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Modern Retailers in Transition Economies: The Case of Vietnam*

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Abstract

This paper reports the findings of a study on modern domestic retailers in Vietnam. We based this study on (1) a survey of 56 firms that control almost all the modern retail format stores in Vietnam, (2) in-depth interviews with CEOs and government officials, and (3) store visits and observations which were carried out by the authors. We discuss the operation and retail renovations of local modern retailers, the structure and the background of competitors, the problems retailers face, and their prospects for future development. Our findings provide a comprehensive picture of modern retailers in Vietnam and have significant implications for policy makers, as well as for local and foreign retailers.

Keywords: *Modern retailers, Supermarket, Retail modernization, Transition economy, Vietnam*
JEL Classification Number: *D12, L81, M31*

1. Introduction

Economic reforms in Vietnam have been underway for more than two decades. The reforms have changed the lives of Vietnamese consumers—not least through the development of a new retail distribution system in the country. Vietnam is at an early stage of retail modernization. Modern retail outlets, such as hypermarkets, supermarkets, shopping centers, and convenience stores, are visible in all major cities. While traditional retailers (wet market retailers and family-run stores) continue to vastly outnumber modern ones, a large number of modern retail outlets have emerged, and the development of the modern retail business sector has been impressive, occurring as it has over a relatively short period of time. After more than one decade from the establishment of the first supermarket in Vietnam, modern distribution networks account for 14–15 per cent of the total product distribution in the whole country (approximately 20–30 percent in major cities). The modern distribution network grew an average of 15–20 percent each year between 2000 and 2007. The traditional bazaar-based distribution system has been gradually changing because of this rapid development.

Vietnam became a member of the WTO in 2007. At present, the country represents an attractive market with vast potential. (With a population of 85 million in 2007, rapid economic development, relative political stability, and an underdeveloped local retail system, it was the most attractive emerging market destination for retail investment in 2008, according to A.T. Kearney.) Major international retailers wish to penetrate this market. In accordance with its WTO commitments, Vietnam fully opened its retail sector after January 2009. The debate over the new influx of global retailers continues to intensify. Domestic retailers and the Vietnamese authorities have raised concerns about losing market share to new foreign retail giants. Although researchers and planners often believe domestic retailers to be backward and unable to develop on their own, very little research has focused on these retailers.

This study takes a critical look at the local modern retailers in Vietnam. We investigate the actual operation and retail renovations of local modern retailers, modern retailer's self-perceived store image, the structure as well as the background of competition, the problems domestic modern retailers face, and their prospects for future development. We base our study on a survey of firms that are running modern retail businesses, in-depth interviews with CEOs of modern retailers, and government officials in order to approximate the holistic characteristics of real-life events.

This study makes several contributions to the literature. Vietnam is an emerging economy, and over the last ten years, its modern retailing sector has grown rapidly, making it a relatively new and timely research context. Therefore, the findings of this study first provide a basis for understanding the situation of modern retailers in Vietnam and have significant implications for local and foreign retailers and policy makers, for whom the analysis of domestic modern retailers will be of particular interest. On the one hand, local retailers and public policy makers are interested in evaluating the transition process in the modern retail sector, identifying weaknesses, and ensuring continued development. This analysis makes an important contribution to discussions surrounding macro-marketing, taking a bottom-up approach that begins at the micro-level and draws on the present situation of modern retailers to ascertain macro-level implications. On the other hand, while many international retailers have been paying attention to Vietnam, they may have limited experience in the contemporary Vietnam retailing context and may have something to learn from the local retailers and benefit from the perspective of current system. Their understanding of the difficulties faced by local modern retailers may help them better position themselves in this developing market.

Second, since the mid-1990s, a growing number of international retailers have shifted their attention to developing countries. Owing to increased internationalization, a vast amount of literature has emerged examining the international activities of European, North American, and Japanese retailers (Dawson et al. 2003; Dawson, Larke, and Mukoyama 2006; Coe and Wrigley 2009). Many marketing researchers have focused on emerging Asian countries such as China and Thailand, but little attention has been paid to transitional markets like Vietnam, where supermarkets are still a new retailing system that appeals primarily to upper class consumers in urban areas. A literature review reveals that retail distribution in Vietnam has attracted little attention from academics (e.g., Vernard 1996; Speece and Huong 2002; Cadilhon et al. 2003; 2005; 2006; Maruyama and Trung 2007a, 2007b; Figuie and Moustier 2009). In fact, modern retailing in Vietnam is still hardly understood. Several recent studies present empirical analyses of consumer attitudes and link consumer perceptions to the development of supermarkets (Maruyama and Trung 2007a, 2007b), while some researchers have focused on the risks and benefits of developing supermarkets to serve poor urban consumers in Vietnam (Figuie and Moustier 2009). However, the studies that exist provide few valuable insights into modern retailers in Vietnam. Furthermore, store image has traditionally been studied from the perspective of consumers. However, it is rare, even in developed countries, to find studies about how retailers perceive their own stores and competitive positions; understanding such perceptions would help scholars determine how store owners might endeavor to improve their stores' attractiveness to customers (e.g., Oppewal and Timmermans 1997). Strategic management textbooks suggest that retailers frequently assess how consumers perceive their store relative to competing stores. However, it has been observed that many retailers do not make it a practice to systematically measure and monitor their store's image (e.g., Arnold, Capella, and Smith 1983). In addition, researchers have found that retailers' perceptions of their store image may differ from consumer perceptions in systematic ways (e.g., McClure and Ryan 1968). To better understand of the strategic behavior of retailers, it is therefore necessary to study the current situation from the perspective of modern retailers. Hence, our study contributes to research on retail in developing countries in general and, in particular, the emerging markets of Vietnam.

The remainder of the paper is organized as follows: Section 2 reviews the retail environment in Vietnam; Section 3 reviews literature on supermarket development; Section 4 details the study's methodology; Section 5 summarizes the main findings and discusses their implications; and, finally, Section 6 presents our conclusions.

2. Transitional markets in Vietnam

2.1 Changing from a planned economy to a market economy

A Soviet-style centralized planning model was imposed on North Vietnam in the late 1950s and in the South in the late 1970s, after the official reunification of the country in 1975. According to socialist doctrine, a socialist economy is one in which virtually only two forms of ownership exist: state and collective ownership. As a result, during this period, domestic trade was severely constricted and, in many areas, simply banned (Fforde 1993). The government ordered that all trade and business operations of "bourgeois" tradesmen be abolished; only small merchants retailing goods not controlled by the state could exist (Charles and Hoa 1996). Under the government planning system, the state assigned regular production targets in terms of quantity for various state-owned plants, and directly provided these plants with capital resources and current inputs in order for them to meet those targets. The outputs produced by the plants were then supplied directly to the state. The state determined the prices and the distribution flow of the commodities by means of a "rationing system" and through state-owned stores. The application of this "target system" not only resulted in great economic deficiencies, but also destroyed all incentives for people to work.

With heavy losses in production, a greatly curtailed distribution process, and low productivity due to lack of incentives, the state could meet only one-tenth of people's demands. The existence of free markets was limited as people could generally only sell goods that were not distributed by the state. Goods like rice, meat, soap, clothes were considered "illicit" and anyone engaging in transactions involving these goods could be considered an illicit dealer. The state made all possible efforts to prohibit free markets. However, people employed every manner of subterfuge to counteract the state's prohibitions—including wearing rice-lined double-trousers or tying meat around bodies underneath clothing—to transport and sell "illicit goods."

From 1954 to 1986, Vietnam maintained a rigid command economy. As previously implied, this system resulted in severe shortages and deficiencies. By the late 1980s, the country was suffering from an acute staples crisis and spiraling inflation (which reached 775 percent in 1986). The failure of the centrally planned economy led the Vietnamese government to introduce a renovation policy called *Doi Moi* in 1986, thus beginning Vietnam's transition from a socialist economy to a socialist-oriented market economy. The changes took nearly a decade to implement, but, in the end, the reform abolished agricultural collectives, removed price controls on agricultural products, allowed the establishment of private businesses, changed regulatory and tax laws, and encouraged foreign investment. Under the reformed system, each farmer is allowed to take out a long-term lease on a plot of land. Farmers only have to deliver an annual quota of produce to the state as a rental fee for their use of the land. Otherwise, they are free to sell their output at markets. As a result, farmers enjoy full market incentives in the sense that increased efforts directly translate into increased income. These changes led to an immediate jump in farm outputs such that, after some parts of the country faced near famine conditions in 1988, Vietnam emerged as the world's third largest rice exporter in 1989 (Charles and Hoa 1996). As agricultural output boomed, rural marketplaces developed rapidly. In towns and cities, many new markets emerged. From around 1987 or 1988, new markets emerged for most products (Charles and Hoa 1996). Already, in 1988, almost every house was once again using its frontage as a retailing outlet (Waibel 2004). The traditional bazaar network was again established and continuously developed in the whole country. The number of markets more than doubled from 4000 in 1993 to 8300 in 2003 (VNS 2004). In addition, many small shops along streets, shopping centers, and wet markets now provide a variety of products and services for different income groups. Consumers could easily find both foreign and local products that ranged from expensive to inexpensive, an impossibility before the economic reform. This increased availability was like "a drought meeting a rainstorm" for

Vietnamese consumers, especially for the new middle-class consumers whose incomes had increased in the wake of *Doi Moi* and had particularly wide access to the sudden increase in available consumer goods (e.g., Shultz 1994; Do 1997; Beresford and Dang 2000).

With the liberalization of commerce, business activities continued to increase. The service sector expanded from 38.5 percent of GDP in 1986 to 43 percent in 1990. Trade markups comprised approximately 33 percent of the service sector's total contributions to the GDP. The development of commercial activities was due to the rapid growth of the private sector. The private sector's percentage of total trade increased from a low 42 percent in 1986 to a high 71 percent in 1991 (Charles and Hoa 1996). This total grew to approximately 80 percent in 2003 (GSO 2005). In 1985, the state and the co-operative sectors represented 60 percent of the business transactions conducted in Vietnamese dongs, while the private sector represented 40 percent. By 1988, the breakdown began to reverse, with the private sector accounting for slightly more than 50 percent, and by 1993, accounting for 80 (Venard 1996). The number of people employed in the trade sector also grew sharply, from 1.6 million in 1995 to approximately 5.3 million in 2007 (Table 1).

[Insert Table 1 about here]

In 1986, the total retail profit from sales of goods and services equaled 334 billion VND and grew rapidly, having increased by 413 percent over the previous year. During the period from 1990 to 2007, the average annual increase of retail sales of goods and services equaled 30 percent (17 percent between 1995 and 2007). Vietnam's retail market turnover reached US$46 billion in 2007. Distribution and retail businesses contribute more than 15 percent of the GDP per year. The total retail sales of goods reached US$55 billion in 2008. According to Kearney's Global Retail Development Index (2008), Vietnam ranks first among the countries offering promising opportunities for retail sector development. Furthermore, the government is keen to develop a modern distribution network throughout the country by encouraging investors from all economic sectors to construct more modern enterprises such as supermarkets. Meanwhile, the government continues to update the existing bazaar network and still uses it as the basis of the national marketing network (VNS 2004).

2.2 The changing Vietnamese consumer

The combination of policy changes, market reforms, extant consumer demands, the re-emergence of local entrepreneurs, and investments by multinational corporations, has dramatically changed the lives of Vietnamese (Shultz 1994). The country has experienced strong economic growth over the past two decades. The average GDP growth rate exceeded 7.5 percent between 1990 and 2007, making Vietnam one of the fastest growing economies in the world. Furthermore, cities currently account for 70 percent of the national GDP due to industrial and trading activities. By the early 1990s, per capita income was still among the lowest in the world. Fewer than 20 years later, Vietnam is about to enter the ranks of middle-income countries. GDP per capita increased from US$90 in 1990 to US$835 in 2007 (see Table 1, GSO Website). The percentage of the population earning less than US$1 per day declined from 51 percent in 1990 to 8 percent in 2008—an accomplishment that outpaces both China and India (Mantsios 2010). Annual GDP per capita has doubled in the country's urban centers. When only considering cities, economic indicators tend to be more representative of the middle-income group of countries in transition. Over the last few years, Vietnam has ranked third in the world in terms of its consumption ratio. Vietnamese people have spent more money in order satisfy their growing demands (VNN 2007a). The average consumption propensity reflected in the GDP of Vietnam is high when compared with other countries in the region. From 1996 to 2005, the ratio fluctuated between 70–82 percent, compared with 56 percent for Singapore, 58 percent for Malaysia, and 68 percent for Thailand. The growth of consumption of Vietnamese people was 7.7 percent in the period between 2001 and 2005, much higher than the increase in the population, which was 1.4 percent (VNN 2007b).

Household revenue has increased and changes in consumption are appearing among the rising middle class, which wants better quality, safer goods. Consumption patterns are also changing, as young families spend more and save less. About 62 percent of Vietnamese people do not eat at home every day (SGTT 2007). In addition, a current survey shows that up to 85 percent of urban dwellers in the South of Vietnam choose to shop at supermarkets because they believe such markets offer them a convenient shopping environment, as well as high-quality products (TNN 2004). Vietnamese consumers are becoming increasingly sophisticated, particularly in urban areas of the country. They are not only concerned with the quality and price of products but also the quality of the stores they visit. They often visit several retail outlets before making purchase decisions (Trang, Tho, and Nigel 2007).

Previously, motorbikes, air conditioners, fridges, washing machines, and visual audio equipment were considered high-class products in urban areas. These things have now become popular even in rural areas (VNN 2007b). Today, Vietnam reportedly has more motorbikes per capita than its neighboring countries; it has nearly 169 per every thousand inhabitants, while China has 44, and Indonesia has 79. According to official records, nearly 16 million motorbikes circulate throughout the country. In 1990, only 1.2 million motorbikes were officially recorded in Vietnam. Thus, this figure has been multiplied by ten over a short 14-year period, although motorbikes can be twice as expensive in Vietnam due to the taxes applied to imports (Freire 2009). The purchase of high-value products like cars and other brand-name products is on the rise in urban areas (VNN 2007b). Over 110,000 cars were sold in 2009, a 37-percent increase from 2007 (ET 2009). The growing affluence of the Vietnamese consumer is well reflected in the increased diffusion of hi-tech products throughout Vietnam. Totally, 94 percent of the country's upper-class consumers now own PCs, and a staggering 97 percent own at least one mobile phone. Even within lower socioeconomic groups, over half the population owns a mobile phone, which was not the case ten years ago (Nielsen 2008). Today, the Internet is widely available throughout towns and cities in Vietnam. By 2007, the percentage of the Vietnamese population that had regular access to the Internet had skyrocketed to 18.97 percent, exceeding the world average of 16.9 percent (VNN 2007c). Recently, the number of people using the Internet in Vietnam grew to about 23.2 million and continued increasing rapidly (VNE 2010). In addition, adult literacy has now been achieved by 93 percent of the population. Households with electricity have doubled since the early 1990s to an impressive 94 percent in 2008 (Mantsios 2010).

Vietnam has around 60.6 million consumers, including 16.9 million young people between the ages of 20 and 29 (VNN 2008). Demographically, young Vietnamese have shown more consumer confidence than their parents and spend more than they save. A recent survey by the TNS World Panel Vietnam, a market research firm, revealed three major characteristics among the new generation of consumers. First, they are younger than those in the previous generations (50 percent of Vietnamese consumers are less than 30 years old) and have high and complicated product requirements. Second, they spend more on body and healthcare products and appreciate product utility. Third, they tend to enjoy going shopping in safe and comfortable environments (VNN 2008). These active young consumers represent a powerful new consumer force and shape the trends that affect most of the country's industries, especially the modern retail sector.

2.3 Changes in the retail distribution system

The retail system in Vietnam is defined by both new, emerging retail formats and older, more traditional formats. The distribution system for processed food and non-food items progresses from importers and domestic producers to the wholesale sector (i.e., wholesalers, trading companies, and wholesale agents), then to the retail sector (i.e., mom and pop stores and agents, organized bazaars, and supermarkets). The marketing channels of agricultural products can be classified into two major groups: traditional and modern distribution systems. The traditional system moves products from producers to the wholesale sector (i.e., assemblers, transporters, and wholesalers) and then to the retail sector (e.g., organized bazaar retailers, frog market retailers, and hawkers). The modern system moves products from producers to wholesalers and assemblers, then to modern retail outlets (i.e., supermarkets and trading centers) and, finally, to consumers. In Vietnam, the traditional marketing system still presides. Less than 15 percent of product distribution takes place using a modern distribution network. The older retail formats, such as traditional organized bazaars (as of 2007, about 8173 markets existed), traditional mom and pop stores (nearly 1 million stores exist), and frog markets (these informal markets cannot be counted) account for approximately 90 percent of the remaining demand.

[Insert Table 2 about here]

Vietnam is still in the early stages of retail modernization. Hanoi and Ho Chi Minh City are the two most developed cities in Vietnam. Hence, modern retail outlets such as department stores and supermarkets were first launched in these centers. After the first supermarket appeared in Vietnam in 1993, an estimated 70 additional supermarkets were quickly opened in Ho Chi Minh City (HCMC) and another 20 opened in Hanoi (Venard 1996; Speece and Huong 2002). The number of supermarkets and shopping malls has been increasing rapidly, growing from 10 supermarkets and two shopping centers in 1995 to 400 supermarkets and 70 shopping centers in 2007 (Table 2). After more than a decade, the modern distribution networks account for 15 percent of the total product distribution. In 1994, 95 percent of the goods displayed at these outlets were imports. At present, domestic goods account for over 70 percent of total stock. Supermarkets initially focused on dry items, packaged and processed food lines, and non-food products. Today, many supermarkets carry fresh food, but offer a relatively limited range of products.

However, they have made little progress in fresh food lines, and their produce sales share a very small percentage of the market (Loc 2003; Cadilhon et al. 2006; Maruyama and Trung 2007 a, 2007b). The quickly developing economy has encouraged local governments in places such as Hai Phong and Da Nang to encourage modern retail outlets to penetrate their cities. From the retailers' point of view, fierce competition is more prevalent in Hanoi and Ho Chi Minh City. For this reason, more and more retailers are launching stores or expanding their business in areas beyond Hanoi and Ho Chi Minh City. Today, modern retail outlets such as supermarkets and shopping centers are present in all major cities.

At present, most modern retail outlets are owned and operated by Vietnamese retailers. In 1998, Vietnam experimented with opening its retail sector by granting a license to the French Bourbon Group and also granted a license to Metro Cash & Carry in 2001. The French Bourbon Group now operates seven stores (called Big C) and is one of the leading retailers. By 2008, Metro Cash & Carry had expanded to operate eight stores. Some other well-known foreign retailers such as Parkson (Malaysia), Dairy Farm (Hong Kong), Lotte Mart (Korea), Family Mart (Japan) and ZenPlaza have also gained a foothold in Vietnam. Tesco, Wal-Mart, and Carrefour are currently trying to obtain entry licenses as well. Vietnam became a full member of the WTO in January of 2009 and the retail sector was fully opened to foreign retailers. The expansion of current retailers into different cities has shown that there are still many opportunities for new competitors that are just beginning to establish operations in Vietnam. The initial successes of such chains as Bourbon, Saigon Coop, and Hapro in Vietnam have prompted both local and foreign retailers to rapidly expand their businesses and inspired international giants to start plans to spread out into the country. The retail sector's appeal is further enhanced by the fact that the five leading retail groups account for only 5 percent of the market share, leaving ample room for growth (VIR 2008). We will undoubtedly continue to witness significant changes in Vietnam's retail distribution.

3. Literature review on the progress of modern retail in developing countries and transition economies

The process of retail modernization involves an increase in the market share of all modern retail formats (here we use a term of supermarket throughout the paper as convenient shorthand for all modern retail formats, including hypermarkets, supermarkets, and convenience stores). This process was the subject of a large number of studies conducted prior to the 1990s. Many studies have focused on less developed countries and on emerging economies (Goldman 1981; Kaynak and Cavusgil 1982; Slater and Henley 1969; Findlay, Paddison and Dawson 1990; Kaynak 1985; Samiee 1993). These studies typically describe the weaknesses of the traditional retail system and analyze limitations hindering the acceptance of the supermarket format.

Over the past decade, there has been a supermarket influx in developing countries. Supermarkets have established a presence in such countries' cities, joining or supplanting traditional enclosed and outdoor food markets (Goldman, Krider, and Ramaswami 1999; Layton 2007; Veeck, Yu, and Burns 2010). Whereas, before the 1990s, domestic supermarket chains in many developing countries occupied a tiny retail niche among higher-income consumers in large urban areas, it was not until the early to mid-1990s that the supermarket sector took off (Reardon et al. 2003; Reardon and Hopkins 2006). Before that, supermarket diffusion continued quite slowly and only occupied tiny niches of the market (mainly servicing the richest domestic consumers and expatriates in the largest cities). A series of articles charted the rapid rise of supermarkets almost everywhere in the developing world and forecasted the continued rapidity of their spread (e.g., Belik and dos Santos 2002; Codron et al. 2004; Dries, Reardon and Swinnen 2004; Reardon and Berdegué 2002; Reardon, Timmer and Berdegué 2004; Rodriguez et al. 2002; Weatherspoon and Reardon 2003; Reardon and Hopkins 2006). The main purpose of these articles has been to alert academics and policy makers to the spread of supermarkets and the implications this has for supply chains, particularly those providing fresh produce.

3.1 Waves, driving forces, and patterns of diffusion

The extent of supermarket penetration varies, but the trends are clear. Previous literature shows that the spread of supermarkets has taken and is taking place in three established waves, and a fourth wave is still emerging (Reardon et al. 2003; Reardon and Hopkins 2006; Gulati and Reardon 2007; Reardon, Henson and Berdegué 2007). The waves can be defined as follows. (1) First wave countries experienced the take-off of the supermarket-sector in the early to mid-1990s. This wave included countries in South America, northern Central Europe, and much of East Asia, outside China and Japan. These countries saw supermarket diffusion occur in a single decade, in contrast with the five decades the process took in the U.S. and the U.K. (2) The second wave primarily included Central America, South Africa, much of Southeast Asia, and southern Central Europe, with the take-off occurring in the mid- to late-1990s. (3) Third wave countries include those in which the supermarket take-off did not begin until the late 1990s or early 2000s. These areas include "transition East Asia" (i.e., China and Vietnam) and India. Other areas such as Eastern/Southern Africa, other South Asian countries outside of India, and poorer countries in South East Asia (e.g., Cambodia) appear to be part of an emerging fourth wave.

Studies show that the accelerating expansion of supermarkets in developing countries is driven by the following factors: (1) rising incomes, urbanization, expansion of higher education, motorization, increasing employment of women, and increasing pressure on consumers' time; (2) retail-related foreign direct investment (FDI) liberalization in the 1990s and 2000s, along with competitive domestic retail investments; (3) pro-supermarket policies including state-supported supermarket chains (such as those in China), tax breaks for supermarkets by municipalities, and regulation of wet markets (in most countries), or even the conversion of wet markets to supermarkets (as in some Chinese cities)—these policies have, to some extent, been balanced by policies that constrain supermarket diffusion, such as rules on location and hours, as in Thailand, and some continued FDI limitations, as in India; (4) recent food safety crises that have spurred consumers to transition to using modern retailers and large processors for their food (such as in Vietnam); (5) modernization of procurement systems, especially for processed and semi-processed products, such as dry goods, oils, meat, fish, and dairy, which together constitute 85 percent of supermarket goods and have driven down costs and prices and thus facilitated supermarket diffusion; (6) capital availability, or, more specifically, easier access to financial capital (e.g., Lo, Lau and Lin 2001; Reardon et al. 2003; Dawson et al. 2003; Hu et al. 2004; Goldman and Hino 2005; Traill 2006; Maruyama and Trung 2007a, b; Gulati and Reardon 2007; Mutebi 2007).

Studies (Reardon et al. 2003; Goldman, Ramaswami and Krider 2002; Hu et al. 2004; Goldman and Hino 2005; Reardon and Hopkins 2006; Gulati and Reardon 2007; Reardon, Henson and Berdegué 2007) show that waves of spatial diffusion of supermarkets across categories of consumers and products have been and continue to be observed in many developing countries. Such diffusion occurs as follows: (1) supermarkets tend to start in large cities and later spread to intermediate cities and towns, then to small towns in rural areas; (2) controlling for the pattern of spatial diffusion suggests that similar waves of diffusion occur across socioeconomic categories, as supermarkets initially focus on higher-income consumer segments, then move into middle class segments, and, finally, spread to the urban poor; (3) as modern retail spreads, format diversification tends to occur in order to facilitate differentiation between spatial and consumer segments; for instance, to penetrate markets of inner cities and small towns in which space is limited and product assortment can be narrow, chains tend to use discount stores, convenience and neighborhood stores, and small supermarkets; (4) the penetration of supermarkets into product markets first occurs with non-food items and processed foods (e.g., canned, dry, and packaged goods, such as rice, noodles, and edible oils) and then proceeds to semi-processed foods (e.g., dairy products), and, finally, to fresh fruits, fresh meats, fish, and produce. It is common for supermarket's shares in the fresh food market to be lower than their shares in processed food.

Reardon and Swinnen (2004) show that the patterns and determinants that define the rise of supermarkets in transition economies (specifically, formerly state-controlled economies) share the following elements with those in other developing countries in Latin America and Asia: (1) both developing countries and transition economies share a set of socioeconomic determinants that affect supermarket diffusion, namely income growth and urbanization; (2) general patterns of diffusion in time and space are similar in both sets of countries, as domestic-capital supermarkets were present for some time before there was a sudden and steep rise in the growth rate of supermarket sales and the number of stores operating in the mid- to late 1990s, although, in some countries, this growth did not occur until 2000. However, transition economies also show several distinct trends. The first is that the economic controls in transition economies have tended to be more ubiquitous and, in general, take longer to shed following liberalization than those in the non-transition economies. Second, rates of supermarket growth in transition countries have been spectacular, exceeding the rates of non-transition countries (which are also quite fast) by a factor of roughly 2 to 1. Third, unlike most non-transition countries, the residual presence of the state in transition markets manifests as direct state investment (in addition to indirect measures, like cheap credit) in supermarket chains. Finally, most transition countries are on the way to forming close relationships with groups and market in developed countries, such as accession to the WTO. The trade press has made it clear that prior to these relationships being formalized, domestic and foreign chains often make rapid investments in order to secure a competitive position in the new market.

3.2 Limitations to the advancement of modern retail formats

Previous studies show that the superior outputs and the operational efficiencies embedded in the supermarket format are essential to gaining competitive superiority over traditional retailers and have been key to the format's success in developed countries (Markin 1963; Betancourt and Gautschi 1986; Messinger and Narashimhan 1997). Such outputs include the benefits associated with products (e.g., quality, freshness, packaging), assortment (e.g., breadth and depth), convenience (e.g., one-stop shopping, self-service, accessibility), service (e.g., responsiveness to consumers' needs, information, after-sales service, return possibilities), price (e.g., lower prices, sales), and overall consistency in quality, service, and accessibility. In addition, supermarkets deliver status benefits (e.g., shopping in a modern store environment) and entertainment opportunities.

A review of the literature on the retail modernization processes in South America and the Middle East (Galbraith and Holton 1965; Goldman 1974; Kaynak and Cavudgil 1982; Kumcu and Kumcu 1987; Slater and Henley 1969) and literature analyzing developments in the food retail systems in Asian countries (Dannhaeuser 1980, 1989; Balakrishna 1995; Feeny, Vongpatanasin, and Soonsathan 1996; Osman and Rejab 1989; Othman 1990; Walker 1996; Trappey and Meng 1996; Goldman and Quin 1998) reveals that innovative intermediate supermarket formats, introduced by local retailers, have played important roles. However, the competitive superiority of supermarkets is not guaranteed in developing country environments. Previous studies on the transfer of supermarket formats to developing countries found that consumers in these countries tend to place limited value on many of the output areas in which supermarkets excel, such as variety, product quality, modern and clean shopping environments, consistency, and the convenience of one-stop shopping. In addition, the underdeveloped state of the production and distribution systems has been found to reduce supermarkets' effectiveness, raise costs, and limit the possibilities for competitive pricing. These studies have identified factors that include consumers, supply and distribution systems, traditional retailers, and government activities as limiting supermarkets' operational capacities in developing countries (Slater and Henley 1969; Goldman 1981; Kaynak and Cavusgil 1982; Findlay, Paddison and Dawson 1990; Samiee 1993). In developing countries, and more so in transition economies, supermarket chains do exist, but few have the volume of business they need to establish and improve their warehouse systems. However, the nature of the problems faced by supermarkets has changed overtime. For instance, in China in the 1980s, most problems were related to technology transfer and support from supplementary industries. In the 1990s, problems were mainly related to competition and management-related issues. Managerial interests and capabilities in this area appear to be significantly limited (Goldman and Quin 1998; Lo, Lau and Lin 2001; Goldman 2000).

Literature on developing and transition countries presents cases in which consumers have preferred to continue purchasing food in traditional market formats, despite the easy accessibility of supermarkets,(Goldman 1981; Goldman, Ramaswami and Krider 2002; Goldman and Hino 2005; Maruyama and Trung 2007b). Some researchers characterize this problem as resulting from economic factors. Higher-income consumers enjoy greater benefits from switching from traditional markets to supermarkets, due to the higher opportunity cost of time, and greater access to storage space and transportation options. In contrast, lower-income consumers, many of whom purchase small amounts and shop often, experience fewer benefits from shopping in supermarkets (Goldman 1974; 1981; Kaynak 1985). Other studies have attributed supermarkets' failures in these cases to cultural factors. Lower-income groups may greatly value certain attributes of traditional outlets, such as the extension of credit, personal attention from store owners, and social interaction (e.g., Andreasen 1972; Caplovits 1967). These consumers may attach less importance to outputs typically associated with modern supermarkets (e.g., cleanliness, variety, self-service, orderliness, and atmosphere) and place higher value on outputs in which traditional formats excel (e.g., personal relationships and being served by members of the same ethnic community) (Goldman and Hino 2005).

Some studies have identified a tendency among consumers to purchase perishable food items from traditional outlets, and the greater distance they must travel to reach supermarkets may be the main barrier prohibiting the growth of supermarkets' share in produce sales. Consumers appeared to be systematically divided according to their food purchases: some shop regularly for perishable items in traditional formats while purchasing other food lines and non-food items in supermarkets (Goldman 2000; Goldman, Ramaswami and Krider 2002; Goldman and Hino 2005; Maruyama and Trung 2007b). The use of supermarkets only for selected product categories is clearly a barrier to the market share growth of supermarkets in developing countries.

Recent studies have also highlighted the tensions and conflicts between supermarkets and suppliers in developing countries. There are a number of complaints made by suppliers concerning supermarkets such as supermarkets often paying following a substantial time lag, and they impose a series of regular fees on suppliers—such as slotting allowances and promotion fees, as well as fees and discounts related to special events like store openings. Likewise, supermarkets complain about their suppliers' practices. The main complaints are often that suppliers do not comply with contracts, provide products of inconsistent quality and inconsistent volumes, and fail to make counterpart-investments in supply chain logistics (Gutman 2002; Reardon and Hopkins 2006).

3.3 The impact of the evolution of modern retailing

The influx of supermarkets in developing and transition countries, which brings with it higher quality products, greater product diversity, and, often, lower prices, should theoretically be beneficial to consumers, especially those who are poor (e.g., D'Haese and Van Huylenbroeck 2005; Reardon and Gulati 2008). However, at the same time, increased competition may force traditional retailers, many of whom are also vulnerable to poverty, out of business. According to Reardon and Hopkins (2006) and Minten (2008), the battles between supermarkets and traditional retailers in developing countries take place on several fronts, including price, convenience, product quality, and safety.

Most studies of developing and transition countries find that the effects of supermarkets on traditional retailers are mainly negative, although effects differ in magnitude for different types of retailers. As supermarkets spread, the traditional retail sector declines, and the fastest decline has been experienced by small general stores selling broad lines of processed foods and dairy products, while fresh produce shops and wet markets tend to hold out longer. The former outlets tend to have trouble competing with supermarket chains that buy in bulk and have economics of scale on their side (Reardon and Berdegué 2002; Reardon and Hopkins 2006; Mutebi 2007). In transition countries like Vietnam, recent studies have shown that traditional bazaars for fresh food remain competitive in term of price, freshness, and shopping convenience (Maruyama and Trung 2007b). Poor consumers tend to purchase very little from supermarkets due to material constraints (e.g., price, transportation), though they also tend to have high opinions of supermarkets (Figuie and Moustier 2009).

Much of the available evidence indicates that small farmers and processors in developing and transition countries are often excluded from these modern supply chains. When supermarkets modernize their procurement systems, they require more from suppliers with respect to volume, uniformity, consistency, quality, costs, continuity of product supply, on time delivery, and commercial practices. For this reason, supermarket chains prefer to source from medium and large enterprises, which are usually better positioned than small enterprises to meet their demands. Thus, the rise of supermarkets poses a substantial challenge to small enterprises (e.g., Key and Runsten 1999; Reardon and Barrett 2000; Weatherspoon, Cacho, and

Christy 2001; Kirsten and Sartorius 2002; Weatherspoon and Reardon 2003; Humphrey, McCulloch, and Ota 2004; Cadilhon et al. 2006). However, emerging literature suggests that small farmers may also benefit from changes pertaining to centralized procurement systems, the use of specialized wholesalers and preferred supplier systems, and demanding requirements of private contracts (Swinnen 2007; Minten, Randrianarison, and Swinnen 2009).

Modern retail systems can also create new jobs. Some of this new employment inevitably results in a loss of traditional retail sector jobs, but, depending on the formats used by modern retailers, the expansion of the consumer market facilitated by modern retail plus small-format innovations can, in turn, expand employment. Employees in the modern sector are often better paid and enjoy better working conditions, but they must also acquire more skills and education than employees in the traditional sector (e.g., A.T. Kearney 2006; Reardon and Gulati 2008).

4. Research methodology

4.1 Research objective and questions

The purpose of this study is to obtain a better understanding of local modern retailers in Vietnam. The pursuit of this key objective is guided by the following specific questions: (1) which forms of modern retailing practices exist in Vietnam; (2) how do local retailers operate in the modern retailing environment; (3) how modern retailers perceive of their own store image and competitive position in comparison in relation to other retailers (including traditional or foreign retailers); and (4) what difficulties are retailers facing; and (5) how do local modern retailers evaluate their performance?

4.2 Research design and data collection

Conducting research in Vietnam involves considerable challenges. The researcher not only faces the challenge of working under new and different political, cultural, and social circumstances, but is also disadvantaged by lack of reliable statistical material. Personal relationships are still very important in Vietnamese society, especially in business, and official introductions are not treated that seriously unless they are accompanied by frequently personal contact. Consequently, without close relationships with members of the business community or government authorities, a researcher will experience considerable limitations when it comes to accessing information. The above mentioned reasons were taken into account when choosing a qualitative research approach that includes multiple case studies and interviews as the most appropriate and rational methodology for this study.

The lack of secondary data on the modern retailing sector in Vietnam justifies primary data collection. The principle research tool used in this study was a survey. The detailed questionnaire for chief executives of firms was designed based on our literature review, in-depth experience and knowledge of the researchers, and advice from scholars and the staff of the Association of Vietnamese Retailers (AVR). The final version of the questionnaire for retailers consists of four sections. The first allows us to understand the profile of a retail firm. The second part considers their operation. The third part details the difficulties they are facing and the final part asks about their evaluation on their performance and competitors' performance. The questions included a variation of forms (e.g., structured or non-structured interviews, a five-point Likert scale, and some open-ended questions).

The sample of local modern retailers was selected from a database of the AVR, and a list of 56 firm-level questionnaires was drawn up. This list included all top local modern retailing chains in Vietnam. The sample this study employed is relatively small, and the number of local modern retailers may be larger than 56 firms, but according to AVR, the sample covers almost all the modern retail outlets that existed in Vietnam at the time this research was conducted. Therefore, the sample was considered representative of Vietnamese modern retailers as a whole.

As mentioned earlier, there are marked difficulties involved with conducting research in Vietnam, but this particular project managed to bypass most of the common obstacles because of the cooperation of the AVR. The questionnaire was directed to the CEOs of firms and officially collected by the AVR. Through the intervention of trusted AVR contacts, all 56 retailers were approached and all agreed to participate in the study and complete the survey.

In addition, as arranged by the AVR, ten in-depth interviews were conducted with CEOs of major domestic retailers (five in Hanoi and five in HCMC). We also conducted in-depth interviews with five top-level government officials working in the Ministry of Industry and Trade, and with the AVR's top-level officials. This in-depth interview process allowed us to access a wealth of information and served as "an investigation to retain the holistic and meaningful characteristics of real-life events" (Yin 2003). Through this method, we were able to gain an in depth understanding of the information we had acquired and identify points that could not be explained through numbers and statistics (Sinkovics, Penz, and Ghauri

2005). Interviews provide researchers with an opportunity to ask further questions and ensure that all information has been correctly understood.

Surveys of retail firms and interviews with CEOs and government officials were conducted between November 2008 and March 2009. Most took between one-and-a-half and two hours. All interviews were recorded and fully transcribed and notes were taken as well. All interviews were formally conducted in the interviewee's office during business hours. For reasons of confidentiality, the names of the companies and interviewees were replaced with pseudonyms.

Shop visits and observations in almost all modern retail outlets in Hanoi and HCM City were also conducted during the researchers' numerous stays in Hanoi and HCM City. The researchers and AVR also co-organized two symposiums related to the development of modern retailing, one in Hanoi (August 19, 2008) and one in HCM City (March 24, 2009), at which the specially invited participants included government officials and representatives from almost all modern retailers in Vietnam. The objective of these activities was to give the authors a better understanding of how the retail firms being studied operated, as well how the whole modern retailing sector in Vietnam actually functions.

4.3 Descriptive data

Analysis of the raw data from the surveys indicates that some of the retail outlets evolved from existing stores, while others were newly established. Of the present sample, 21.4 percent of the firms were state-owned, 78.6 percent were privately owned, and 67.3 percent had previous experience in the retailing sector before adopting the modern retail format. State-owned modern retailers were mainly established by existing retail businesses. Many of the state-owned retailers included in the sample had access to financial and managerial resources and owned property that could easily be converted into supermarkets. In contrast, private firms were much more constrained by available resources and faced difficulties in finding appropriate store sites.

Our data show that 41.1 percent of firms started their businesses in Hanoi and 30.3 percent in HCMC, which are the two biggest cities in Vietnam, while 28.6 percent started in other large cities, such as Hai Phong or Da Nang. Few firms have a network of stores all over the country. Some have expanded their activities to nearby cities. Among the sample, 64 percent indicated that they received their start-up capital through a loan from a state or private bank, 45 percent received their start-up capital from family financing or their savings, and 29 percent received capital from parent companies. Very few firms (only 2 percent) were financed by foreign partners. The firms operating supermarkets and/or convenience stores (also called mini stores) make up 71.4 percent of total firms. The firms operating specialty stores constitute 26.8 percent of total firms, and only 1.8 percent of the firms are operating hypermarkets. Of the sample, 30.4 percent operate one store, 39.3 percent operate two to five stores, 7.1 percent operate six to ten stores, and 23.2 percent operate more than ten stores. In terms of experience, 37.5 percent have less than five years' experience in the business, 39.3 have between five to ten years' experience, 17.9 percent have more than ten and less than 15 years, and only 5.4 percent have more than 15 years' experience. The average daily operating time for the stores is 13.5 hours.

5. Main findings and discussions

5.1 Retail operation and technology

All the managers agreed that it was not difficult to mimic many of the externally visible elements of other modern retail outlets, such as self-service, an organized store environment and presentation, electronic checkouts, or visible price displays. However, it has been difficult for them to master the internal components of a modern store format, such as the necessary methods, techniques, systems, strategies, business philosophies, and organizational structures. These findings correspond with the findings of earlier retail modernization studies, which showed that traditional retailers find it easier to master external elements than the internal ones (Slater and Henley 1969; Goldman 1981; Goldman and Qin 1998). However, our store visits revealed that the external components—that is, the shopping environment created by presentation, order, layout, cleanliness, store appearance, and store features—remain at a very low level. The stores appear unclean and untidy, and presentation and layout are deficient in comparison with foreign retailers (e.g., Big C).

As for internal components, store owners continue to use the same methods and systems used by traditional retailers, and follow the same norms and business philosophies. They also tend to use only basic measure, such as overall sales and gross profits, to evaluate performance (mean 4.71 and 3.57, respectively). More sophisticated measures, such as average margins (mean 2.95), sales per employee (mean 2.02), or sales per unit of space (mean 1.77), product turnovers (mean 2.16), and category-level margins and profitability (mean 2.07) were used rarely or not at all (Table 3).

[Insert Table 3 about here]

The main technologies that stores employ in planning and management are telephones, facsimile machines, and computers (mean 4.68, 3.93, and 4.13, respectively). The point-of-sales system (POS) is mainly used to record data (hard merit) rather than as a control and planning mechanism (soft merit) (mean 2.95). The transactions are often conducted over the telephone or via fax. Online mail orders, electronic data interchanges (EDI), and customer reward point cards are rarely used (mean 2.21, 1.13, and 2.05, respectively).

5.2 Location, positioning, and competition

Local retail firms mainly operate in high density residential areas (72 percent). Some have located their stores in new residential areas (27 percent), and a few have chosen to locate stores in suburban areas (5 percent). When completing the checklist, the main reason they cited for location choice was convenience and ease of attracting consumers (75 percent). Other reasons such as “easy to rent or find expected areas,” “cheap to rent,” “less competition,” or “higher income area” were rarely cited as reasons, and on the whole, such reasons accounted for less than 21 percent of the total responses. Proximity was shown to be a top factor informing firms’ location strategies, since motorbikes are a major transportation tool among consumers. Responses included the following:

> We only locate our stores in high-density residential urban areas. There is a significant difference in income as well as in consumer behavior between urban areas and suburban areas even for a big city like Hanoi. Therefore, locating stores in suburban areas may not attract consumers. (A CEO of a supermarket chain store)

> We located our stores 30 kilometers from the city center due to its being easer to find sites at lower rent in order to build a large scale store. We did aggressive promotion campaigns and provided free bus service to attract our main consumers from the urban areas. However, the number of shoppers visiting the stores is much lower than we had expected. (A CEO of a hypermarket)

Based on the literature review, we listed factors that may affect modern retailers’ business strategies and asked respondents to rate the factors from 1 to 5 according to their importance to business strategies. The results are shown in the Table 4. Domestic retailers considered “improve quality and safety,” “choose a good location," and "put more emphasis on consumer services" to be the most important factors (mean 4.56, 4.41, and 4.34, respectively). "Improve quality and safety" was considered significantly more important than "lowering cost and price" (mean 4.56 versus 4.20, at p = 0.05). The "high volume, low prices strategy" and "fast expansion of store network" were shown to be significantly less important than the above mentioned leading factors (mean 3.73 and 3.27, respectively).

[Insert Table 4 about here]

The respondents in our sample were concerned that competition in the modern retail sector was relatively high (mean 4.16, where 1 = not worried at all, and 5 = very worried). Among the respondents, 61 percent indicated that there are other modern retailers' stores located within 500 meters from theirs. As a review of the literature showed, consumers tend to purchase different kinds of goods at outlets with different retail formats (e.g., Maruyama and Trung 2007b; Goldman and Hino 2005). Therefore, competitiveness of retailers likely depends on the kinds of goods that retailer sell at their stores. In addition, retailers may perceive their store image and competitive position in relation to the store attributes commonly found in consumer-oriented image research, such as quality of goods, price level, consumer services, store displays, or promotional activities or other activities pertaining to the development of brand name (e.g., Oppewal and Timmermans 1997). Table 5 summarizes the perceived level of competition from other retailers as rated by domestic modern retail firms. In using different kinds of goods to compare the competition level, we found that in the area of fresh food, the competition coming from foreign retailers, wet markets, or family-run stores is significantly higher than the competition that comes from other domestic modern retailers. Competition for processed food that comes from other domestic retailers, traditional markets, or family-run stores are all similarly rated—that is, all are rated at middle level (the mean, while higher for competition from other domestic retailers, is not significantly different at p = 0.1). Competition from foreign retailers is relatively high (mean 4.00).

[Insert Table 5 about here]

For consumer goods other than food, competition from other domestic modern retailers or foreign retailers is significantly higher than that from traditional markets, but not significantly different than that from family run stores (at p = 0.1). In the area of consumer durables, competition from other domestic retailers is significantly higher than that from traditional markets (at p = 0.1), but there is no significant difference from competition that comes from family-run stores and foreign retailers (at p = 0.1).

In comparing competitiveness according to different items, respondents rated competition from both domestic modern retailers and foreign retailers at the middle level. They evaluated competition according to price, consumer services, variety of product lines, development of supermarket brand name, advertising and sales promotion, and quality of products at similar level (i.e., the mean, while higher or lower, is not significantly different at p = 0.1). Competition from traditional markets and family run stores was mainly evaluated according to price.

5.3 Shopping habits of consumer pose a threat to the development of modern markets

All the retailers interviewed indicated that consumers tend to choose retailers according to goods: they shop regularly for fresh food in wet markets, while they divide their purchases of other food items or non-food items between supermarkets and mom and pop stores. Since shoppers view traditional wet markets as offering greatest freshness for the widest variety of perishable goods, they prefer not to buy these items at modern outlets. These findings are consistent with Maruyama and Trung (2007b), who based their findings on consumer-oriented image research. In addition, retailers also voiced the opinion that shoppers do not believe the quality of products sold at modern outlets is superior to products sold at traditional stores.

> Traditional bazaars are still very competitive in terms of price, freshness, and convenience. The preference for purchasing fresh produce items in traditional outlets is strong. In fact, Vietnamese consumers perceive meals prepared from natural and fresh ingredients as more delicious, healthier, and less risky, so they frequently do their shopping at bazaars. (A CEO of a private supermarket chain)

> Vietnamese consumers still have not got used to the one-stop shopping concept. Vietnamese consumers are in the habit of going to shop for a given kind of goods at a given specialized shopping area. Surely, this habit will change, but it takes time. (A CEO of a modern specialty store)

> The shopping culture of Vietnamese is that they like to buy goods in between stops of their motorbikes, not after parking their motorbikes to enter the store. (An official who is a retailing specialist)

The shopping habits of Vietnamese consumers pose a decided threat to the development of modern markets. In addition, the fact that motorbikes, rather than cars, remain a major mode of personal transportation (96 percent of the sample report that shoppers mainly go to stores by motorbike) means few shoppers are motivated to buy in bulk (53.6 percent of the sample indicated that the volume of purchase each customer makes is less than 200,000 VND, or US$10, while 77 percent make purchases of less than 500,000 VND, or US$25). In addition, refrigeration and wrapping to avoid spoilage are perceived as added costs by consumers and may contribute to the impression that products at modern retail outlets are not as fresh as those in traditional markets.

5.4 Operating costs, logistics, and supply arrangements

Managers interviewed for this study agreed that the operating costs for supermarkets in Vietnam are relatively high. The issue of rents is of special interest because it is a major cost factor. Our survey data indicates that domestic retailers have evaluated the cost of opening a new store and the cost of renting a location at the highest level (mean 4.07 and 3.57, respectively). These costs are significantly higher than other factors, such as labor costs (mean 3.14), inventory costs (mean 3.25), advertising and promotion costs (mean 3.27), and costs of fixtures and decoration (3.41). Other costs, such as transportation costs (mean 3.07), costs of ordering or buying goods (mean 2.84), losses from shrinkage and waste (mean 2.46), losses from shoplifting (mean 2.21), and the interest rate costs on loan capital (mean 2.89) were evaluated at either a normal (acceptable) level or significantly lower (Table 6).

> It is very difficult to find a good location. Sometimes, we found a good location; however, the cost of good locations was very expensive. Therefore, we had to give up. (A CEO of a state supermarket chain)

> Investment capital is one of the major problems for our firm. Much of our capital has been channeled into construction works and renting. (A CEO of a supermarket chain)

> Foreign retailers have capital and a lot of experience, while local retailers only have small-scale stores and lack modern retail knowledge. They can operate at a loss for several years to gradually increase their market shares while we face a myriad of capital, manpower, and technology problems. We borrowed money from banks at a relatively high interest and could not operate at a loss for several start-up years to attract consumers. If we do not become profitable quickly, it would be very difficult to

borrow money from banks again. (A CEO of a supermarket chain)

These sentiments are representative of views others expressed as well.

[Insert Table 6 about here]

Furthermore, 59 percent of modern domestic retailers indicated that the general price levels of products sold at their stores were relatively higher than those at traditional stores. The main reasons they cited were that they provide a higher quality (94 percent) and/or have higher operating costs than traditional retailers (52 percent).

> We [modern retailers] pay real market rents and taxes, while traditional retailers pay subsidized rates or use their house frontage as a retailing outlet [many did not pay taxes]. Traditional retailers enjoy considerable cost advantages because of lower levels of loss from shrinkage and waste and their reliance on the labor of family members. They work for themselves and accept low margins to make a living; they use simple, low-cost retail technology, and have a very simple shopping environment. On the other hand, modern retailers incur many additional costs associated with their higher level of offerings [processing, sorting, packaging, refrigeration, assortment, service, and shopping environment]. (A CEO of supermarket chain)

We found that supply-side developments in Vietnam favor the modern retail format (Table 7). A growing number of manufactures have been improving their operations, and many are forging closer relationships with modern retail outlets. Respondents rated most problems identified on the checklist, such as “delay in delivery of goods,” “meeting their requirements for quality or standard of goods,” “buying goods directly from producers,” “the small scale of suppliers and/or producers,” “keeping long-term relationship with suppliers,” at a relatively low level, indicating these factors were rarely problematic or mostly acceptable (mean 2.34–2.82). Producers and suppliers are generally unwilling to offer retailers low prices since most retailers do not have strong financial resources and usually rely on credit for their purchases (64 percent of the sample indicated that they pay within 1-2 months). Negotiation with suppliers for favorable payment terms and lower prices was seen as one of the most problematic item on the checklist (mean 3.13). Because of their lack of capital, they could not adopt high volume, low prices strategies.

[Insert Table 7 about here]

Respondents explained the challenges they face as follows:

> It is not difficult to find a supplier since they also want to sell their products in our stores. However, due to our low purchasing volumes, we are not able to obtain the best conditions from suppliers. (A CEO of a supermarket)
>
> The importance of developing chain stores has been totally unrecognized by most local retailers. The operational and logistics costs of operating only one or a few stores are very high. This inhibits large purchase volumes that would absorb overheads and allow for competitive prices. The most important factor for success is cheap prices. (An official of the Ministry of Trade and Industry)

5.5 Lack of management skills and expertise and other problems

In nearly all cases, employees are basically untrained before they begin employment. They lack social knowledge, or understanding of goods trademarks, and don't know how to use the stores' facilities.

> The attitude of the sales persons in the way they look at, speak to, and treat consumers is very problematic. Many consumers have been insulted, which is a grave problem. The staff's low cultural standards when serving shoppers make stores inefficient and less attractive to shoppers. It would be very worthwhile to conduct a study on this subject. (An official of the Ministry of Trade and Industry, a representative from HCMC)

In addition, managers often lack retail experience and training, particularly regarding management and operation of supply chains. Manpower shortages at the top and middle management levels are probably the most crucial issue (mean 4.11 and 3.54, respectively, where 5 = great shortage, and 1 = no shortage at all). While obtaining staffing for sales people is not difficult (mean 2.68), obtaining staffing for managerial level positions appears to be the crucial issue (mean 3.91) (Table 8).

[Insert Table 8 about here]

According to respondents,

There is a serious shortage of managerial manpower. This is a common problem not only for our firm but also for all other firms in this field. (A CEO of a supermarket chain)

We invited consultants from abroad to advise us on modern operations. However, bearing in mind the different culture, the high salary of the consultants, along with the low improvements in performance, we terminated the contract. (A CEO of a state-owned supermarket)

Managers often lack retail experience and training. They have just entered the market economy, and therefore, they are still very confused. Most of them lacked knowledge of modern retail. Their lack of management expertise and technical skills at top and middle levels is probably the most crucial issue at present. Most universities in Vietnam offer business and economic education, but only in general and very academic terms. Education relating to distribution systems has scarcely in Vietnam's education system. Nobody has been trained in how to operate a warehouse, how to merchandize, how to operate a store, how to manage logistics, or how to manage chain stores. There is a serious shortage of materials dedicated to modern retailing in Vietnam. (An official of the Ministry of Trade and Industry)

Universities have trained students as 'no more than one parrot – to learn by rote'. We had to train them again when we recruited them. (A CEO of a specialty store)

As modern retailing shops of various types expanded, they attracted staff from the existing pool of experts in this area of business. This, coupled with a severe deficit in opportunities for retail-related education, could be the cause of the continued shortage in managerial manpower. In addition, domestic retailers cannot attract talented employees and cannot pay high salaries, while foreign-invested retailers can. Workers naturally apply to places offering the highest salaries, and competition for manpower is likely to become even stiffer, especially as more large retail groups enter Vietnam.

Although data shows that domestic modern retailers face few difficulties related to transport and stocks related logistics (mean 2.88), government related bureaucratic factors, such as taxes (mean 2.57), quality control (2.70), price controls (2.48), and regulations (2.82), the retailers confronted problems regarding funding for expansion, finding good locations, and managing chain stores (mean 3.18, 3.73, and 3.55, respectively, where 5 = very difficult, and 1 = not difficult at all) (Table 8). These findings are also confirmed by data obtained by the officials interviewed (Table 9).

[Insert Table 9 about here]

5.6 Lack of government support

Given the difficulties local retailers face, respondents strongly indicated that existing government distribution policies and government support for the domestic retail industry are weak. Respondents evaluated all ten checklist elements at a fairly low level, such as support for accessing land (mean 2.34, where 5 = very good, 1 = very bad), facilitation of loans (mean 2.89), revision of the legal system to deal with various problems (mean 2.70), support for applying new retail methods and modern technologies (mean 2.58), and support infrastructural development (2.40), among other factors (Table 10).

[Insert Table 10 about here]

5.7 Performance evaluations

Table 11 summarizes the evaluations of different retailers by domestic modern retailers. In general, domestic modern retailers gave themselves relatively low evaluations in every respect. All of the elements are rated significantly below a “good level” of performance. Respondents apparently felt that they were performing relatively well only when compared to traditional markets and family run stores, but not when compared to foreign retailers. Respondents evaluated foreign retailers at a significantly higher level than domestic modern retailers in all areas (at least at $p = 0.1$). There was no statistically significant difference between domestic modern retailers and traditional markets in terms of variety in product lines, price levels, freshness of products, or cooperation among retailers, but the respondents still evaluated domestic modern retailers significantly higher for the rest of the listed elements. With the exception of price levels, family run stores are also evaluated at fairly low levels for all the listed elements.

[Insert Table 11 about here]

Table 12 summarizes the evaluations of retailers by the officials who were interviewed. In general, their evaluations are consistent with the evaluations by local retailers. However, there were some differences. There are few differences between local retailers and foreign retailers in terms of variety, quality of merchandise, and price level, but officials evaluated domestic retailers significantly lower than foreign retailers for all other elements. According to officials, traditional markets remain very competitive in terms of price.

[Insert Table 12 about here]

5.8 Future development

The aggressive expansion of domestic markets by both existing foreign retailers (e.g., Big C and Metro Cash & Carry) and new foreign entrants (e.g., Parkson, ZenPlaza, Dairy Farm, and Lotte Mart) have threatened local retailers. Government officials and CEOs who participated in our interviews believed that Vietnamese retailers would face even greater difficulties in the future. A variety of options for coping with the increase foreign competition have been proposed by either domestic retailers or Vietnamese government officials. Some leading local distribution firms, such as the Saigon Trading Group (Satra), Saigon-Coop, the Hanoi-based Phu Thai Group, and the Hanoi Trade Corporation (Hapro), have integrated to establish the Vietnam Distribution Association. The Association of Vietnamese Retailers (AVR), another helpful organization, was established in 2007 with the aim of helping retailers, manufacturers, and distributors to cooperate so as to strengthen their operations. The establishment of these two organizations represents an important achievement for Vietnamese retailers.

Local retail companies are being pressured by local authorities to modernize or consolidate their operations, or collaborate among themselves. According to respondents,

> Local retailers have these four main weak points that they need to overcome. First, they lack professionals in the retailing sector. Most of the human resources are not trained due to the extreme lack of a specialized education system. In addition, they are not equipped with a modern management system (i.e., more than two-thirds did not apply information technology to management). Moreover, most local retailers are not even aware of the need to build and develop a trademark. Second, their logistics system is very poor, outdated, and much lower than the international standard. They depend heavily on producers and wholesale traders for their goods. Third, their financial resources are very weak. Fourth, they suffer from lack of cooperation and a clear development strategy. (An official of AVR)

In other countries like China, the government aggressively subsidizes local retailers to help them adjust to new retailing environments, provides financial subsidies or new information technology to improve distribution systems, and ensures fair trade and balance developments in the retailing industry. In contrast, to date, local retailers in Vietnam have received relatively little assistance from the government. The government has declared its intention to give support, but such support remains in the planning stages.

A major concern for interviewees was the need to establish alliances with each other in order to limit competition and achieve better economies of scale, as well as greater bargaining power. However, awareness of the importance of cooperation and the strength it can provide appeared to be lacking among the managers interviewed. In their opinion, attaining cooperation is particularly difficult for the following reasons. First, it is hard to find “common ground” among Vietnamese retailers, and, because of their perception of the nature of Vietnamese culture, they fear any benefits derived from cooperation will mainly go to their partners and not themselves. Second, retailers are extremely busy working to consolidate their business units, improve the performance of current stores, and boost profitability along with sales growth, and do not have time to discuss cooperation.

Despite the limited support it offers, the government does provide some protection to local retailers. The government aggressively promotes modernization, and emphasizes the need to modernize the domestic retail system. Government officials believe that competition from foreign retailers will help the market become more active and dynamic and that local retailers must modernized their management tactics and exploit business opportunities in order to keep up with the changing market. Notably, the government does not expect foreign retailers to displace domestic retailers and dominate the system. Existing local retailers are expected to change and develop, not to be replaced. As one government official explained,

> We want to have a strong distribution system which could exist and develop, and be strong enough to force the foreign retailers to withdraw from the Vietnamese market as in some other countries. (An official of the Ministry of Trade and Industry)

The government is encouraging the penetration of foreign players while at the same time contemplating the protection of domestic retailers in several ways. First, the current law requires that, even when the market is opened to foreign retailers, none of stores funded by foreign investment can open more than one outlet. Foreign retailers are forced to seek permission from the government to open a second store—an Economic Needs Test is required, which will be used to evaluate how many retail outlets a foreign investor will be allowed to operate. Therefore, fierce competition could be partly controlled by limiting the mass establishment of retail chains by foreign retailers. Second, a cap on the concentration of stores and location of outlets is also on the agenda for discussion among policy-makers. Large-scale retail stores are encouraged to open in suburban areas or in tier-two and tier-three cites rather than in Hanoi or HCM City, which are currently home to the vast majority of modern retail outlets. Other barriers, such as regulation of the percentage of local products on shelves, may serve as a hedge against dominance of the domestic market by foreign retailers. These defensive regulations are expected to help shield local retailers from foreign ones.

Furthermore, it will take time for international retailers to accumulate larger markets shares and for new entrants to become participants in the market, and administrative procedures test the patience of foreign retailers who want to start businesses in Vietnam (A World Bank survey, "Doing business in Vietnam 2008," reported that it takes 11 procedures and 50 days to start a new business in Vietnam, while building a warehouse takes even longer with 13 required procedures that last an estimated 194 days [VIR 2008]). It is not yet known precisely which conditions must be satisfied by the applicants, but it can be assumed that delays will arise when it comes to acquiring permission to open outlets. Poor infrastructure and the nascent logistics sector continue to present obstacles to the efficiency of retail expansion. These practical factors, combined with the cap applied by the government to regulate competition from foreign retailers, will generally prove favorable to local retailers in the next few years.

Currently, most local modern retailers operate small or medium size stores located strategically in heavily populated areas, mainly big cities, from which they try to attract customers. Retailers could be more successful if they learned more about the habits of their customers. However, the government officials who were interviewed emphasized that they do encourage the development of small supermarkets, or convenience stores, in urban areas. Shrewd retailers always find ways to overcome such barriers, however, and might consider building networks of small-scale neighborhood retail outlets or triggering a new wave of merger and acquisitions activities with national companies. Exactly such a trend was observed in Thailand and China, and appears to be the most viable entry mode for new entrants (VIR 2008), though it poses a major challenge for domestic retailers.

6. Conclusions and directions for future research

According to WTO commitments, restrictions on retailing were abolished in January 2009. As a result, Vietnam will soon become a battleground for giant international retailers. Undoubtedly, competition from international companies will continue to be one of the biggest challenges facing domestic enterprises. However, it is through such competition that domestic retailers will learn how to combat overseas entrants.

The findings of this study have indicated that local operators are weak and lacking in resources, skills, and abilities needed to develop their businesses. Managers lack the special talents they needed to operate in the modern retail format and mainly rely on prior traditional experiences in running their new businesses. To cope with changing markets, local retailers must modernize. They have to consolidate their stores, establish unique and strong market positions, and learn more about how to differentiate themselves from competitors. More effort must be put into training human resources employees, building a trademark image, and installing modern retail infrastructure. However, these efforts alone seem insufficient for fully adjusting to the new retail environment. Domestic retailers who participated in this study strongly indicated that the existing government distribution policies and the government’s support for the domestic retail industry are weak and that strong governmental support is needed if retailers are to cope with market changes and increasing competition. Many local retailers expressed concerns regarding competition from deep-pocketed foreign retailers.

The government can offer support in several ways. (1) It can establish an agency entrusted with the promotion of modern formats. This agency could serve to match foreign supermarket companies with local partners, developing overall strategies and long-term plans for the modern sector, identifying problems and helping to resolve them, acting as a diffusion center for new retail methods, and evaluating the effectiveness of such models. This agency would also arrange for loans, subsidize projects, and be involved in infrastructure developments (e.g., distribution centers, supply arrangements for fresh items, bar codes). (2) It can help retailers form “buying groups” or develop joint distribution systems for themselves. If possible, the concept of a “coop” could be renewed among small retailers. (3) It can develop policies and strategies to improve employee training. Governments should support training institutes and universities that develop professional and disciplines-specific skills of students who wish to work in fields like modern retailing, supply chain management, and customer service. (4) Finally, it can invest in the upgrading of wholesale markets to make them better able to serve retailers.

Limitations and directions for future research

Although this study examined various aspects pertaining to local modern retailers, the relevance of this kind of analysis can be extended by the collection of additional information. For example, local modern retailers' images can be compared to consumer images and competitor-perceived image (e.g., traditional markets, mom and pop stores, or foreign retailers), allowing conclusions about discrepancies among perceived images to be made. Such information would be useful in helping retailers develop strategic action plans.

In addition, in this study, we developed a micro-perspective by presenting a qualitative study of the practices and performances of local modern retailers in a transitional economy, namely Vietnam. We focused on the micro-actions of micro-actors because we believe this kind of study will provide bases for later research regarding macro-marketing issues (e.g., Lusch 2006). On a broader level, this study has called into question the impact of marketing systems on society in the context of the larger socioeconomic systems in which they operate (e.g., Fisk 1981; Hunt 1981; Joy and Ross 1989; Layton 2008; Meade and Nason 1991; Mittelstaedt, Kilbourne, and Mittelstaedt 2006; Wilkie and Moore 2006). Examining how well marketing serves as society's provisioning technology (e.g., Layton and Grossbart 2006; Layton 2007, 2009) or how rapidly transformation and development of markets affect social welfare (Shultz, Rahtz, and Speece 2004) is of vital importance, particularly in the case of countries making the transition from more centrally driven to more market dependent economies like Vietnam. In particular, further study should investigate the effects of modern retail on traditional retailers, farmers, producers, and suppliers, as well on employment opportunities. Further, other questions should be raised regarding whether it is in the best interests of producers and consumers that local modern retailers are protected from international competition, or whether such retailers should be favored over the wet market and traditional stores? These problems should be examined in light of the lifestyles and shopping behaviors of consumers as well as the retailers' interests.

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Table 1. Some indicators of economy and retail development in Vietnam

Year	1986	1990	1995	2000	2005	2006	2007
Real GDP growth rate (compare to previous year) (%)	2.84	5.1	9.54	6.79	8.44	8.23	8.48
Annual average growth rate (1986 - 2007) (%)	-	-	-	-	-	-	7.0
Per capita GDP (in U.S. dollars)	-	90	287	402	639	723	835
GDP structure by sector (%) (constant 1994 prices)							
Agriculture, forestry and fishing	34.7	31.8	26.2	23.3	19.6	18.7	17.9
Industry and construction	26.8	25.2	29.9	35.4	40.2	41	41.8
Service	38.5	43.0	43.8	41.3	40.3	40.3	40.4
GDP structure by economic sector (%) (current prices)							
State	-	-	40.2	38.5	38.4	37.4	36.4
Non-state (collective, private, household)	-	-	53.5	48.2	45.6	45.6	45.9
Foreign invested sector	-	-	6.3	13.3	16.0	17.0	17.7
Total retail sales of trade and service (Bil. VND) (at current prices)	334	19031	121160	220410	480293	596207	731809
Growth rate (%) (compare to previous years)	413.0	47.4	29.6	9.7	20.5	24.1	22.7
Annual average growth rate (1990 - 2007) (%)	-	-	-	-	-	-	30.0
Structure of retail sales of trade and service by sector (%)							
State	39.8	30.4	22.6	17.8	12.9	12.7	10.2
Non-state (collective, private, household)	60.2	69.6	76.9	80.6	83.3	83.6	85.9
Foreign invested sector	0.0	0.0	0.5	1.6	3.8	3.7	3.7
Structure of retail (%)							
Trade	-	88	78.3	84.4	77.8	77.7	77.0
Service (hotels, restaurant, etc.)	-	12	21.7	15.6	22.2	22.3	23.0
Numbers of persons working in trade sector (Thous.)	-	-	1663	3896.9	4933.1	5114	5291.7

Source: General Statistics Office

Table 2. Number of modern retail outlets and traditional outlets

Year	1995	2000	2004	2007	2010(*)
Supermarkets and Hypermarkets	10	107	210	400	750
Shopping centers and Department stores	2	8	18	70	150
Independent stores (in thousands)	-	588	619	900	-

Source: Data on number of supermarkets and hypermarkets and shopping centers and department stores in 1995, 2000 and 2004 was from Maruyama and Trung (2007a). The other data was from the Ministry of Industry and Trade. (*): Estimated by the Ministry of Industry and Trade.

Table 3. Retail operation (Sample size = 56)

	Mean	Std. Dev.
Kinds of technology used		
(How often does your firm use the following technologies in your retail operation?)		
Telephone	4.68	0.77
Computer system for control and planning mechanism	4.13	1.36
Facsimile	3.93	1.33
Camera system	3.29	1.70
POS system for control and planning mechanism	2.95	2.02
Online email order	2.21	1.76
Customer reward point card	2.05	1.94
Electronic Data Interchange (EDI)	1.13	1.54
Parameters used for measuring performance		
(How often does your firm use the following parameters to measure the performance?)		
Over all sales	4.71	0.59
Gross profits	3.57	2.04
Average margins	2.95	1.99
Product turnovers	2.16	2.08
Category level margins and profitability	2.07	2.09
Sales per employee	2.02	2.08
Sales per-unit of space	1.77	1.85

Note: 0 to 5 scale: 0 = not used at all, 5 = very high level of usage.

Table 4. Importance of factors in the present business strategy

(How much does your firm place importance on the following factors in your present business strategy?)

Factors	Obs	Mean	Std. Dev.
Product			
Improve quality and safety	55	4.56	0.74
More freshness foods	39	4.38	0.88
Lowering cost and price	56	4.20	0.98
Increase variety of goods at stores	56	4.05	1.20
Services and operation			
Put more effort on consumer services	56	4.34	0.86
Advertizing and promotion	56	4.18	0.97
Improve shopping atmosphere	56	4.13	1.05
Store location and expansion			
Choose good location	56	4.41	0.80
Focus more on consolidating current stores	56	4.30	0.78
Fast expansion of store network	56	3.43	1.19
Managerial manpower			
Develop *managerial* human resource	56	4.27	0.96
Develop sales staff human resource	56	4.05	1.03
Others			
High volume low prices strategy (supply side)	55	3.73	1.06
Put more effort on cooperation among retailers	56	3.27	1.34

Note: 1 to 5 scale: 1 = not important at all, 5 = very important

Table 5. Competition level coming from different retailers

(What is the competition level come from other retailers?)

	From other modern domestic retailers		**From foreign retailers**		**From traditional markets**		**From family run stores**	
Sample size	40 - 53		39-51		41 - 51		40 - 53	
	Mean	S.d.	Mean	S.d.	Mean	S.d.	Mean	S.d.
Competition level by kinds of goods								
Group 1: Fresh food	2.93	1.16	3.67	1.30	3.32	1.42	3.28	1.45
Group 2: Processed food	3.61	1.07	4.00	0.96	3.50	1.17	3.59	1.22
Group 3: Non-food consumer goods	3.70	0.83	3.80	1.01	3.34	1.08	3.44	1.28
Group 4: Consumer durables	3.49	1.20	3.67	1.03	3.18	0.95	3.38	1.16
Competition level by items								
Items by products								
Price levels	3.87	0.92	3.76	1.14	3.72	1.21	3.83	1.31
Variety of product lines	3.87	0.79	3.65	1.21	3.35	1.32	3.53	1.30
Consumer services	3.96	0.83	3.82	1.01	3.16	1.38	3.40	1.28
Quality of goods	3.68	0.92	3.69	1.02	3.08	1.31	3.23	1.27
Freshness	3.50	0.99	3.55	1.08	3.41	1.36	3.31	1.44
Store characteristics								
Develop brand name of supermarket	3.85	0.97	3.78	1.14	2.98	1.21	3.26	1.35
Advertisement &sales promotion	3.77	0.95	3.59	1.10	2.96	1.26	3.09	1.35
Differentiating themselves	3.74	0.96	3.84	0.95	3.20	1.23	3.32	1.28
Product display	3.64	0.79	3.78	1.03	2.88	1.31	3.26	1.29

Note: 1 to 5 scale: 1 = Not competitive at all, 5 = Very competitive; the comparison of two mean is conducted by the *t*-test, most differences in mean of approximately 0.35 are significant at $p < 0.1$, and approximately 0.5 are significant at $p < 0.05$.

Table 6. Evaluation of operating costs by local modern retailers (Sample size = 56)

(How do you evaluate the operating costs at your firm?)

Factors	Mean	Std. Dev.
Cost to open a new store	4.07	0.89
Renting (location)	3.57	0.87
Fixtures and decoration	3.41	0.73
Advertizing and promotion	3.27	0.80
Inventory costs	3.25	0.74
Transportation costs	3.07	0.83
Labor costs	3.14	0.64
Cost of interest rate on loan capital	2.89	0.97
Ordering or buying goods	2.84	0.76
Loss from shrinkage and waste	2.46	1.14
Cost from shoplifting	2.21	1.06

Note: 1 to 5 scale, 1 = very low, 5 = very high.

Table 7. Problems local retailers face at the supply side (Sample size = 56)

(How about the problems does your firm face at the supply side?)

Factors	Mean	Std. Dev.
To negotiate on lower prices with suppliers	3.13	1.01
To buy directly goods from producers	2.82	1.06
To negotiate on receiving credit from suppliers	2.70	1.08
To negotiate on goods selling method at stores (Sales on commission, buying out, etc.)	2.63	1.05
Delay on delivery of goods	2.55	1.01
To meet your requirement on quality or standard of goods	2.55	1.17
Small scale of suppliers and/or producers	2.54	1.04
To keep long-term relationship with suppliers	2.34	1.03

Note: 1 to 5 scale, 1 = very low, 5 = very high.

Table 8. Other problems local retailers face (Sample size = 56)

	Mean	Std. Dev.
Manpower shortage at		
(How about the situation of manpower (human resource) at your firm is?) (1= very abundant, 5 = very shortage**)**		
Managers at top level (CEOs)	4.11	0.97
Planning and strategy	3.68	0.97
Managers at middle level (Store managers)	3.54	0.74
Cash management	3.18	0.96
Inventory control	3.13	0.81
Purchasing and sourcing	3.07	0.89
Selling and Promotion	3.07	0.89
Sales staff	2.70	1.03
Problem with Government's bureaucracy		
(Did you get any problem with Government's bureaucracy?) (1= not difficult or low, 5 = very difficult or high)		
Accessing subsidized loans	3.14	1.15
Accessing land from the government	3.04	1.31
Required licenses	2.71	1.29
Quality control	2.70	1.19
Tax	2.57	1.25
Price control	2.48	1.24
Other items		
(How does your firm face the difficulty with the following things?) (1 = not difficult , 5 = very difficult**)**		
Staffing for managerial level	3.91	0.96
Finding good store sites, location	3.73	1.14
Ability to manage chain stores	3.55	0.95
Applying modern retail technology	3.21	0.82
Funding to expand	3.18	0.96
Transport & stocks (logistic)	2.88	0.90
Regulations	2.82	0.90
Finding good suppliers and maintaining relationship	2.73	1.05
Staffing for sales people	2.68	0.99

Note: 1 to 5 scale, 1 = very low, 5 = very high.

Table 9. Problems modern retail firms are facing (Rated by 5 officials)

(How difficult do you think the firm face the following things?)

	Mean	Std. Dev.
Finding good store sites, location	4.80	0.45
Funding to expand	3.80	0.45
Staffing for managerial level (manpower)	3.60	0.55
Transport & stocks management (logistic)	3.60	0.55
Managing chain stores	3.60	0.55
Finding good and reliable suppliers	3.20	0.45
Regulations on opening stores	3.20	0.45
Applying modern retail technology	3.00	0.00

Note: 1 to 5 scale, 1 = very low, 5 = very high.

Table 10. Supports or actions from the government (Sample size = 53)

(How do you evaluate the support or the action from the government?)

	Mean	Std. Dev.
Support for accessing land	2.34	1.00
The involvement in infrastructure development of retailing	2.40	1.04
Support to develop joint distribution systems or buying group	2.45	1.03
Support in coping with changes and competition	2.58	1.08
Support to apply new retail methods & modern technology	2.58	1.01
Provide retailers with business services (business consulting and training)	2.60	1.15
Develop overall strategy or long-term plan for modern sector	2.62	0.97
Revise the legal systems that deal with various problems in the retailing industry	2.70	0.95
Preserve fair competition in the retail industry	2.89	1.01
Facilitation of loans or subsidizes projects	2.89	1.09

Note: 1 to 5 scale, 1 = very bad, 5 = very good.

Table 11. Evaluation of different retailers by local modern retailers

(How do you evaluate the performance of different kinds of retailers in general?)

	Domestic modern retailers		**Foreign retailers**		**Traditional markets**		**Family run stores**	
Sample size	51-53		51-53		51-53		51-53	
Evaluation elements	Mean	S.d.	Mean	S.d.	Mean	S.d.	Mean	S.d.
Product								
Variety of products lines	3.51	0.75	4.08	0.65	3.30	1.10	2.66	0.78
Quality of merchandise	3.42	0.69	3.75	0.78	2.53	0.91	3.00	0.85
Price levels	3.30	0.70	3.51	0.80	3.43	1.05	3.30	0.77
Safety of foods and goods	3.20	0.85	3.90	0.67	2.10	0.81	2.80	0.92
Freshness	3.04	0.92	3.82	0.69	3.25	1.13	2.96	0.99
Services and operation								
Shopping environment of the stores (cleanness, hygiene , entertainment)	3.42	0.84	3.94	0.74	2.26	0.94	2.68	0.89
Product display	3.40	0.77	4.08	0.70	2.47	1.10	2.53	0.67
Consumer services	3.28	0.93	3.91	0.71	2.68	1.00	2.91	0.86
Advertisement & sales promotion	3.26	0.88	4.04	0.81	2.21	0.88	2.34	0.92
Attitude of sales staff to consumers	3.17	0.98	3.70	0.82	2.64	0.90	2.91	0.84
Management and technology and others								
Applying modern technology in retailing	3.09	0.86	4.11	0.80	1.81	0.79	2.06	0.93
Improvement in logistics system	2.92	0.96	4.13	0.83	1.92	0.78	2.13	0.98
Distribution Infrastructures	2.89	0.89	4.13	0.73	2.08	0.78	2.42	0.82
Financial condition	2.89	0.93	4.34	0.85	2.43	0.89	2.60	0.84
Ability to manage modern chain stores	2.77	0.91	4.28	0.74	-	-	-	-
Cooperation among domestic retailers	2.62	0.99	-	-	2.51	0.95	2.21	0.91

Note: 1 to 5 scale: 1 = very bad, 5 = very good; the comparison of two mean is conducted by the t-test, most differences in mean of approximately 0.3 are significant at $p < 0.1$, and approximately 0.5 are significant at $p < 0.05$.

Table 12. Evaluation of different retailers by officials interviewed

(How do you evaluate the performance of different kinds of retailers at present?)

	Domestic modern retailers		**Foreign retailers**		**Traditional markets**		**Family run stores**	
Sample size	5		5		5		5	
Evaluation elements	Mean	S.d.	Mean	S.d.	Mean	S.d.	Mean	S.d.
Product								
Variety of products lines	3.80	0.45	4.00	0.71	3.20	0.84	2.60	0.55
Quality of merchandise	3.40	0.55	3.40	0.55	2.80	0.45	3.20	0.45
Price levels	3.40	0.55	3.40	0.89	3.80	0.84	3.40	0.55
Safety of foods and goods	3.20	0.45	3.80	0.45	2.00	0.00	3.00	0.00
Freshness	3.00	0.00	3.60	0.55	3.20	1.10	3.40	0.89
Services and operation								
Shopping environment of the stores (cleanness, hygiene , entertainment)	3.40	0.55	4.20	0.84	2.00	0.71	2.60	0.55
Product display	3.00	0.00	4.00	0.71	2.20	0.84	2.40	0.55
Consumer services	3.20	0.45	3.60	0.55	2.60	0.89	2.80	0.45
Advertisement & sales promotion	3.00	0.71	4.00	0.71	1.80	0.84	2.00	0.71
Attitude of sales staff to consumers	3.00	0.71	3.80	0.45	3.20	0.84	3.20	0.45
Management and technology and others								
Applying modern technology in retailing	3.20	0.45	4.00	0.71	1.40	0.55	1.80	0.84
Improvement in logistics system	3.20	0.45	3.80	0.45	1.80	0.84	1.80	0.84
Distribution Infrastructures	2.40	0.55	3.60	0.55	1.60	0.89	2.20	0.84
Financial condition	2.20	0.84	4.20	0.45	2.20	0.45	2.20	0.45
Ability to manage modern chain stores	2.80	0.45	4.00	0.71				
Cooperation among domestic retailers	2.00	0.00	2.67	0.58	2.40	0.89	2.00	0.71

Note: 1 to 5 scale: 1 = very bad, 5 = very good; the comparison of two mean is conducted by the t-test, most differences in mean of approximately 0.3 are significant at $p < 0.1$, and approximately 0.5 are significant at $p < 0.05$.