

# Changes in the organisation of food marketing systems in South East Asia: a preliminary assessment

Jean-Joseph Cadilhon\*<sup>†</sup>, Andrew Fearn\*<sup>†</sup>, Paule Moustier<sup>†</sup> and Nigel Poole\*

\* Imperial College at Wye

<sup>†</sup> CIRAD-FLHOR

## ABSTRACT

This paper reviews the literature on fresh food marketing systems in South East Asia and proposes a conceptual framework for their study, as part of a research project on the role of wholesale markets in Vietnamese fresh food urban supply chains. The literature review discusses conceptual frameworks for studies on food marketing systems in a developing country context, which reveals a lack of consideration of socio-cultural issues amongst the environmental factors that impact on food marketing systems. Elements such as trust and consumption habits in food marketing systems are discussed. An integrated framework is proposed, including what are perceived as critical factors in the understanding of existing food marketing systems in Vietnam: product characteristics, stakeholder interests, the impact of environmental factors on the food supply chains and particularly those of informal institutions arising from socio-cultural factors specific to the study area.

**Keywords:** Food, Supply chains, Marketing system, Culture, Trust, Transaction costs, Networks, South East Asia, Vietnam.

## INTRODUCTION

The aim of this paper is to develop a conceptual framework for the study of fresh food markets in a South East Asian context prior to field work in Vietnam<sup>1</sup>. After reviewing studies on evolutionary trends in food marketing structures and discussing different frameworks of urban food systems, a framework is conceptualised in order to study the numerous food supply chains which constitute an urban food marketing system as it evolves in interaction with its environment. Among the critical factors that warrant further investigation, the paper focuses on social and cultural factors within local institutions and their interactions with marketing and distribution networks.

Vietnam is a predominantly agricultural country. Its annual per capita revenue is US\$400. The World Bank ([www.worldbank.org](http://www.worldbank.org)) considers it to belong to the low-income group of developing countries (per capita gross national income under US\$755). However, Vietnam is not considered as a less developed country by the United Nations (as reported by the French

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Trade Commission Network web site: [www.dree.org](http://www.dree.org)). Furthermore, although the urban population in Vietnam only makes up 20% of the total population, cities account for 70% of the country's gross domestic product (GDP) due to industrial and trading activities. This brings annual per capita GDP to US\$1,395 in the country's urban centres. It is thus important to emphasise that though Vietnam as a whole still relies on an agriculture-based economy and remains a developing country, if one only considers the cities, economic indicators are more representative of the middle-income group of countries in transition.

## **EVOLUTIONARY TRENDS IN FOOD MARKETING SYSTEMS**

Before growing into megalopolises, cities all over the world have started off mainly as assembly points for regular market places and fairs (Braudel 1979), slowly developing walls, permanent buildings and an administration. Over time, as countries became more populous and cities needed to bring in food from rural areas, marketing systems started to develop.

Several authors have studied the structure of food marketing and have elaborated a development trend for food marketing over time (Kaynak 1999; Kim 1989; Kobayashi 2000; Mittendorf 1986). These authors use a three-phase development pattern to describe the food marketing process. According to Kaynak (1999: 5), the role of food marketing in a developing country changes with its economic development. As a country develops, the structure of its urban food marketing system evolves, going through three phases. Phase I, which can be found in the least developed countries, shows a predominant role held by small scale traditional distributors. Phase II is characterised by well established grocery stores and specialised shops as in many European cities of the mid 20<sup>th</sup> century. Finally, Phase III applies to cities with higher consumer incomes where highly developed integrated food retail chains are dominant.

Kim (1989: 30) also gives a range of average consumer incomes to determine whether a country is in Phase I, II or III as described above. According to Kim, Phase I corresponds to an *“average annual consumer income of approximately US\$250 on the basis of 1972 prices”*. Phase II has consumer income of US\$400-\$600 and Phase III is characterised by consumer income of US\$460-\$850.

Kobayashi (2000) extrapolates this development pattern to form four groups of countries depending on the development stage of their fresh produce wholesale marketing system and the degree of government intervention in marketing. The first group includes countries where food marketing is done in *“bazaars”* (as described in Asia by Bucklin 1986 and by Geertz 1978 following work in Java and Morocco). In these markets, wholesale and retail activities

are not clearly divided and there are no government regulations whatsoever on food marketing. Information is the most important service sought after by all stakeholders in this type of market. Indonesia and Laos are put in this first group. The second group of countries have enacted laws and regulations clearly defining and differentiating wholesale and retail activities. Furthermore, wholesale markets are built and their activities are regulated by governments. Thailand and the Philippines both belong to this stage while China and Russia belong to an intermediate stage between the first and second groups: regulation exists, but traders still operate both at wholesale and retail levels. The third stage groups countries where more than half of the fresh produce marketed goes through wholesalers. Wholesale markets serve as important “*price discovery institutions*”. Japan and South Korea are classified in this third stage. Finally the fourth stage sees wholesale markets moving out of city centres and their market share of fresh produce declining because of fierce competition from integrated supermarket chains. The United Kingdom, the United States of America, France and Germany are all in this fourth stage of wholesale market development.

Kobayashi’s study could be criticised for the fact that fieldwork was undertaken from 1992 to 2000, yet findings from the earlier field trips were not updated. Considering the rapid changes South East Asian countries and their food marketing systems have undergone in the last decade, it is very likely that situations investigated at the beginning of the 1990s have changed dramatically. The classification of countries into the four stages may thus be outdated though the classification in itself is an interesting tool to assess different market systems in different countries.

The question thus arises where should Vietnam be placed in this development trend? Studies on food marketing in the country would place it in Kaynak’s Phase I, as a major part of fresh food purchases (80% of fruits and vegetables according to Quang 1999: 11) is still made in informal street markets and from hawkers. However, integrated retailers are starting to appear in the fresh food business for niche products such as “*safe vegetables*” (Gia 2000), consistent with Kaynak’s Phase III. Independent specialised fresh food shops buying from wholesalers are rare, which could hint to a bypassing of the wholesale function and Phase II. However, institutional catering is a growing activity (Le et al. 2000) which still needs wholesalers for their supply of fresh food. Accordingly, it is difficult to place the marketing structure of Vietnam in one of the three phases described by Kaynak. One could argue from the appearance of the dominant marketing chain (unstructured and unregulated wholesalers catering for retail markets and hawkers) that the fresh food market structure in Vietnamese cities has reached the start of the medium level of development.

Generally speaking, there is evidence of coexisting forms of different marketing channels rather than substitution of one by the other, both in developing and developed countries. This coexistence reflects the need for supply chains to adapt to different consumer constraints and demands over time. The evolutionary model presented above does not fully account for the complexity of existing fresh food marketing systems in Vietnam.

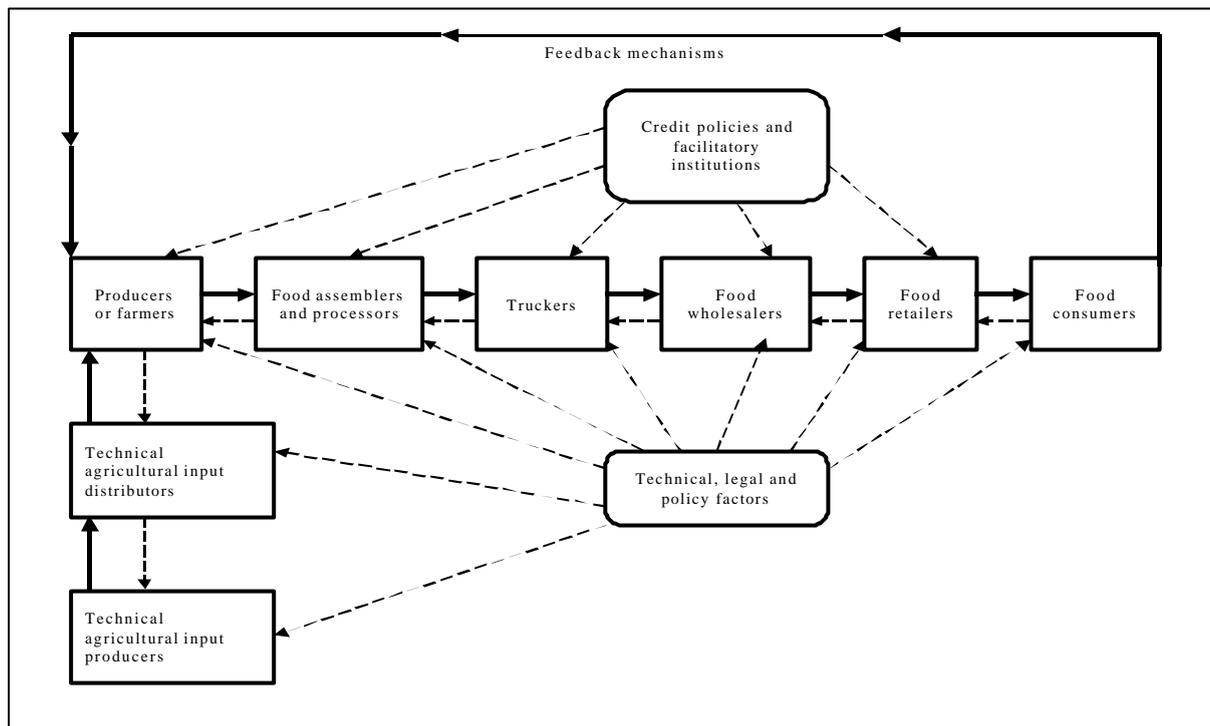
## CONCEPTUALISING FOOD MARKETING SYSTEMS

The evolutionary approach described above shows how markets are supposed to evolve over time and how market structures change. To better visualise the different stakeholders and their interactions in the marketing systems, it is enlightening to build a framework of the existing marketing systems to better understand existing conflicts, problems and how they may be resolved by a compromise between stakeholders. The following section examines several propositions of marketing systems in developed and developing country contexts.

According to Kaynak (1986: 5), the *“food ‘marketing system’ is a primary mechanism for coordinating production, distribution and consumption activities in the food chain. In this context, marketing includes the exchange activities associated with the transfer of property rights to commodities, the physical handling of products and the institutional arrangements for facilitating these activities.”*

### **Integrating the environment around the marketing system and representing their interactions**

Kaynak’s depiction of a food production and marketing system is presented in figure 1 below. The entire production and marketing chain is presented in its environment and can be used as a framework in a developed country or developing country context. The supply chain is broken down into stakeholders from the farm input producers to the final food consumers. Furthermore, the interactions between stakeholders in the system are highlighted. The environment surrounding the system is represented by the economic and institutional factors on one side and the technical, policy and legal factors on the other. All of these factors influence the functioning of the system.



**Figure 1: An illustration of the principle components of a food production and marketing system.**

*Source:* (Kaynak 1986: 4)

However, it would appear that several significant components necessary for understanding a food marketing system are missing in Kaynak’s framework, namely:

1. Neither the socio-cultural factors that can modify how a production and marketing system works (as identified by Bartels 1963: 299-300) nor the international food market and its instabilities (as described by Chalmin 2000) appear.
2. The framework does not penetrate the sub-systems or different supply chains that have developed around each specific product. Product specificity is a critical factor in understanding how food supply chains are formed around different products (Braadbaart 1994; Jaffee 1995). Indeed, supply chain structures may differ from product to product because of product-specific technical characteristics (e.g., region of production, seasonality, physical fragility, packaging and cold storage requirements, etc.).
3. No detail is given on stakeholder differentiation within each stage of the system. This hides the fact that there are often several kinds of sometimes competing stakeholders sharing the same function. For example, the food retailers comprise public market retailers, street hawkers, grocery shops and supermarkets while the food consumers may

be private households or institutions like catering services for businesses or hospitals and schools (cf. the following section reviewing the work of Drakakis-Smith).

4. The modelling of stakeholder interactions within the system is limited, as the supply chain impacts on and is influenced by the institutional environment surrounding it. For example, consumer awareness of food safety issues in Europe has encouraged legislators to write new regulations on food processing and marketing. Trader organisations and other forms of co-operation (as loci of economic power) can also influence policy and legal environments (Nicolas and Valceschini 1995; Harriss-White 1996; Vergriette 1998).

Only a few studies of fresh food marketing in South East Asia have explicitly identified the environment surrounding the systems as major factors in their development. Most of this research focuses on the legal and political environment or on economic and agricultural policies that foster better marketing systems or inhibit their development. Among these, Cullinan (1997) looks at legal aspects of food marketing systems; Edward (1989) and Liu (1994) identify the State as the major actor in the development and management of the efficient food wholesale marketing systems in Hong Kong and Taiwan respectively; Jésus (2000) argues that the State has a greater role to play in the food marketing system of North Vietnam by legislating, while Lee (1991) predicts a decreasing role for the State in vegetable wholesale marketing in China after the adequate legislation has been instituted. The Food and Agriculture Organisation of the United Nations (FAO) has conducted and sponsored several studies (Quang 1999; Yasmeen 2001) to make city authorities more conscious and active in the resolution of problems in food distribution and marketing systems into their towns.

### **Identifying stakeholders and the major product and information flows within the food marketing system**

The geographer Drakakis-Smith (2000; 1991) has studied cities in the developing world with a focus on the basic needs of citizens, including food security (both in quantity and quality). The author has developed working models for the urban food system, over ten years of continuous study, which provides an interesting alternative perspective (Figures 2 and 3 below).

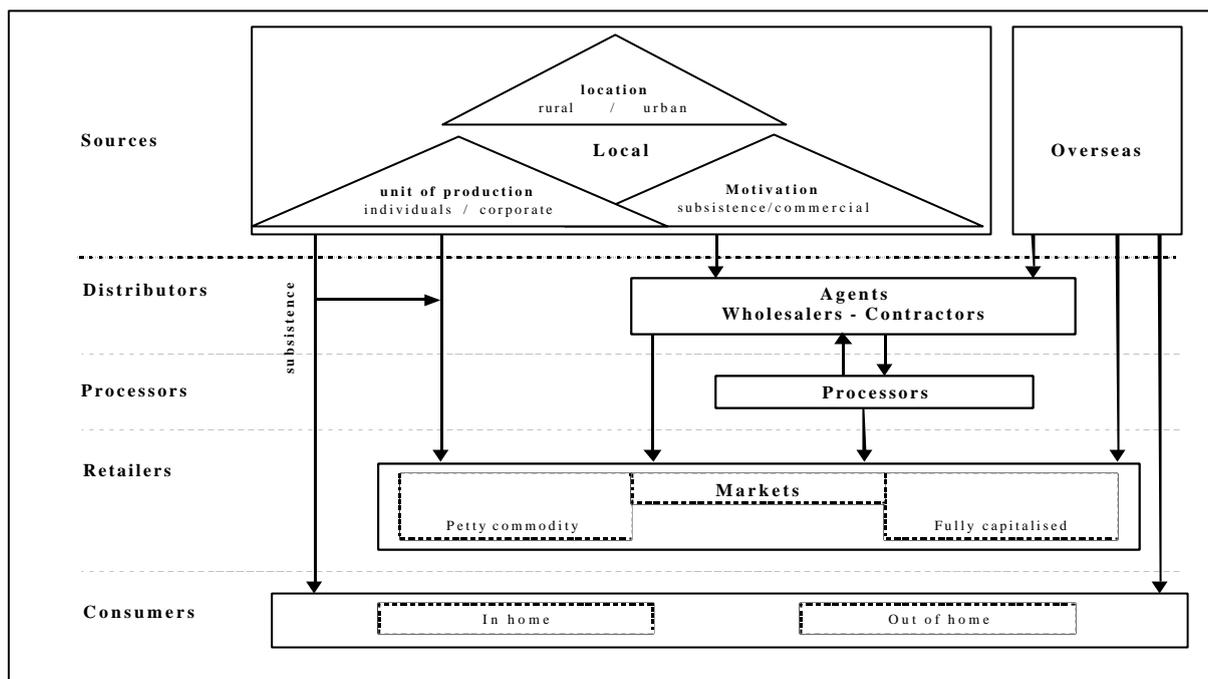


Figure 2: Urban food supply systems: a working model

Source: (Drakakis-Smith 1991: 52)

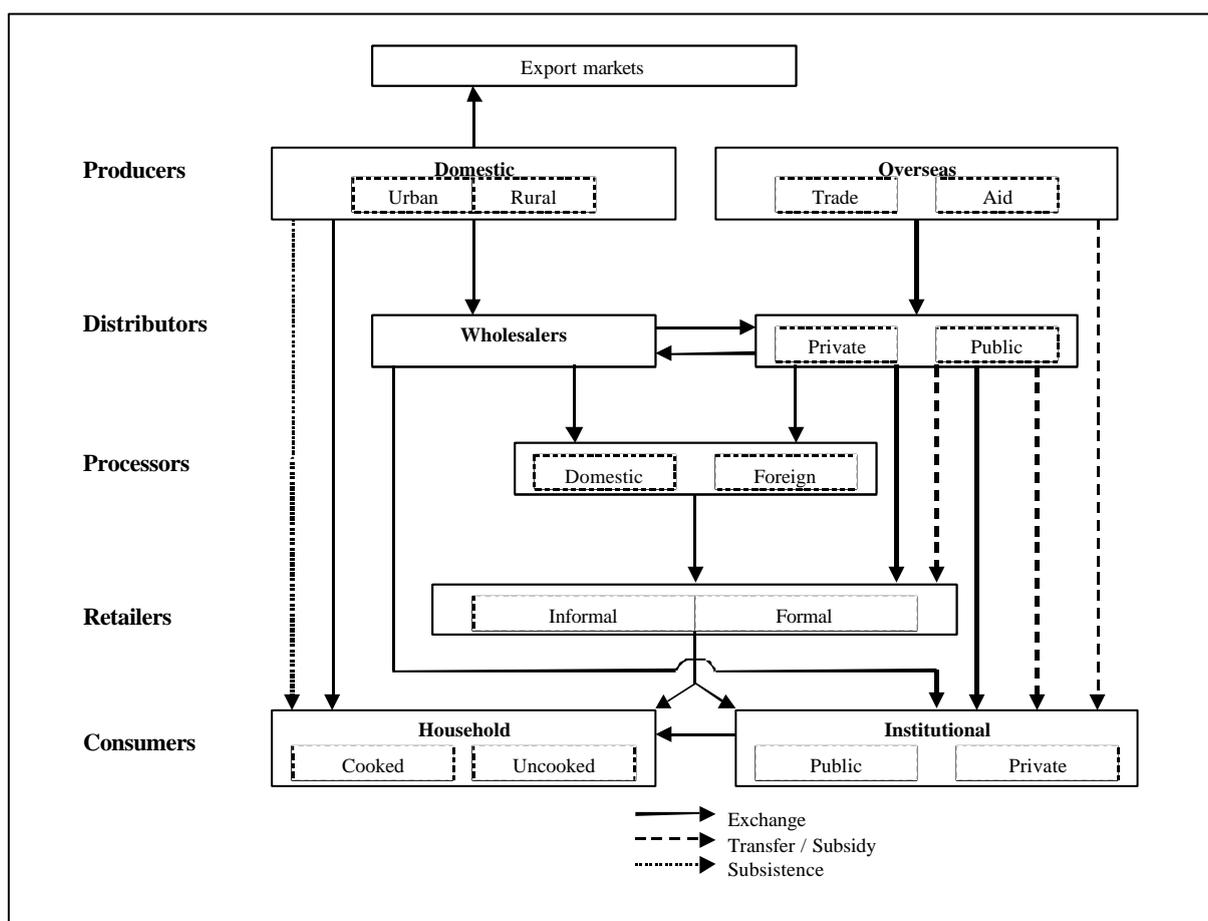


Figure 3: The urban food system

(Adapted from Drakakis-Smith 2000: 150)

Both systems characterise the food supply chain as comprising five general stakeholders: food sources, distributors, processors, retailers and consumers. What is most useful in these two frameworks is that they try to differentiate between several types of stakeholders inside each stage: consumers eat at home or out of home, cooked or uncooked food; retailers are subdivided into informal and formal in the earlier model and into small street retailers, retailers in public markets and capitalised shops in the latter study. Likewise at the production level, both systems acknowledge that food coming to the cities in developing countries can come from overseas or from national farmers, the latter being rural or urban. This differentiation is a first step towards building pathways between the different stakeholders and to quantify the market share accounted for by each chain. This is a very important prerequisite for determining the sources of food to the cities and for devising more appropriate marketing and distribution chains for each product coming from a specific source.

As Drakakis-Smith's research has advanced, his conceptualisation of the urban food system has also become more precise. Comparing both frameworks shows that the direct links between food source and consumer has been expanded from a subsistence only link to two relationships: one for subsistence and the other for exchange of goods. This acknowledges that farmers – either rural or urban – can choose to produce for their own consumption or for the market. The latter framework describes three different interactions between stakeholders: exchange, transfer and subsidy, and subsistence.

What is more, the differentiation of stakeholders inside each stage of the chain has gone a step further to encompass the multiple channels, informal and formal, through which food is distributed. The importance of institutional customers catering for household consumers is also acknowledged. The latter framework represented in figure 3 has been adapted to be consistent with a chosen definition of wholesalers: stakeholders who sell to other firms and not to final consumers (Goulon 1974: 22). A link has thus been added between wholesalers and institutional customers.

Nonetheless, Drakakis-Smith's propositions lack the environmental factors that surround every food marketing system. The relationships connecting the different stakeholders in the system all show the flows of goods or money, mostly in one direction. However, it is also important to acknowledge existing information and feedback through the supply chain and within the surrounding environment. Moreover, product specific characteristics are not accounted for in Drakakis-Smith's food supply systems. Finally, the author places the processors after the distributors, yet many processing activities (grading, sorting, and even packaging) are conducted at the farm level or by the assembly wholesaler before transporting.

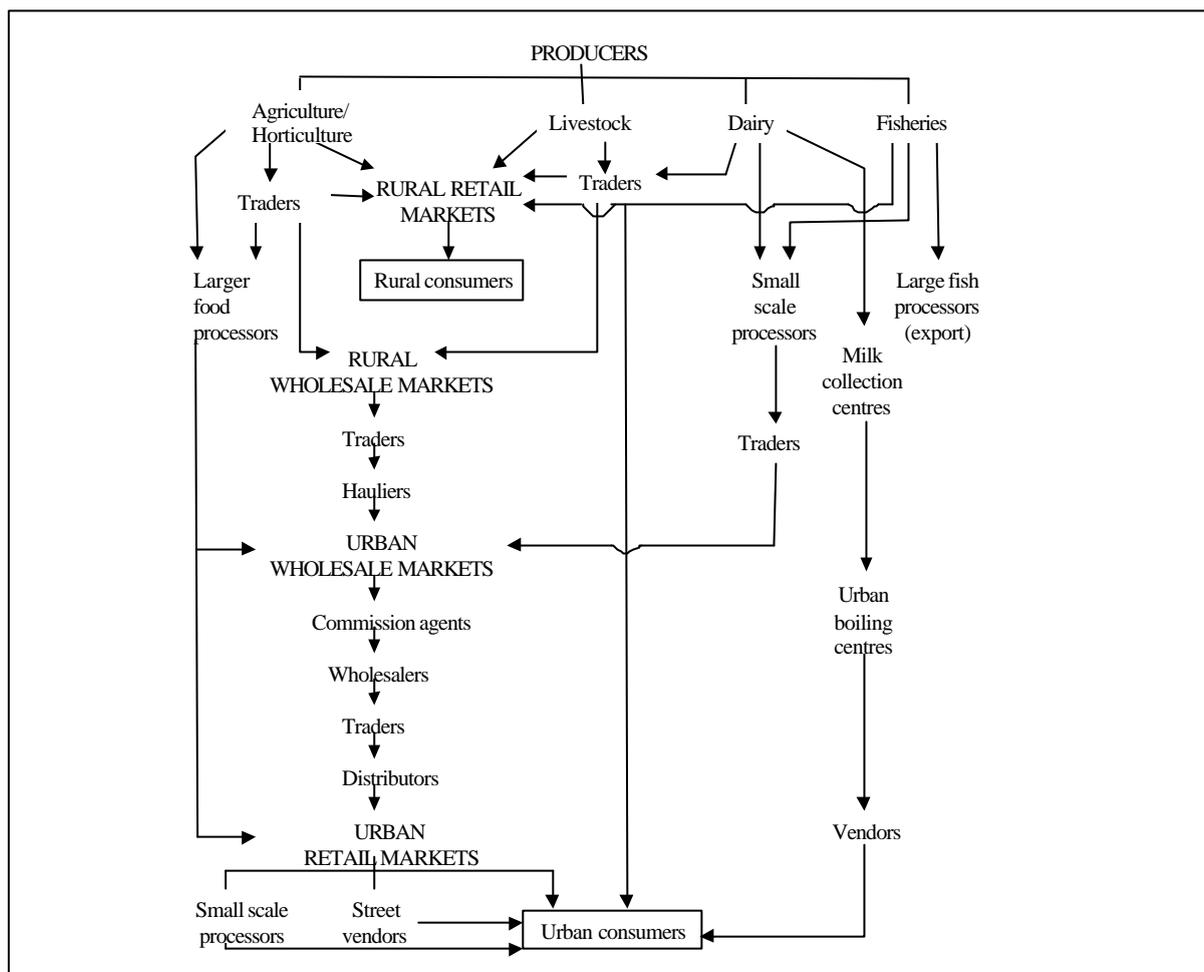
Indeed, processing goods before their distribution is an efficient way to lower food damage and losses.

Some food marketing studies in South East Asia have put some emphasis on identifying all the different stakeholders in the fresh food supply and distribution channels and characterising the interactions between them. For example, Braadbaart (1989) studies the stakeholders involved in vegetable marketing in a Javanese city; Hung and Minh Hien (2000) look at the different marketing channels for vegetable in the Red River Delta, though not differentiating the channels by product; Le Goulven (2000; 1999) extensively describes product, credit and information flows within the hog marketing chains of North and South Vietnam; Ti (1997) reviews case studies of how stakeholders gravitate around food wholesale markets in Asia, concluding that wholesale markets are essential in efficient food distribution networks.

### **Differentiating sub-systems to take account of product specific characteristics**

A final conceptual framework applicable to the study of food marketing systems in developing countries is proposed by Fellows (2002). Figure 4 below shows that the author focuses on the different food supply chains to urban and rural consumers, differentiating these supply channels into agricultural and horticultural products, livestock, dairy products and fish products. This approach breaks down a food supply chain in order to show how each stakeholder is connected to the other in terms of product, information and feedback. Separating the marketing chains by product as Fellows does is important because of specific technical characteristics, but there is scope for further segmentation down to the individual product level in order to differentiate, for example, the tomato from the cabbage supply chain.

Though Fellows' framework of the urban food chain shows several types of stakeholders within the numerous supply channels, some important stakeholders are still missing: urban retailers are not differentiated, institutional consumers do not appear and direct connections between food producers and consumers are not mentioned either. More disturbingly, food imports are not shown though these can make up a significant amount of food consumption in some developing countries. Finally, the environmental factors influencing the way the marketing systems work do not appear in this framework.



**Figure 4: Schematic food production-distribution chain in developing countries**

(Adapted from Fellows 2002: 15)

Studies using this approach to research fresh food marketing in South East Asia include Bergeret and Ha (1997) on pork and garlic marketing chains in Vietnam. Braadbaart (1994) emphasises product characteristics to study chilli and cabbage marketing in the central Java city of Bandung. Gia (2000) looks at the production and marketing sub-system of “*safe vegetables*” in Hanoi, identifying different marketing channels and quantifying their market share.

Among the four frameworks reviewed above, only Kaynak’s explicitly mentions the environment surrounding the marketing system. Yet, he only shows impacts from credit policies and institutions on the one hand and technical, legal and policy factors on the other. None of the conceptual frameworks reviewed above consider the socio-cultural factors influencing the marketing systems. Likewise, the importance of history and path dependency (North 1990), which impact on institutions, are not accounted for. Revolutions and new ideologies that can disrupt path dependency are also topical issues in the Vietnamese context.

In the next section we focus on cultural and social factors to identify their importance in the context of Vietnam.

### **SOCIO-CULTURAL FACTORS IN VIETNAMESE FRESH FOOD MARKETING SYSTEMS: DO THEY MATTER?**

As far as South East Asia and Vietnam are concerned, the role of institutions in economic activities must be considered. North defines institutions as follows:

*“Institutions are the humanly devised constraints that structure human interaction. They are made up of formal constraints (e.g., rules, laws, constitutions), informal constraints (e.g., norms of behaviour, conventions, self-imposed codes of conduct), and their enforcement characteristics. Together they define the incentive structure of societies and specifically economies.”* (North 1994: 360)

Rules and laws are important constraints in Vietnam as it is still a highly policed and controlled state where the People’s Committees oversee their designated area for the State and the communist party. However, informal constraints may also explain some aspects of economic activities in Vietnam. These informal institutions are linked with cultural and social factors that have hitherto been overlooked by fresh food marketing studies in South East Asia whereas they are recognised as determinant factors in other sub-sectors, for example the importance of Chinese ethnic businessmen networks in the Thai rice trade (Rigg 1986; Speece and Igel 2000) and in business in general in the region (Armstrong and Siew 2001; Jesudason 1997; Trolliet 1999).

#### **The influence of specific Asian and Vietnamese consumer preferences on food purchasing behaviour**

One way that Asian culture may impact on food marketing systems is through specific consumer preferences for certain types of food at certain times of the day and year. In Vietnam, for example, breakfast is generally eaten outside the house from food stalls or restaurants. Breakfast consists of a cooked meal of meat soup with rice noodles or a rice and meat based dish with a generous sprinkling of various fresh herb leaves on the top (fresh herb leaves are a staple of Vietnamese cuisine and are liberally added to all dishes at all meals). Accordingly, there is a thriving business of breakfast preparing shops and stalls in Vietnamese cities which need to buy their fresh ingredients very early in the morning so the food may be ready for selling from 5.30am onwards. Likewise, eating out for lunch is also a growing trend in Vietnamese cities as longer commuting times (because of the distance and increasing road

congestion) deter workers from having their lunch at home. Another explanation is that Vietnamese women in cities today also have jobs in industry or services and have no time to cook food at lunch time. As a consequence, the growing catering sector in Vietnamese cities creates a demand for different fresh foods all available at a given place to minimise transport costs for customers.

Furthermore, Vietnamese consumers prefer to buy their fresh foods in “wet” markets. Quang (1999: 11) has identified that 80% of fresh produce is bought in public “wet” street markets or from street hawkers. Furthermore, the great majority of consumers buy their meat fresh and demand for frozen products is limited (Quang 1999: 18), probably due to a lack of freezing appliances in households. However, market studies in more developed Asian economies show the same trend. Despite the growing market share of supermarket chains in South East Asian cities, fresh food purchases are still done in public “wet” retail markets. Touching, feeling, smelling the produce seems more important than spotless air-conditioned shops when it comes to buying fresh produce, fish or meat. In cities in Taiwan and Thailand, 80% of fresh food purchases are still made in traditional “wet markets” ([www.dree.org](http://www.dree.org)). Accordingly international supermarket chains have started their activities in Asia by advertising their non-food products to attract customers while aligning their fresh food prices with those of the local retail markets. Furthermore, inadequate central purchasing of fresh food could actually have made supermarkets sell products that were less fresh than in public retail markets. In Vietnam as in the rest of South East Asia, “wet” retail markets for fresh food are still very competitive in terms of price and freshness.

The above examples of South East Asian cultural aspects of food consumption lead us to agree with Bartels who sees “*marketing as a social phenomenon*” (1963: 299). The socio-cultural factors should not be overlooked when analysing the food marketing systems.

### **Transaction costs: understanding the economic organisation of supply chains**

The exploration of food marketing systems using New Institutional Economics and Transaction Cost Economics has become prominent since the 1970s.

New Institutional Economics (NIE) is concerned with transaction costs and the organisation and development of economic activity. “*At the heart of institutional economics is the making, monitoring and enforcing of contracts*” (Hubbard 1997: 240). In our Vietnamese context, these contracts can be formal or informal. Out of Coase’s (1937) formulation of the costs of exchange has grown the Transaction Cost Economics (TCE) branch of NIE. Transaction costs arise whenever there is any form of economic organisation, be it within a vertically integrated

firm, in a market or in a command economy (in which transactions are largely absent). According to Cheung, “*In the broadest sense transaction costs comprise all those costs that cannot be conceived to exist in a Robinson Crusoe (one-man) economy*” (1992: 51).

There is broad acceptance that transaction costs are of both an *ex ante* and *ex post* kind (Poole 1999):

1. *ex ante* costs:

- searching for potential exchange agents (buyers or sellers);
- screening potential agents for characteristics such as honesty, creditworthiness;
- bargaining over terms of exchange and price determination;

2. *ex post* costs:

- transferring property rights;
- monitoring compliance with contractual terms;
- enforcing sanctions in the event of non-compliance.

The true costs of exchange therefore comprise a) the orthodox neo-classical transformation costs associated with the production and distribution of goods and services, and b) the transaction costs of searching, measuring, mediating and monitoring during the exchange process incurred in order to bring together buyers and sellers and complete the exchange of ownership.

The basic concepts underlying TCE are certain assumptions about behaviour, and certain dimensions of transactions. Regarding behaviour, man is perceived as utility maximising but constrained by bounded rationality and influenced by opportunism. Of the three generic forms of organisation – market, hybrid and hierarchy – the cost effective choice of organisational form is said to vary systematically with the attributes of transactions (Williamson 1991). According to TCE, there are three important dimensions of transactions: asset specificity, frequency of transactions, and uncertainty due to lack of information and informational asymmetry, leading to adverse selection and moral hazard.

Integrating TCE in the framework for the study of fresh food marketing is relevant in the sense that revealing existing transaction costs within the marketing system can help explain some aspects of stakeholder interactions. Moustier et al. (2002) have shown how using elements of NIE can help understand the performance of private food markets supplying Hanoi while they are described by a number of authors as disorganised and inefficient. Likewise, Le Goulven (2000) describes the financial and credit relationships among stakeholders in the hog supply chain in North Vietnam using an NIE framework.

## **The importance of trust in internal food markets**

In the food markets of South East Asian countries, contracts between parties to secure transactions are rare and the courts, where they exist, are powerless to enforce existing agreements or are mistrusted. As a protection against risk and in an effort to reduce transaction costs, it has been established that stakeholders have created marketing networks based on trust, culture and sociological norms. The current significance of personalised relations in developing economies is receiving new research interest (Fafchamps and Minten 1999; Lyon 2000). Analysis of imperfect market co-ordination in developing economies, and the solutions proposed to the problems identified, must take account of these fundamental structural features of markets and of the behavioural characteristics of individuals and firms.

Creating and sustaining reputation and trust between buyers and sellers is an important strategy for attenuating transaction costs. According to Fafchamps and Minten (1999), relationships play a wide variety of roles in Madagascan agricultural trading businesses such as the provision of commercial advice, information and risk sharing, credit provision, smoothing supply and demand fluctuations, and prevention of contractual breach. Such relationships lead to efficiency-enhancing repeat dealing. All effects result in reduced transaction costs and more efficient marketing, thereby reducing post-harvest losses and moderating market disequilibria.

Braadbaart (1989) has covered the trust aspect in his work on vegetable marketing in central Java. Likewise, Tuan (1999) looks at how trust between stakeholders in the vegetable marketing chain in Northern Vietnam has become a prerequisite for efficient marketing: verbal agreements by telephone, wholesalers not bothering to weigh the goods brought in by regular suppliers, retailers trusting their regular wholesaler by not weighing the goods but trusting the information on the supplier's receipt. Regular hauliers are also trusted to deliver the goods as no representative from either party follows the goods on long trips. Regularity of payment is a major element in increasing the level of trust in this network.

Trust between stakeholders is enhanced if all stakeholders belong to the same ethnic or cultural body. Attendance at social events within the network are important to develop trust among stakeholders as discovered by Silin (1972) in the Hong Kong wholesale market. Similarly, Clark (1994) found that market traders put a high value on ceremonial representation by leaders at events outside the market in Kumasi, Ghana, especially funerals. Moreover, studies have shown that Chinese minorities have established fresh food marketing networks to some South East Asian cities because their language and cultural bonds made it

easier for them to trust each other. A market gardening tradition among Guangdong Province émigrés has encouraged them to continue their speciality when they moved to Thailand (Hafner 1983). Chinese businessmen still control most of the vegetable wholesale trade of Malaysian markets (Mohtar 2000) as they used to do in Indonesia up to 1959 when a presidential decree forbade them to do business in rural areas thus stopping their produce collecting activity (Chin 2000: 14). In 1975 South Vietnam, the Chinese businessmen controlled 100% of wholesale activities and 50% of retail activities (Chin 2000: 26).

Finally, Murphy (2002) found that trust in social relations improved the quality of information exchange and of innovation within the Tanzanian manufacturing sector. However, Murphy also showed that trust failed to extend beyond core networks of business associates because the formal institutions of the State were weak and unsupportive. This last argument may explain the strong market segmentation encountered among vegetable wholesalers in one of the informal markets in Hanoi, Vietnam. Stakeholder networks have been constructed around a particular product leading to specialisation of stakeholders in one food supply chain. On the other hand, relationships between wholesalers supplying different products are infrequent.

### **Towards an integrated conceptual framework**

Taking elements from the urban food marketing systems proposed by Kaynak, Drakakis-Smith and Fellows as shown above, this paper proposes a systems approach that aims to integrate all the points highlighted above as important in understanding food marketing systems in the context of Vietnam. Figure 5 shows how an urban fresh food marketing system may be conceptualised.

The food supply chains stand at the core of the framework. We argue it is important to differentiate each supply chain by product into sub-systems as each chain is defined by technical product characteristics which influence how and where these products are produced, distributed and marketed. What is more, studying all the different sub-systems permits the analysis of the way different chains merge at certain stages in the channel (one could assume for example that most of the fresh vegetable marketing chains converge at the retail level as retailers sell several types of vegetables). Studying interactions (represented by horizontal links between the supply chains) among stakeholders in different supply chains may also give clues to how stakeholders could co-operate in the future if they were to manage a centralised urban wholesale market where all products are concentrated on one site. The supply chains are studied from the input producing stage down to the consumer stage and links between the

stakeholders in the chain can be product, credit, money, information and feedback flows. At each stage, it is important to understand who the different stakeholders are and whether they are nationals or based abroad, formal or informal stakeholders. Separate frameworks of each product supply chain should be conceptualised to differentiate these flows. At this point, insights from the TCE literature help to understand the functioning of the individual supply chains: financial flows, formal contracts or informal contracts based on trust. The boundary of the marketing system is open to interactions with its environment. The environment surrounding the marketing system is divided into five entities evolving around the central system: domestic legal and political factors, international trade policy and food markets, geography of the study area, cultural and social factors and history of the study area. Interactions between the system and its environment show that if the environment can effect change on the system, the stakeholders in the system can also bring about change on their environment by their actions. For example, if changes in the food security legislation have consequences for the food marketing system, stakeholders in the system can lobby through trade unions, well-connected business representatives or consumer organisations to have legislation altered.

Finally, the different entities forming the system's environment are also interconnected. For example, the history of the study area can influence the way legislation is implemented. In the case of Vietnam, colonisation by France in the nineteenth century up to 1954 has brought a legacy of strong State intervention in the economy which the communist regime has prolonged.

The national legal and political situation is also in interaction with international trade policies and international food markets. Vietnam being the second world exporter of rice, its economy is highly influenced by the world rice market. As it entered ASEAN and its free trade agreement, Vietnam now needs to change its agricultural tariffs and subsidies policies. Vietnam's geographical position as a link between South East Asia and China can explain its entry into ASEAN on the one hand and the big influence of Chinese culture and language (history again, as Vietnam was part of the Chinese empire during the first millennium AD) on the other.

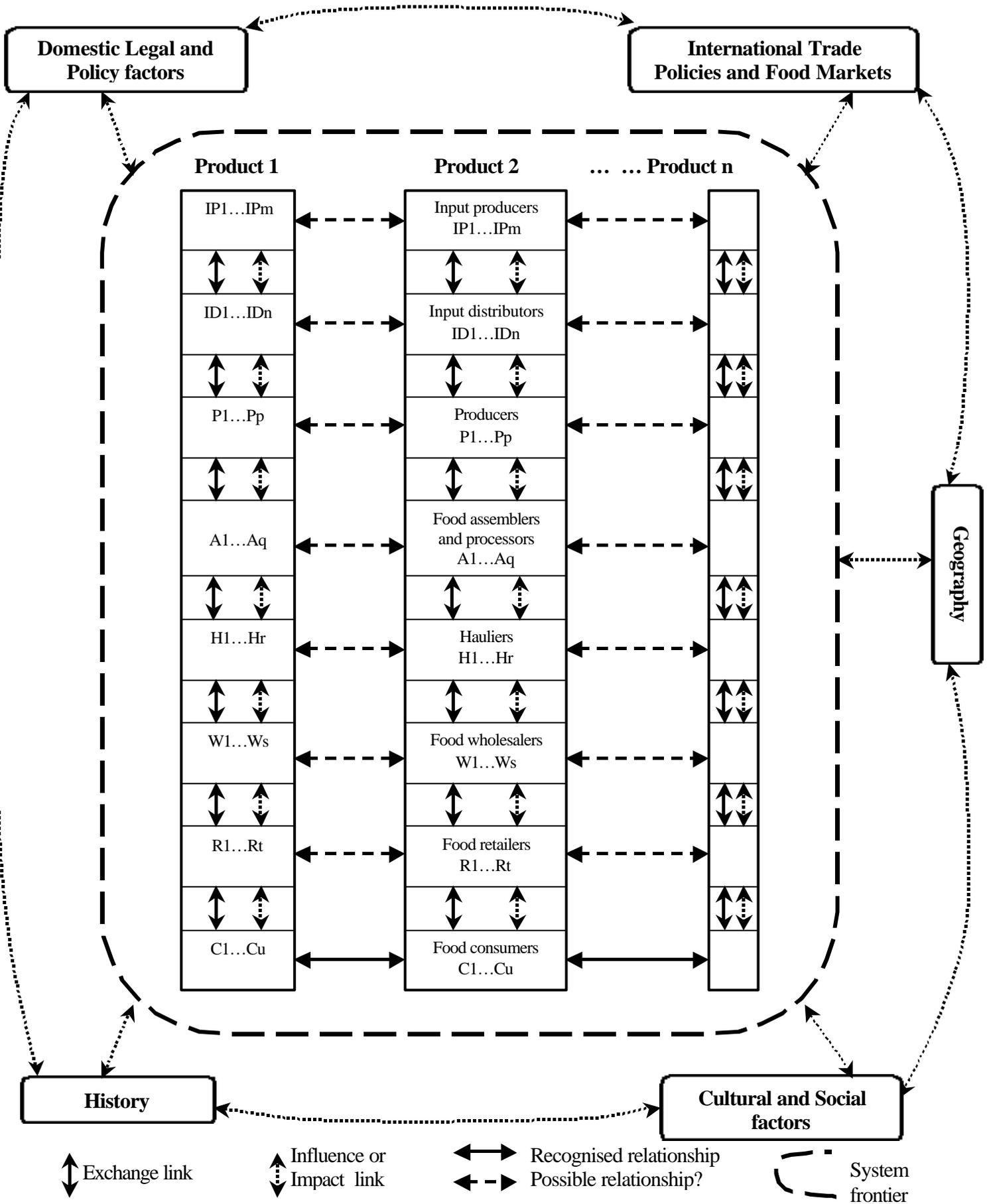


Figure 5: The food marketing system – an integrated conceptual framework.

## CONCLUSIONS

Considering the great differences in living conditions in Vietnamese cities compared to the general situation of the country as a whole, this study has shown that it is difficult to try and place the country and its food market structure in one of the development levels proposed by the evolutionary approach to market studies. Economic development is happening fast and some fresh food market segments still use public retail markets and hawkers whereas some parts of the population shop in supermarkets selling packaged produce. The place of the wholesale function in this diverse market is still uncertain as some customers such as traditional retailers and caterers may heavily depend on it whereas others (e.g., supermarkets, speciality shops) might prefer imports or direct supply from the producer. Studying whether building centralised and modern wholesale infrastructures – as advocated by city authorities in Vietnam – would benefit stakeholders in existing marketing channels is essential to avoid possible “white elephant” projects from being built as has happened before elsewhere.

However, to understand the existing marketing system and the viewpoint of all its stakeholders, this paper argues that a systemic approach to the analysis of urban food supply and distribution must be taken. Various elements of past research have been integrated into a conceptual framework that will be used for studying the fresh food marketing system in Vietnam. The importance of the system’s environment and product characteristics as critical factors in the development of different supply chains within the marketing system has been emphasised.

Among the institutions that are part of the environmental surrounding of the marketing system, this paper proposes to look at the issue of socio-cultural factors as influential factors in how food marketing systems function. Elements of New Institutional Economics and Transaction Cost Economics are also used to better understand the relationships among stakeholders in the marketing system. Fieldwork in Vietnam will determine whether this conceptual approach is relevant to the study area, focusing particularly on the relative importance of cultural factors.

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