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# Reaching lower income groups with safe and healthy food - mission possible?

An insight into the consumption of lower income consumers in urban Hanoi





## COLOPHON

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### Reaching lower income groups with safe and healthy foods - mission possible?

This publication is based on insights gathered through a mixed method research approach which included a household survey, focus groups, in-depth and intercept interviews, logbook research, structured observations, and shop census. This research was conducted by Fresh Studio and funded by BoPInc.

# Base of the Pyramid of urban Hanoi

## INTRODUCTION

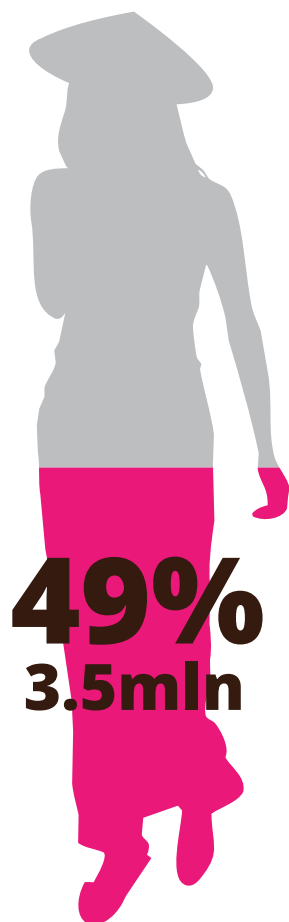
“The base of the pyramid (BoP) refers to the 4 billion people with an income of 4 USD a day or less and living primarily in Asia, Africa and South America.” (Source: BoPInc, 2013)

This group is not likely to be targeted with food quality improvements. However, the lower income group has a demand for safe and healthy food just like any other group. Since this group is largely excluded from formal systems of food provision, there is a strong demand for innovative approaches to fulfill their needs.

In this report we provide insights on food consumption, more specifically vegetables, among lower income groups in urban Hanoi, Vietnam.

**Nearly 50% of the urban Hanoi population is considered BoP which refers to 3.5 million people.**

- This percentage is estimated by means of Nielsen Household Income Band (HIB) (2012) which classifies an income of 4 USD/cap/day or less in HIB B to F (Table 1).



**49%**  
**3.5mln**



41% of urban Hanoi households (HIB B) have a reported income of 7,500,000 - 14,999,999 VND. This corresponds with an income of 3.1-6.2 USD/cap/day.



10% of the Hanoi urban population has an average daily income of 3.1-4 USD/cap/day; assuming a uniform distribution within the HIB class B.



49% is the total percentage of people with an average reported income of 0 to 4 USD/cap/day.

Table 1: HIB in VND/month (Nielsen, 2013)

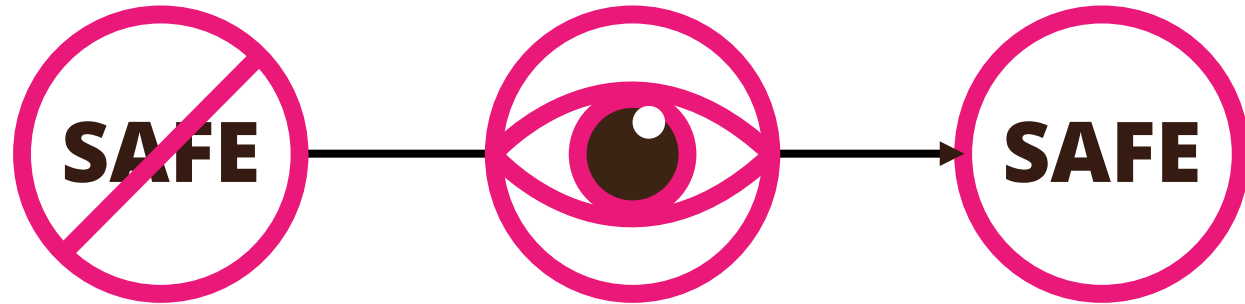
HIB DEFINITION	Unit: VND
A5	150,000,000 or higher
A4	75,000,000 - 149,999,999
A3	45,000,000 - 74,999,999
A2	30,000,000 - 44,999,999
A1	15,000,000 - 29,999,999
A	15,000,000 or higher
B	7,500,000 - 14,999,999
C	4,500,000 - 7,499,999
D	3,000,000 - 4,499,999
E	1,500,000 - 2,999,999
F	0 - 1,499,999

Table 2: HIB of urban Hanoi and urban HCMC (Nielsen, 2013)

HIB	Hanoi	HCMC	Hanoi & HCMC
	Urban	Urban	Urban
A2+	1%	3%	2%
A1	18%	16%	17%
A	20%	19%	19%
B	41%	36%	38%
C	33%	34%	34%
D	6%	10%	8%
E	0%	1%	1%



# Lower income consumer research - Urban Hanoi



## Current situation

Food that carries formal food safety certification by government authorities are mainly traded at registered and certified safe retail outlets; however lower income consumers (nearly 50% of the Hanoi urban population) are generally excluded from these channels as they do not have the means to shop at higher value outlets.

## Research approach

It is important to obtain insights on the everyday fresh food, especially vegetable, consumption practices of low income consumers.

## Research question

Reaching urban Hanoi low income consumers with certified safe fresh food, in particular vegetables.

## Mission (im)possible?

- Access to safe and healthy food is a basic human right.

# Targeted audience



This report focuses on low income consumers who are selected with the following criteria:



Location: Urban districts of Hanoi



Legally registered as temporary or permanent residents of Hanoi (Unregistered/informal migrants are excluded)



Household income lower than 10 million VND per month (which is approx. < 4.1 USD/cap/day).

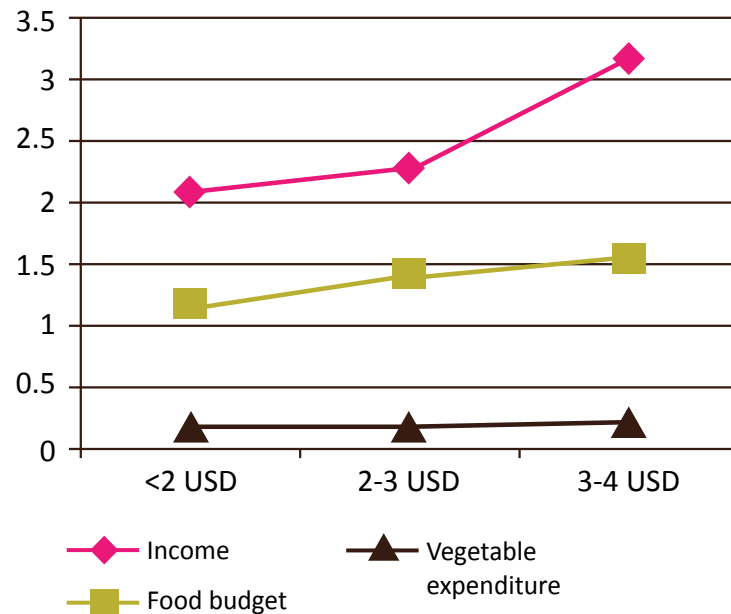
# Economic potential

**Low income group represents a food value of circa 4.7 million USD/day.**

- Estimated vegetable value is 0.6 million USD/day.
- Approximately 60% of household income is spent on food.

**The expenses on food and vegetables from income class 2-3 USD to 3-4 USD are rising less than proportional to their income.**

Chart 1: Income elasticity of urban Hanoi low income consumers



## BUDGET BOOK

Reported weekly average food expenditure of low income households for the following products:

<b>Vegetables*</b> 7x per week	\$5.08
<b>Fruits*</b> 4x per week	\$4.08
<b>Meat*</b> 5x per week	\$5.72
<b>Eggs</b> 3x per week	\$2.04
<b>Seafood*</b> 2x per week	\$4.40
<b>Rice, cereals, starch products</b> 7x per week	\$5.24
<b>Dairy products</b> 4x per week	\$4.32
<b>Total:</b>	<b>\$30.68</b>

*\*The quality of this type of product is mostly below average and bought in small quantities.*



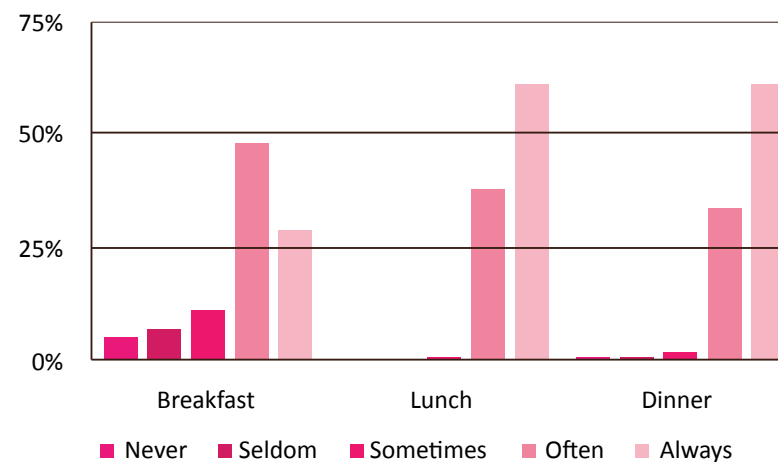
# Start the day... breakfast is often not consumed

**Breakfast is most frequently skipped despite that low income groups rather change the portion of the food than skipping a meal.**

*'In the morning I don't have time to prepare breakfast and eating out is expensive and unsafe.'*

*'Lunch and dinner are the most important meals because they help to work and study effectively and these are moments that the family get together.'*

Chart 2: How frequently do you eat the following meals?

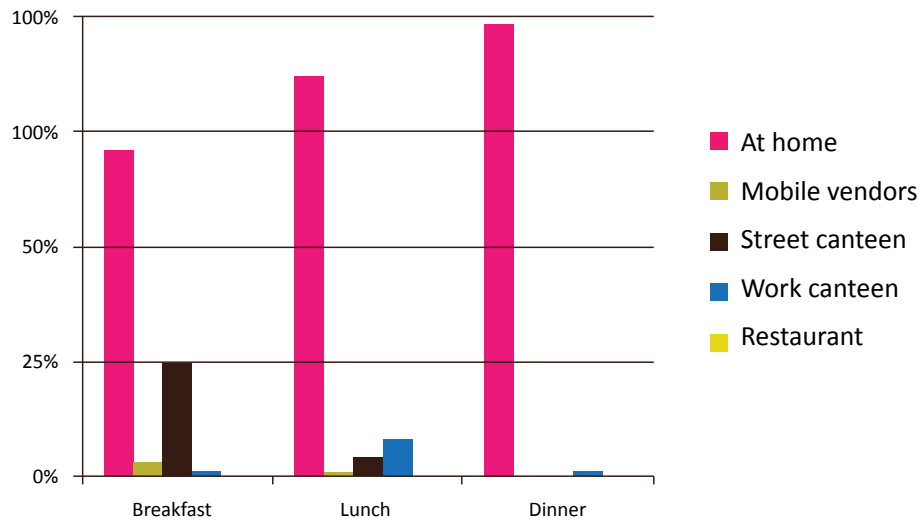


■ Lunch is never skipped. It is a moment of social interaction.

# Eating at home is preferred

**Most meals of low income consumers are consumed at home.**

Chart 3: Where do you usually eat the following meals?

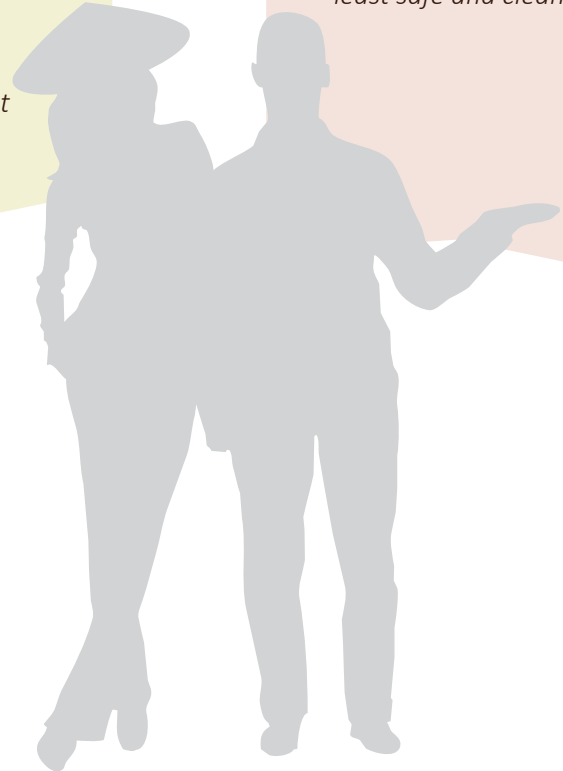


■ Eating lunch at a street canteen is a common practice.

*'We don't eat out because we want to control and ensure our food is safe.'*

*'I always have the idea that eating out is dirty, it makes me feel uncomfortable just thinking about it.'*

*'Eating out is expensive and the quality and taste of the food is not good. The only thing which you could get from it is the time to have fun with your family, but eating at home also could bring us that atmosphere and the food at home are at least safe and clean'.*

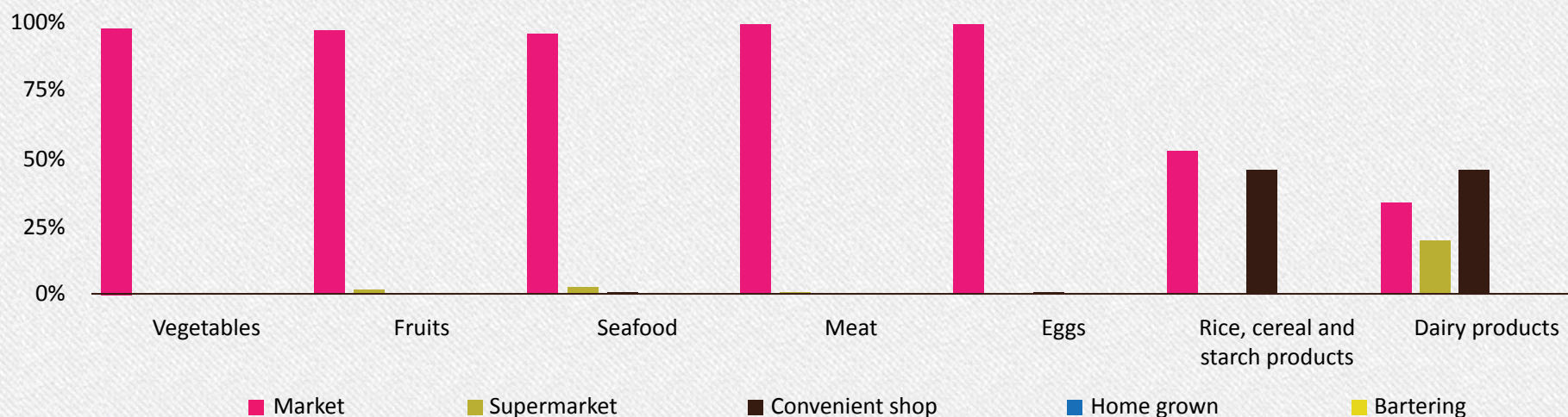




# Markets are essential to accommodate the livelihoods

**Low income consumers purchase their food most regularly at fresh food markets.**

Chart 4: Low income consumer purchase channel per indicated food item (%)



**Fresh food markets are places for daily social talks with the neighborhood.**

‘Markets importantly facilitate the social cohesion in communities. It is at markets that not only daily foods are purchased, but also where people meet and greet and stories are shared.’ (speech opening exhibition ‘Stories of markets’ at the Vietnamese Women’s Museum, Hanoi 6 March 2014)



**The market is near their living area. People shop in a radius of 300m from home.**

Low income consumers do not have the means of transportation to travel a long distance for their groceries due to unstable daily income.

# Daily food budget fluctuations impact daily menu choices

## Daily menu depends on daily food budget variation.

- 66% of low income consumers have an unstable income.
- Higher food budget does not always mean a higher structural income due to a (better) well-paid job, but mostly relates to daily income fluctuations.

## Available daily food budget is spent everyday.

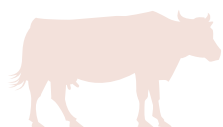
- They regard safe and nutritious food as everyday matter.

*'We don't save money for special occasions, because every meal requires enough nutrition.'*



# Daily food budget variation indicates daily menu diversification

**An increase in daily budget indicates shifting demands across different types of food and towards more variety and higher value foods in the daily menu.**



#### Protein variation:

More meat, fish and dairy products



#### Vegetable variation:

More diversity within the vegetable category



#### Higher value foods:

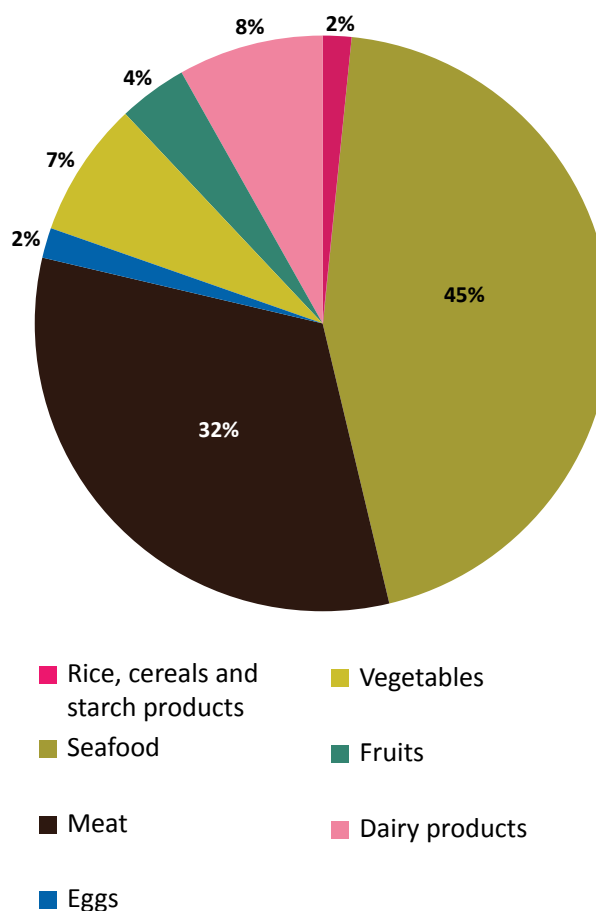
Certified safe foods, in particular vegetables



#### Fast food is aspirational:

Fast food is not embedded in low income consumers' daily life, however going out for fast food is aspirational.

Pie chart 1: Which food item would you prefer to buy more if your food budget increases?



**Food safety and nutrition are reasons to spend.**

#### Case: Ozone machine

Consumers reported to try to mitigate potential food safety risks by using an Ozone machine in vegetable cleaning.

#### Description

An Ozone fruit and vegetable machine saturates water with ozone, a sanitizer to purify water. The ozoned water dissolves and removes pesticides and bacteria on the surface of fruits and vegetables.

The machine is available on the Internet for 50 USD. The purchase of the Ozone machine by low income consumers indicates that they are willing to spend money in order to improve food safety.



## Concern 1: Food safety

(anecdotal)

**Low income consumers are food vulnerable, however that does not imply that they are less concerned about food safety, on the contrary:**

**They choose quality over quantity:**

- ▶ 'I rather eat a little than unsafe'.
- ▶ 'Food needs to be safe first to ensure my family's health'.
- ▶ 'Vegetables are the worst; you never know what a real safe vegetable is'.
- ▶ 'I just heard on the news that policemen just caught 10 tons of contaminated cattle's organ. They were on their way to the market in HCMC'.

**Selection of news 2013/2014:**

*Increasing cases food poisoning in future*  
3 May 2014, Saigon-gpdaily.com.vn

*Most areas fail to inspect food safety*  
10 March 2014, Vietnamnet.vn

*The hand that feeds is rotten*  
10 January 2014, Thanhniennews.com

*Consumers still in doubt over produce*  
27 November 2013, Vietnamnews.com

*Eight hospitalised for food poisoning*  
5 November 2013, Vietnamnews.com

### Most areas fail to inspect food safety:

*HA NOI (VNS)— Officials yesterday raised the alarm over violations in the management of food safety, including the producing and processing of agricultural, forestry and fisheries products.*

*They voiced special concern regarding quality and shortages of inspection staff at the grassroots levels.*

*A report at a meeting in ...*

## Concern 2: Nutrition

(anecdotal)

**In addition to food safety, low income groups are very concerned about consuming a sufficient amount of nutrients:**

**They choose quality over quantity:**

- ▶ 'If you eat a lot, but not nutritious then what is the point of eating it'.
- ▶ 'I rather be a bit hungry when I know that the food I eat is nutritious'.
- ▶ 'I have 4 children, so I need to change the food regularly to provide them with a divers and nutritious diet that helps them grow'.



- ▶ Low income group participants during focus group session.

- ▶ Ranking matrix about food related concerns of low income consumers.

An toàn thực phẩm	Có đủ chất dinh dưỡng	An toàn thực phẩm
An toàn thực phẩm	Có đủ chất dinh dưỡng	An toàn thực phẩm
Có đủ chất dinh dưỡng	Có đủ chất dinh dưỡng	Có đủ chất dinh dưỡng
An toàn thực phẩm	Có đủ chất dinh dưỡng	An toàn thực phẩm



# Receptive for food product information and innovation

(expressed)

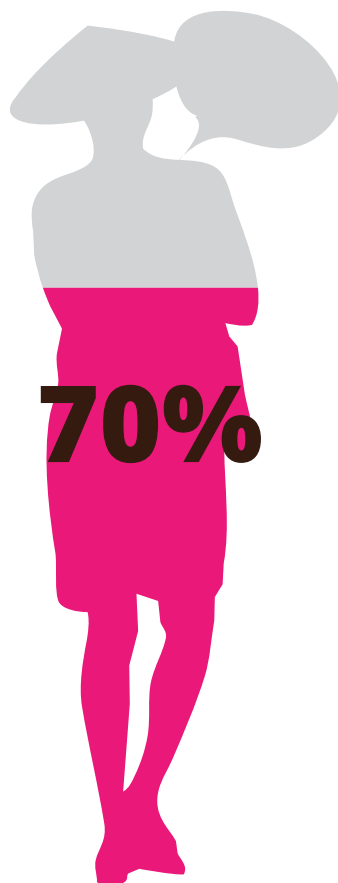
**Low income consumers are open for new products.**

**Almost 70% is willing to try a new food product.**

*'I want to find new food products to diversify family diet.'*

**... but low income consumers are risk averse in order to maintain family's conditions such as health and budget.**

*'If I hear about new food, I will remember it and will only try it if the family health and budget circumstances allow. We can't just follow blindly.'*



**They are amenable for food product information, particularly from social relations.**

*'I want to know the opinion of people around me about the product - is it really good, what are the benefits and harms?'*

**Information from product labels is valued.**

*'When knowing the nutrition details, I could estimate whether it is worth to buy that product.'*



# BUT: in practice rather established consumption patterns are shown

**Although low income consumers care about food safety and nutrition, they do not buy vegetables with an official food safety certificate.**

This attitude-behavior gap can be explained due to:

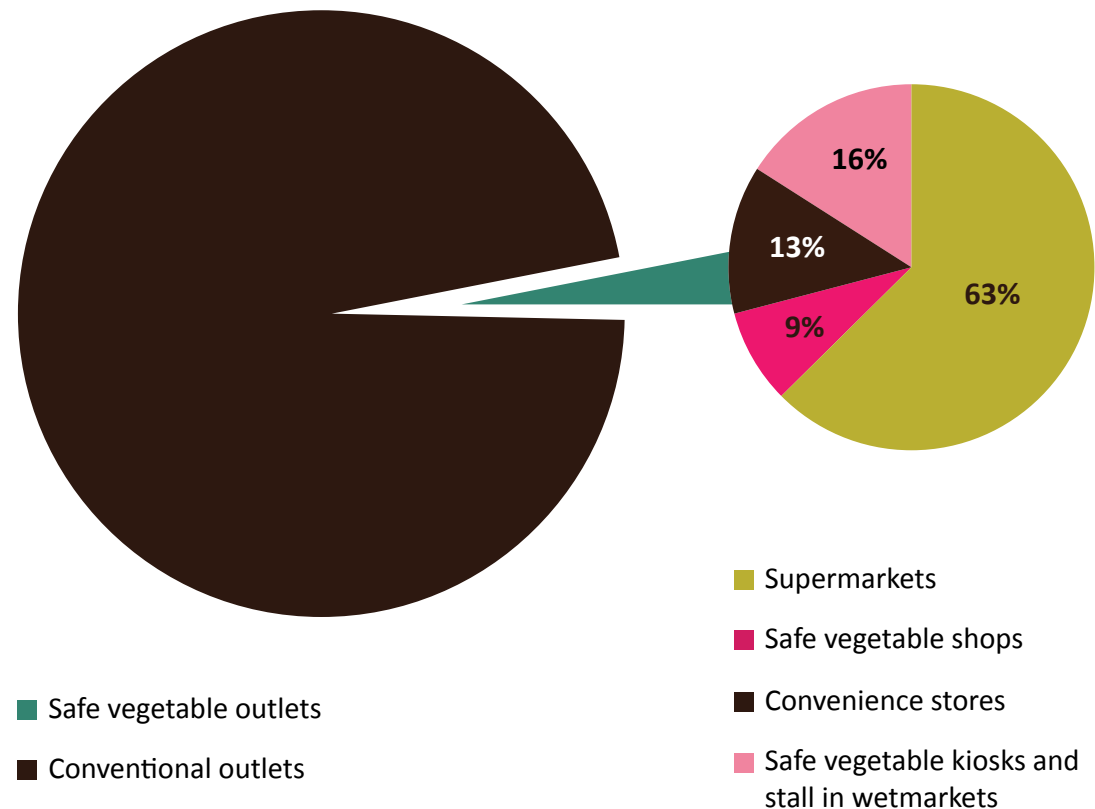
## 1) Lack of trust

- Food safety is weekly front-page news (include news headlines)
- Recalls of products

## 2) Inaccessibility of safe and nutritious food

- Certified food is not available within their daily action radius (Pie chart 2)
- They have no means of transportation to travel a longer distance
- They are not willing or able to spend time and money on transportation

Pie chart 2: Safe vegetables are mainly sold in channels that are currently not within reach for lower income groups.



# Safe and nutritious food is controlled by self-discretion and word of mouth

**In order to control the safety of their family conditions, low income consumers are depending on own ability to assess safety of food ...**

*'Only if you plant vegetables by yourself you can be sure that they are safe.'*

*'You must always taste and try it yourself before purchasing it again.'*

**... and on word of mouth within their social environment.**

*'Some people from the ozone vegetable washer company came to our neighborhood and introduced the Ozone cleaner to us and taught us how to clean the vegetables.'*

*'I went to a workshop about safe vegetables. They taught us how to differentiate safe vegetables from unsafe ones.'*

*'When I have bought nice tasty food, I will recommend my neighbors and people around me to buy there.'*



## Mission (im)possible?

Reaching urban Hanoi low income consumers with certified safe fresh foods, in particular vegetables.

# Untapped potential: usage of local labour in local community distribution

## HURDLE

Distribution to the scattered low income neighbourhoods is costly likely resulting in price level increase of safe vegetables, beyond the reach of the income classes targeted.

## ENABLER

Unstable income or unemployment of low income consumers offers an opportunity for empowerment through the inclusion of these people in the value chain.

Inclusive business development from a demand perspective:

- Making local (unemployed) people responsible for the distribution
- Collecting the produce from a central distribution point to redistribute within the local community/ward:
  - Collective distribution points; e.g. neighborhood communal houses

## OPPORTUNITY

Localized distribution arranged through local ward.

- Low income communities do not shop at certified outlets, but this does not imply that certified products cannot be distributed to these communities.



■ Vehicles that are currently used to distribute vegetables in Vietnam, Thailand and Philippines (from left to right).



# Untapped potential: usage of local labour in local community marketing

## HURDLE

Generic marketing communication is either not received or not believed/trusted

## ENABLER

Unstable income or unemployment of low income consumers offers an opportunity for empowerment through inclusion into these people into the value chain:

- Inclusive business development from a demand perspective:
  - Making local (unemployed) people responsible for marketing.

## OPPORTUNITY

Localized grassroots marketing activities arranged through local ward.

- Self-discretion, word of mouth and personalised relations are trusted



*Example of local grassroots marketing: local people as advertiment of a product or a service (in this case a television brand)*



## CASE: Personalized local marketing

Vendors from Ozone visited communities and introduced the Ozone machine and showed how to clean vegetables and meat. Households purchased machines, because they trusted the received information from the vendors and they believed what they observed.

## Impersonalized marketing

Press and media advertisements on food safety are indicated as not trusted: *'I do not believe in information about food safety from press and media, I'll always check it myself.'*

# General rule of thumb

## How to capture the economic potential?

- ▶ Reaching lower income groups requires grassroots approaches.
- ▶ It requires active involvement of lower income community members themselves to realize access to products that are currently out of their reach; unleashing their own potential to escape the situation of exclusion.



## For whom is this relevant?

- ▶ Businesses that aim to tap the economic potential of 50% of the population of urban Hanoi.
- ▶ Companies that seek to establish inclusive businesses from production to consumption.

# Research methodology

## In this research a mix method approach was applied:

- Randomized household survey across five lower income districts in urban Hanoi.
- Focus group with low income consumers.
- In-depth interviews with low income consumers.
- Intercept interviews with consumers at the moment of purchase.
- Journal research: Daily vegetable consumption logbooks from shopping to eating during a week.
- Structured observation research during home visits and points of purchase.
- Census of safe vegetable outlets covering 10 urban districts of Hanoi.

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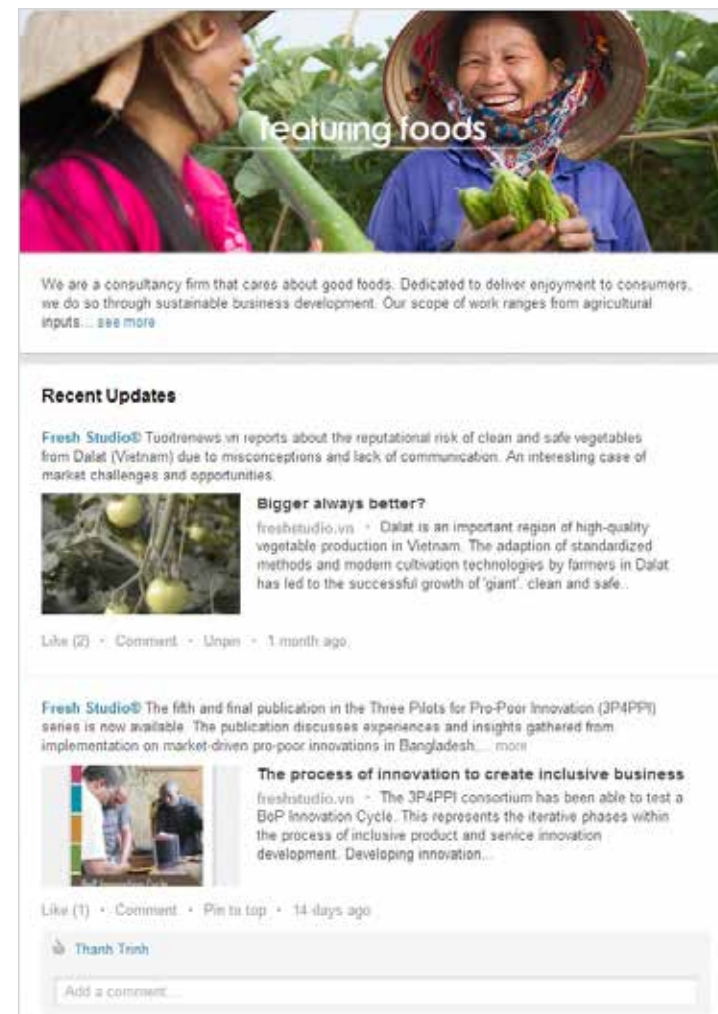
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