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Challenges of traditional markets in the urbanization process: the case of Hanoi, Vietnam

Hoang Thi Huong

Hanoi University of Industry

Dang Thai Binh

Thanh Do University

hoanghuongcn@gmail.com

Abstract

Traditional markets play an important role in the daily lives of the Vietnamese people. Traditional markets are not only places for buying and selling goods but also as one of the important distribution channels that contribute importantly to the economic development of each locality. However, in the process of development, especially in the process of urbanization, traditional markets face many difficulties and challenges. This study focuses on the challenges of traditional markets in the urbanization process in the case of Hanoi, Vietnam. Besides, by using quantitative method this paper will assess the factors affecting the development of traditional markets in the process of urbanization.

Keywords: *traditional markets, challenges, urbanization*

Introduction

The retail market of Vietnam is a combination of modern distribution channels such as supermarkets, shopping centers, convenience stores and traditional distribution channels such as traditional markets. Due to the pressure of globalization and international economic integration, the traditional distribution channel is facing many difficulties when it has to compete with the modern retail channel. The supermarkets and commercial centers have the advantage of convenient infrastructure, clean shopping space, comfortable, rich goods, variety, beautiful display. In addition, they offer a range of entertainment services including modern movie theaters, restaurants, coffee shops, and children's play areas, etc. As a result, they become an attractive place for consumers, especially young consumers.

Since 2009, Vietnam has almost completely opened up the domestic retail market to foreign suppliers. This means that the traditional retail channel must face many difficulties and challenges. In a short time, the system of modern distribution in Vietnam has developed rapidly, with more than 700 supermarkets and shopping centers in which retailers abroad accounted for 40%, 125 trade centers with foreign investment accounts for 25% (Phan T.M Tuyen, 2017).

On the other hand, the traditional markets have many shortcomings, lack of linkage between the forces participating in the market. Traditional markets and retail shops lack the professionalism of chain management technology, exhibiting goods, prices are not competitive, sources of goods are not rich, diverse, quality of goods not



meet customer's need. In addition, the change of consumer shopping habits is also a big challenge for traditional markets. Moreover, the traditional markets still face many obstacles from policies and implementation of the State policy. In contrast, modern markets are often more supportive of the state in terms of business. Some regulations are not equal between traditional markets and modern markets. For example, the regulations on market planning networks in urban areas, many urban areas without traditional markets or many traditional markets were converted into commercial centers.

Traditional markets play an important role in the socio-economic development of each locality in Vietnam (creating jobs, distribution channels, preserving traditional culture, etc). Therefore, in this study the authors pointed out the challenges of traditional markets in the process of urbanization, besides the author focuses on analyzing the factors affecting the development of traditional market in the process of urbanization in Hanoi. These are the factors that challenge and influence the development of traditional market.

Literature review

The globalization of the retail system has affected the distribution and the way of marketing the goods. For most developing countries, traditional retail channels are being replaced by supermarkets and hypermarkets (Goldman et al., 1999). According to a study by Chen et al. (2005) shows that in many countries in Western Europe and North America the modern retail model dominates the retail food market. At the same time, the modern retail model is gradually increasing in Latin America and Asia (Reardon, 2005) where there is a rapid increase in population as well as a significant increase in personal income. This leads to a sharp increase in demand for food, goods and consumer culture.

According to research by Ministry of Industry and Trade of the Socialist Republic of Vietnam (2012) in the process of globalization, there is an ongoing trend in many cities in the developing world, which is abandoning traditional markets to move to supermarkets and hypermarkets. This is having a severe impact on the cultural, economic, social and lifestyle development and accompanying impacts on the health of the people of the city. Especially it affects the existence and development of traditional markets as well as the income and business people who work in traditional markets.

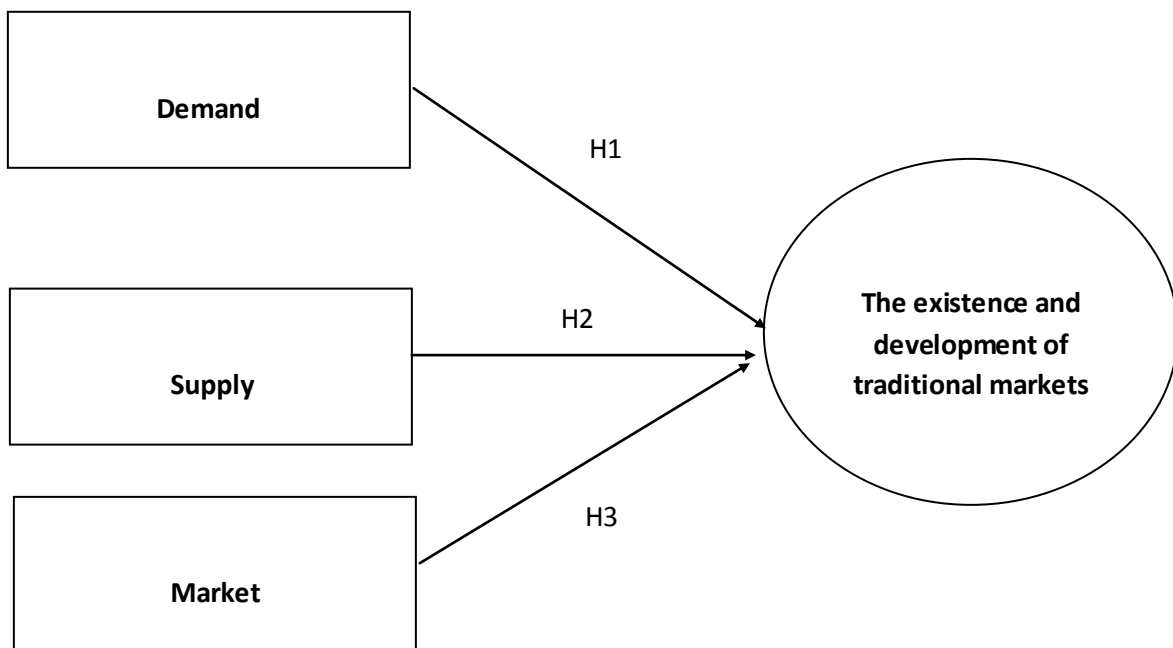
According to Galbraith and Holton (1965) and Goldman (1981) pointed out that traditional retail channels including the traditional market are experiencing many disadvantages in the process of competition and development such as high cost and inefficiency; provide low consumption goods to consumers (low quality, not diversified in type, unclean environment); lack of management and financial capacity.

Research methodology

This study focuses on analyzing and evaluating the factors that influence the existence and development of traditional markets. Based on the purpose of the study, research steps and hypotheses were developed and established at the beginning of the study. In this study, the sampling method chosen was convenient sampling, data was collected through Google Forms so that respondents could easily answer and help the author obtain more data and saving time. Subjects studied in this paper is that

consumers in Hanoi. In this study, the questionnaire was formulated in two parts: the first part was the general information about consumers (occupation, income, gender, etc.), the second part was the information to identify the factors affecting the existence and development of traditional markets. Based on the factors affecting the existence and development of traditional markets, the questionnaires were designed to collect the opinions of 465 consumers in Hanoi. The research model includes 5 scales, 52 observed variables, using 5-point Likert scale, distance value = (Maximum - Minimum)/n = (5 - 1)/5 = 0.8: 1. Completely disagree; 2. Disagree; 3. No opinion/Normal; 4. Agree; 5. Completely agree. Survey results were entered SPSS 20.0 and Cronbach's Alpha coefficient was used to test reliability of the scale.

Based on the theoretical framework and the authors set up the research model and the hypotheses as follows:



Source: Own editing

Figure 1: The research model identifies the factors that influence the existence and development of traditional markets in Hanoi

Hypothesis	Description
H1	There is a positive relationship between Supply and the existence and development of traditional markets
H2	There is a positive relationship between demand and the existence and development of traditional markets
H3	There is a positive relationship between market and the existence and development of traditional markets

Source: Own editing

Table 1: Hypotheses of the research

Research Results

Cronbach's Alpha for factors affecting the existence and development of traditional markets

Code	Observed variables	Name	Cronbach's Alpha
T.HIEU2	Consumers go to the traditional market every day, sometimes go to the supermarket	Demand	0.741
T.HIEU1	Consumers are very busy but still go to the traditional market every day and go to the supermarket at the weekend		
CTRANH3	It is not necessary to convert the traditional markets into a commercial centers		
VHOA4	Consumers still go to traditional markets in early morning and afternoon		
HTR5	Infrastructure of traditional markets	Market	0.748
HTR9	Market management of traditional markets		
HTR7	Service quality of traditional market		
HTR4	Improve market space		
TLOI10	Comfortable for purchase on demand	Supply	0.644
NTIN6	Respond to consumer shopping habits		
TLOI8	Good price		
NTIN4	The origin of the goods is clear		

Source: Own edition and calculations (SPSS 20)

Table 2: Cronbach's Alpha for factors affecting the existence and development of traditional markets

Base on the results of table 2, we can see that the test results of scale had good accuracy and the correlation coefficients of the total variables of measurement variables meet the allowed standard (> 0.6).



Exploratory Factor Analysis (EFA) for factors affecting the existence and development of traditional markets

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.556	29.630	29.630	3.556	29.630	29.630
2	1.848	15.399	45.029	1.848	15.399	45.029
3	1.214	10.119	55.147	1.214	10.119	55.147
4	.805	6.706	61.853			
5	.767	6.392	68.246			
6	.679	5.662	73.908			
7	.624	5.202	79.109			
8	.615	5.128	84.238			
9	.566	4.717	88.955			
10	.519	4.327	93.283			
11	.420	3.501	96.783			
12	.386	3.217	100.000			

Source: Own edition and calculations (SPSS 20)

Table 3: Exploratory Factor Analysis for the existence and development of traditional markets

Table 3 shows that the results of EFA analysis of the total variance extracted is 55.147% greater than 50%. It means that the withdrawing factors would explain 55.147% % for model, 44.853% is explained by other factors.

Code	Component		
	1	2	3
T.HIEU2	.811		
T.HIEU1	.780		
CTRANH3	.672		



VHOA4	.602		
HTR5		.782	
HTR9		.738	
HTR7		.726	
HTR4		.720	
TLO10			.777
NTIN6			.682
TLOI8			.618
NTIN4			.572

Source: Own edition and calculations (SPSS 20)

Table 4: The results of Rotated Component Matrix for the factors affecting the existence and development of traditional markets

Looking at table 4, it shows that the model of EFA is consistent with the data, calculated into 3 groups of factors and the results of this model can be used for a multiple regression analysis.

Regression analysis for the factors affecting the existence and development of traditional markets

Regression analysis was performed with 3 independent variables and the selective method was Enter. The results of multivariate regression analysis are as follows

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.718a	.515	.512	.79594



Coefficients

Influenced factors	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	.125	.168		.745	.457		
Demand (X ¹)	.608	.043	.516	14.042	.000	.783	1.277
Market (X ²)	.228	.038	.204	5.972	.000	.907	1.103
Supply (X ³)	.256	.047	.201	5.443	.000	.777	1.288

Source: Own edition and calculations (SPSS 20)

Table 5: Summary results for the factors affecting the existence and development of traditional markets

The results of the model show that the coefficient of adjustment $R^2 = 0.718$, this means that 51.2% of the variation of the dependent variable (the existence and development of the traditional market) is explained by the independent variables in the model. In addition, the F test also shows that the Sig value is very small (Sig. = .000), indicating that the model is consistent with the dataset under investigation.

The results show that the Tolerance coefficient is quite high at 0.783; 0.907 and 0.777 and correspondingly it is a lower VIF variance (1,277; 1,288 and 1,103) that is less than 2. Therefore, it can be concluded that the relationship between these independent variables is negligible, with no multi-collinearity.

The multiple regression line expresses the relationship between factors that influence the existence and development of traditional markets as follows:

$$Y = 0.516X^1 + 0.204X^2 + 0.201X^3$$

Conclusions and recommendations

Based on the results of the regression analysis, the research objectives of the research were answered, there are three factors that affect the existence and development of the traditional market. According to the results above, there are 3 factors affecting the existence and development of traditional markets: (1) Demand, (2) Market, (3) Supply. Among the three factors, the “demand” factor has the greatest influence on the existence and development of traditional market with a regression coefficient of 0.516. This result is important for policy makers, small traders when managing and developing traditional markets. We had conclusions following:



There is a positive relationship between Supply and the existence and development of traditional markets

There is a positive relationship between demand and the existence and development of traditional markets

There is a positive relationship between market and the existence and development of traditional markets

Vietnam's economy is growing so that traditional markets increasingly face many difficulties and challenges. To survive and develop, traditional markets need to consolidate management; improving the quality of goods and services; management and supervision of quality, etc. In addition, the local government should have support policies, other incentives, have specific plans for the small business market peace of mind as well as to strengthen the performance of traditional markets.

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