soc Son district of Hanoi province, 80 farmers belong to safe vegetable groups, including 20 farmers who supply supermarkets through a wholesale company, of whom six are poor. None of the vegetable farmers supplying Ho Chi Minh City supermarkets are poor.

Yet supermarkets can yield positive benefits for farmers. For example, the sale of commodities to retailers of high-quality products (including supermarkets and shops) can generate additional income for farmers, especially those who are organized in associations. For example, farmers in the Anh Dao cooperative who supply ordinary tomatoes from the Dalat area to Coopmart generate profits per kilo that are four times higher than those they might receive in traditional chains. In Hanoi, the Soc Son farmers who supply the Bao Ha Company, which in turn supplies supermarkets, receive 23 per cent higher profits than do the other Soc Son farmers. The main advantages of supermarkets for farmers stem from the stability in prices and quantities ordered.
Chi Minh City, vegetable prices paid by supermarkets can be 10–20 per cent higher than the prices paid by traditional chains. In both Ho Chi Minh City and Hanoi, supermarkets purchase consistent quantities of vegetables on a weekly basis at more stable prices than the traditional chains do. This stability can translate into yearly contracts with estimated quantities and prices that are negotiated more precisely each week. However, stability in quantities and prices varies among supermarket chains and is diminishing as a result of increasing supermarket competition and development. Moreover, the disadvantages of supermarkets, according to farmers, relate to their demands in terms of quality, diversity and delivery, as well as less favourable payment conditions (for example, a 15-day payment deadline is a minimum) and their possible opportunistic behaviour, with frequent changes of suppliers by one supermarket. These results are in line with the literature review, which suggests the exclusion of small-scale farmers from supplying supermarkets in Latin America and Asia.

Policy and Managerial Recommendations

The present diversity of retailing points in Vietnam should be maintained, because it fits the diversity of consumer purchasing power and allows small-scale traders to maintain their livelihoods. The different retailing points have comparative advantages for various consumers, which should be strengthened and the disadvantages reduced. Hence, the following recommendations are aimed at private enterprises in food commodity chains. Street vendors and market traders should bring to the fore their advantages, in terms of food freshness and low prices, but also improve their hygiene and develop relations with farmers to ensure food safety. Farmer groups should manage their own shops as a meaningful alternative to supermarkets; they could develop their perceived advantage in terms of food safety by combining internal and external food safety controls. Finally, supermarkets should target local farmer groups in their sourcing of food and provide them with support in terms of food safety development and control.

These recommendations aimed at private stakeholders should be backed up by public support, especially for players with less capital, namely, street vendors and small-scale farmers. The experiences of other countries, such as Korea, India and Singapore, provide examples of the successful integration of street vending in urban planning through the organization of street vendors and dialogue with authorities. Instead of outright prohibiting street vending and informal markets, authorities should support the ‘formalization’ of this sector. They could allow street vendors to operate in designated areas (off main streets). Decisions about relocating markets should occur only after consultation with the traders that may be affected.

Credit support should be provided to vendors who make an effort to upgrade their businesses, including street vendors and quality food shops managed by farmer groups. The organization of special farmers’ markets as alternative distribution channels would enable consumers and farmers to benefit from proximity and the development of trust-based relationships.25

Greater support should be given to farmer associations that are involved in improving the quality of production, such as through the dissemination of success stories, the provision of advisory services (with a particular focus on technical training in the areas of physical quality and food safety), and better access to credit programmes. Another
area for action is participatory food quality control. A widespread system could monitor food safety and impose sanctions in cases of non-compliance, provide laboratories and certification bodies with accreditation standards and encourage participatory guarantee systems (PGS) in which farmer associations, consumer groups and supermarkets form sustainable partnerships. Farmers also could benefit from capacity-building assistance related to forming contractual arrangements with supermarkets, especially through broader awareness of successful examples, access to training in farmers' rights and responsibilities in supplier contracts, and the development of codes of good practices for supermarkets. Finally, farmer groups should receive support in undertaking the administrative steps required to become registered and issue invoices.

Ultimately, consumers should be better informed about the social impact of supermarket development. Public authorities may have little power over the development of supermarkets, given the huge attraction they exert upon consumers. Yet consumers also may not be sufficiently aware of the indirect effects of supermarket development on the network of alternative food distributors. Because their individual purchasing behaviour has broad macro-economic consequences in terms of employment and social welfare, consumers are crucial stakeholders who should be made aware of the consequences of their choice and stand up in defence of their rights in terms of access to diverse food distribution. The present turmoil created by the increased rigidity of municipal laws related to street vending in Vietnam (that is, 62 streets on which street vending is prohibited) has pushed the administration to postpone enforcement of the new laws. Yet these reactions are mostly limited to intellectuals in the media, rather than coming from a consumer association that exists but still lacks financial and technical capacity.26

Conclusions

Vietnam is at a turning point with regard to the nature of food distribution. The present diversity in food distribution presents a unique picture and fits the disparity in the purchasing power of the population. Yet this balance is clearly jeopardized by the present administrative policies and the rapid development of supermarkets. Currently in Vietnam, supermarkets cannot be considered a poor-friendly distribution chain (especially in Hanoi). This finding reflects the capital-intensive rather than labour-intensive nature of the business and the rationale for a limited number of large-scale distribution centres that are not adapted to the transportation constraints of the poor segments of the population. Supermarkets may, however, offer income-generating opportunities for small-scale farmers who can form associations and guarantee product quality. Our study formulates some recommendations designed to help food distribution systems better fit the needs of the poor—be they farmers, consumers or traders. Some of these recommendations have already been acknowledged by public officials, who agree that they are worthwhile, especially the pilot action to allocate specific trading areas to street vendors who comply with rules of hygiene and food safety.

We also recommend further research that provides a more rigorous assessment of the impact of supermarkets on the price of food and farmers' incomes. Our study is limited in terms of time; time-series data could reveal whether, after a number of years in business, supermarkets succeed in cutting prices thanks to their economies of scale. Assessing the impact on farmers also requires time-series data. It would also be interesting
to conduct a thorough comparison of farmers' incomes inside as opposed to outside supermarket chains, based on larger samples and econometric modelling. We share the view of Vorley et al., specifically, that there is an urgent need for research into best practices in connecting small-scale producers with modern distribution channels, based on comparisons across countries and regions with varying degrees of market restructuring and policy environments.

References


23. Van Wijk et al., op. cit.


