



The nature of informal food bazaars: Empirical results for Urban Hanoi, Vietnam

Masayoshi Maruyama*, Le Viet Trung

Graduate School of Business Administration, Kobe University, 2-1 Rokkodai, Nada-ku, Kobe 657-8501, Japan

ARTICLE INFO

JEL Classification:

D12
L81
M31
M38
O17

Keywords:

Informal market
Consumer behavior
Probit model
Vietnam

ABSTRACT

This paper aims to study the interesting phenomenon of informal food markets in urban areas, which have been neglected in the past research. Based on an empirical study of consumer choice between informal and formal markets (markets built-up by street hawkers vs. government-planned markets), this paper provides a basis for understanding the nature of informal markets in the Vietnamese context. The results show that cheap *price* and *convenience* (proximity) are important in shaping the choice by consumers for informal markets for food, while close relationship with sellers or services provided by sellers are not. Shoppers with higher concern for *freshness* and *safety* of fresh food are more likely to shop at formal markets. Additionally, low-income shoppers are found significantly inclined toward informal markets, while higher-income shoppers tend to shop at formal markets. Therefore, these two types of market should be viewed as two marketplaces to serve two segments of consumer groups, rather than two markets competing for a share of the business.

© 2009 Elsevier Ltd. All rights reserved.

1. Introduction

With the failure of its central planning mechanism, the Vietnamese government has recognized that an economy only works well when much of the economy is left to market forces. In 1986, Vietnam introduced comprehensive economic reforms, implying a change from a centrally planned economy to a market economy. The renovation (*Doi Moi*) policy and the progressive introduction of the market economy have produced stunning results. The “marketization” of agriculture lifted millions of Vietnamese out of dire poverty. Many changes in a wide range of aspects of socioeconomic life accelerated rapidly throughout the 1990s.

When the economy was liberalized, markets and private trade mushroomed. Many so-called organized markets were formally created by the authorities (government-planned formal markets). Simultaneously, many cities have become prime areas for the booming, spontaneous development of informal food bazaars (*Cho Coc*), where people who sell goods to the public without having a permanent built-up structure designated by the local government. The rapid development of informal markets was referred to as “Pavement Economy” (see e.g. [Waibel, 2004](#)). The pavements are lined with many small businesses: cooked-food stalls, mobile vendors, meat or vegetable-sellers, etc. The rise in the number of

street vendors could be observed not only in Vietnam but also in many other Asian countries such as South Korea, Singapore, Thailand, Indonesia, Malaysia, India, and the Philippines.¹

It is argued that the boom in this informal sector could be attributed to the shortage of employment in formal sectors. The massive lay-offs at state-owned enterprises forced people to join the informal sector. Poverty in rural areas has pushed people out of their villages in search of a better existence in the cities. It is also something that uneducated or unskilled people can do during slow periods in the agricultural work cycle. Further, informal markets also serve as a method of bringing produce directly to consumers. It could also be that the increase in informal marketing is partly due to the higher cost of participating as a seller in formal, organized markets.

This informal sector plays a significant role in urban areas by providing a variety of low-priced goods, and generating employment for a large number of people. Unfortunately, the common feature in most Asian countries is that the contributions of informal market sellers are hardly ever recognized by the governments ([Sharit, 2005](#)). As an example of a developing country working to create modern cities, the Vietnamese government attempts to control and eliminate informal sector activities and elements, such as peddlers, street-side cooked-food outlets, and spontaneous fresh produce markets (see e.g. [Drummond, 2000](#); [McMillan, 2002](#); [VNE, 2002](#); [BAI, 2005](#); [Sharit, 2005](#)).

* Corresponding author. Tel.: +8178 803 6940.

E-mail addresses: mmaru@kobe-u.ac.jp (M. Maruyama), trunglv@pearl.kobe-u.ac.jp (L.V. Trung).

¹ See [Sharit \(2005\)](#) for a summary of the data on the growth of street vending on different Asian countries.

However, even after decades of trying, the local authorities were unable to suppress these markets (BAI, 2005). The main reasons for the government continuously trying to clear these informal markets are that informal traders clog traffic, create food safety issues, and are “unfair competition” to the formal market traders (BAI, 2005). The “unfairness” arises because informal vendors are able to avoid certain costs of doing business that legal sellers must pay.

Although informal business activity is expanding rapidly in Vietnam and in other Asian countries, to the best of our knowledge there has been hardly any research done on this recent marketing phenomenon. It is necessary to raise the questions as to why sellers continue running informal markets, and why consumers continue patronizing these markets.

This paper does not attempt to answer the policy question as to whether or not illegal hawkers ought to be eliminated. The purpose of this paper is to study this interesting market phenomenon, which has been neglected by researchers. We try to identify the factors influencing consumer choice between an informal market and organized market using data from our consumer survey taken in 2006. The findings provide the basis for understanding the real state of informal markets in Vietnam.

The rest of the paper is organized as follows. Section 2 describes the historical development of the bazaar system. Section 3 provides a theoretical background for the study. In Section 4, we detail the data and methodology. In Section 5, we summarize and discuss the empirical results. We draw conclusions from our study in Section 6.

2. Historical development of the food bazaar system

A traditional food bazaar is often referred to as an open market or street market with little central control or organization, in which many tiny and highly specialized retailers operate. This kind of market is typically characterized as “chaotic, crowded, noisy, and colorful” (Bucklin, 1977). Food is typically sold in open stalls. Quality ranges widely, and items are unsorted. Prices are not posted for items (Bucklin, 1977; McMillan, 2002). “The search for information is the central experience of life in the bazaar,” wrote Geertz (1978).

In Hanoi, the spatial concentration of the sales of certain goods according to streets was well-developed during the feudal period (before French rule in 1828). Thirty six streets were named after the main product marketed in each of the streets. The street names often started with “Hang,” which means “goods” in Vietnamese, and followed by the name of product marketed in the street (Waibel, 2004). Some marketing activities also took place along the river (Anh et al., 2004). This business structure

changed due to the decree to spatially concentrate the sale of perishable goods was introduced under French colonization. The traditional street markets were significantly reduced (Waibel, 2004). Some planned markets were constructed. Despite all these changes, commodities were still mainly traded on roadsides and near train stations (Anh et al., 2004).

However, under the central planning mechanism (1954–1986), the development of private trade and services was inhibited. The state dominated everything from production to consumption. The prices and direction for the distribution of commodities were entirely determined by the state. As a result, trading activities fell dramatically and the private sector was eliminated. No new markets were constructed (Waibel, 2004; Anh et al., 2004).

With the liberalization of commerce in 1986, business activities have continuously increased. Markets began emerging for most goods around 1987–1988. Rural marketplaces developed rapidly. In towns and cities, many new markets were constructed. The number of markets more than doubled from 4000 in 1993 to 8300 in 2003, and increased to 9000 in 2006. Most villages in Vietnam have their own markets, whether on the streets or indoors (VNS, 2004; VEC, 2006). The traditional markets for fresh foods are of two types: organized markets (formal markets) and informal markets. These markets are indispensable in Vietnamese daily life. Although the supermarket sector grows rapidly in recent years, most fresh foods purchases appear to be made in these markets (see e.g. Quang, 1999; Maruyama and Trung, 2007a, 2007b).

2.1. Formal markets

A market formally established and approved by the authorities is defined as a formal market. To the casual viewer, most of these markets appear to be highly similar, except for their size, mix of retailers and wholesalers, and fixtures. It is organized in locations where sellers of similar products are grouped together in a regulated area. At present, municipal governments are responsible for the construction and operation of markets.

Hanoi has more than 120 formal markets, of which 60 are located in the inner city (Table 1). Many of these markets are located where there is high population density and high traffic flow. A management board is selected to operate the market under local authority control. The management board is mainly responsible for tax collection, security, cleaning, fire prevention, and vehicle control, but rarely for provision of information or quality control of the products sold (Gia et al., 2003). Formal markets are mainly constructed from concrete, and are either fully covered or half-covered; however, more than half of the formal markets are small in size, with poor infrastructure and lack storage facilities and refrigeration equipment (Gia et al., 2003).

Table 1
Formal markets in inner city, Hanoi.

District	Market type 1	Market type 2	Market type 3	Total area (m ²)	Total number of traders	Area per trader	Area per trader for types 2 and 3 markets
Hoan Kiem	1	1	3	28650	3232	8.9	6.7
Ba Dinh	1	1	5	27104	1516	17.9	7.6
Dong Da	1	2	10	37951	3180	11.9	12.0
Hai Ba Trung	2	2	11	38897	4433	8.8	3.6
Tay Ho	1	1	4	13557	967	14.0	10.9
Cau Giay	1	0	7	27524	1709	16.1	14.9
Thanh Xuan	0	4	2	19918	1677	11.9	11.9

Note: Type 1: Built with concrete, and modern and well managed (more than 400 traders). Type 2: Built with concrete or semi-concrete, and well managed (more than 200 traders). Type 3: Comprising temporary structures (less than 200 traders).

Source: Data on formal markets for 2002 from Gia et al. (2003).

Download English Version:

<https://daneshyari.com/en/article/1029575>

Download Persian Version:

<https://daneshyari.com/article/1029575>

[Daneshyari.com](https://daneshyari.com)