Impact of the Growth of Organized Food Retailing on the Traditional Retailers in Bangalore City

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Executive Summary

The rapid changes which took place in India after the introduction of the New Economic Policy in 1991 brought with itself major reforms not only in the financial, Industrial, trade and Commerce, but also changes in the retail sector. Rapid urbanization, growth in urban population, increase in income and consumer spending, and access to technology have been the main drivers for the expansion of food retail chains in India.

Organised retailing is growing at the rate of 12.8% per annum during the current decade in India. Changing lifestyle of consumers has been the major reason for the consistent growth of retail formats, the largest share comprising the food and grocery. Traditional retailers on the other hand do not foresee any major threats from organised retailing. The study has been undertaken to understand the impact of the growth of organised food retailing on the traditional retailers.

Sampling and data

The study was conducted in Bangalore city. A stratified random sampling was done to select the respondent's i.e., consumers who visited both the organised retail formats and those who visit the traditional outlets. Sixty percent of corporation wards were covered. The sample size of the customers was 1033, the organised retail outlet sample was 126. The traditional outlets surveyed were 200 in number.

The main objectives of the study were as follows.

(i)   To study the growth of organized retailing in Bangalore city

(ii)   To identify the factors influencing the growth of organized retailing.

(iii)   To assess the impact of retail food chains on the existing traditional retailers engaged in food retailing.

(iv)   To estimate the gains and losses by allowing organized food retailing in India to grow.

(v)   To document the coping strategies adopted by traditional retailers to meet the onslaught of organized retail chains.

(vi)   To suggest measures to protect the interests of the stakeholders.

The study also contains a critical review of published literature in the sphere of retailing and its impact.

Main findings

Organised retail outlets

- The organised retail outlets have increased consistently over the years, majority of them comprising supermarkets and hypermarkets.
- The organised outlets have their own brands in areas catering to consumer needs and day to day household requirements.

- The traditional outlets were a huge majority in the 1980's and 90s but their growth has reduced in the last five years. The traditional outlets were also located very close to the organised outlets, majority of them were only one fourth the size of the retail formats, having an average footfall which was closer to that of the organised outlets.

Customers

- Higher education, changing lifestyles, modern consumerist culture have changed their shopping behaviour. Large no of consumers do shop in organised food retail outlets, than in traditional outlets.
- Lower income groups still favour the traditional outlets.
- Consumers preferred the retail outlets owing to availability of various facilities like multitude of brands, wider choice, fresh stock,, genuine prices, and easy access. Consumers in traditional outlets found these facilities but, on a lesser scale.
- Consumers who visit organised outlets were attracted with the promotional measures like loyalty points, offers, discounts better display of products, parking facilities. On the other hand credit sales and home delivery have attracted the consumers towards traditional outlets.
- Consumers to a large extent still preferred the 'kirana stores' for their daily needs which creates a niche market for traditional retailer.
- Consumers in both the outlets planned their buying.

Impact of organised outlets on the traditional retailer

- The organised outlets considered rotation of stock and routine inspection to be a measure to check on quality of products sold. Inspection was preferred by the traditional outlets to maintain quality control.
- The organised outlets procure their products from the producers and wholesalers, thereby cutting cost. The traditional retailers have their major procurement from the wholesale market.
- Traditional outlets have geared up to meet the challenges. They have long working hours, free home delivery, increased the SKU's.

- Though vulnerable to the impending threats from the organised outlets. A significant no of traditional outlets felt they have loyal customers, see no threats from their counterparts and that they would continue to coexist.

Policy recommendations

Efforts should be made to empower those affected by the new innovations and institutions, and be made competitive. On the basis of the results of the survey, the study makes the following policy recommendations

- Institutional support in the form of credit facilities from Commercial banks have to be provided to the traditional retailers to bring certain infrastructural changes, to upgrade their outlets which can increase the business.
- Farmers cooperatives on one hand and the association of traditional outlets should be formed on the other side to prevent the intermediaries who snatch away a major portion of commission, which also help both the parties to obtain fair profits.
- Whole sale outlets like the "Metro" in Bangalore should be encouraged to supply material to traditional retailers. This will ensure supply of quality products to traditional retailers.
- Traditional outlets should undergo a transformation process, bringing in new changes which in turn increase their competitiveness.
- Steps should be taken by traditional retailers to cut excess cost.
- The retail outlets can invest in supply chain, buy directly from the sources and eliminate middlemen.

- Retailing should be given the status of an industry. This will help retailers to source funds, obtain institutional support from financial institutions and upgrade the quality of their products.
- To ensure a strong presence in global markets, steps should be taken by various quality control boards to bring in stringent regulations on quality control, hygienic storage and exposure of goods among others.

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IMPACT OF THE GROWTH OF ORGANIZED FOOD RETAILING ON THE TRADITIONAL RETAILERS IN BANGALORE CITY

A.M.Sheela[*]

1.   Introduction:

The Indian retail industry is the fifth largest sector in the world comprising of both organized and traditional retailers. It is also one of the fastest growing sectors of the economy in recent years. The retail sector in India was predominantly unorganized; however after global trends towards organised retail chains and with the change in tastes and preferences of the consumers, the shift to organised retail is taking place at a rapid phase. With the growing market demand, the sector as whole is expected to grow at about 25-30% annually and is expected to grow from Rs. 35,000 crore in 2004-05 to Rs. 109,000 crore by the year 2010. (Techno Pak Services 2008)

According to the 8th Annual Global Retail Development Index (GRDI) of AT Kearney 2007, India is the most promising emerging market for investment in retailing. In 2007, the retail sales in India had a share of 8-10% of the GDP (Gross Domestic Product) of the country and in 2009, it rose to 12%. The rapid changes which took place in India after the introduction of the New Economic Policy in 1991 brought with itself major reforms not only in the financial, Industrial, trade and Commerce but also changes in the retail sector. The emergence of the modern retail formats was first noticed in the Southern parts of India. It has slowly and consistently moved to the Northern and Western States. The spread has also been tremendous. The organised retail has immensely changed the shopping behaviour of the Indian consumer especially in urban areas.

The comforts in the form of convenience, one stop shopping for varied needs coupled with the increased purchasing power has facilitated   a switch over from the traditional outlets to the organised outlets. Initially, this has led us to believe, that there is a decline in the business of the traditional retailer.

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The Project sponsored by the Planning Commission, Government of India, proposes to study the impact of the growth of organised retail food outlets on the traditional food retailers, with special reference to Bangalore city.

1.1.   International Scenario in Retailing:

India is relatively a new entrant to the field of retailing. It started only in the late 80's. At the international level, though the traditional outlets had their origin in 'mom' and 'pop' stores, the 1920s and 1930s saw the emergence of supermarkets in the United States, Canada or Western Europe, as they were in the 1990s in developing Countries (Reardon 2003). It is also said though retailing emerged in these Countries in the 1990's, they have grown 5-10 times faster than the retail transformation that took place in the United States. The spread of retailing can be understood through the three waves which explain the time period and rate of their spread.

Spread	Period	Countries
First Wave	10-20% in 1990 to 50-60%in 2000's	South America East Asia
Second wave	5-10% in 1990 to 30-50% in 2000's	Mexico, S East Asia Central America South Central Europe
Third wave	Started in late 1990s to 5-20%	Southern Africa, Central and S America, Russia and India

Source: (Reardon & Timmer 2007; Reardon et al. 2003).

The Deloitte-Stores (2007) study held that the retail business would slow down definitely over the next decade in developed countries, while it would grow strongly in developing countries. This is based on a projection of three significant changes that will occur. First, the population in the age-group 50-70 years and above in the developed world will explode, shifting the share of consumer spending further away from goods towards services, such as travel, healthcare and maintenance of the elderly.

1.2.   Growth of the Indian Retail Sector:

India's retail sector is undergoing a major transformation. The retail sector with annual 46.6% percent growth is one of the fastest growing sectors in India. Traditional markets are making way for new formats such as departmental stores, hypermarkets, supermarkets and specialty stores. Western-style malls have begun appearing in metros and tier-II cities alike, introducing the Indian consumer to an unprecedented variety in shopping experiences. Though the organized retail in India was only 2% of the total US$ 215 billion retail Industry in 2008, it is expected to grow 25% annually, driven by changing lifestyles, strong income growth and favourable demographic patterns (Pradhan & Mangara (2008)). The retail chains are utilizing sophisticated information technology and communication to manage their operations and have grown rapidly not only within their home countries like US, UK, France, Germany and Holland but to other developed countries and developing countries (Mulky and Nagarkundar 2003).

The Indian retail market, which is the fifth largest retail destination globally, has been ranked as the most attractive emerging market for investment in the retail sector by AT Kearney's eighth annual Global Retail Development Index (GRDI), in 2009. The organized retail sector is expected to grow at a higher percentage than the GDP growth in the next five years driven by changing lifestyles, strong income growth and favourable demographic patterns, says KPMG report titled 'Consumer Market in India' 2008.

Table 1.1 Growth of food retailers (Rs.billion):

Year	Growth
1996	2769
1997	2943.9
1998	2943.9
1999	3300.2
2000	3480
2001	3682.9
2002	5071.9
2003	6,460.90
2004	6,830.80
2005	7,257.30
2006	7,613.60
2007	8,378.90
2008F	8,378.90
2009F	9,399.10
2010F	10,543.53
2011F	11,827.30
2012F	13,267.37
2013F	14,882.79
2014F	16,694.90
2015F	18,727.65
Period	**Compound Growth rates**
1996-2000	5.88%
2001-2007	12.89%
Overall	12.18%

F - Indicates forecasted values.

Source: Euromonitor 2008 and ICRIER 2008

Fig.1.a Growth of food retail

The all India figures of organised retail growth since 1996 have shown a steady rise in organised retail . The growth rates calculated between periods 1996-2000 shows the growth of organised retail at 5.9%, whereas the growth rate during the period 2001-2007 has shown a growth rate of almost double, to over 12 percent per annum. KSA Techno Pak Services in 2007 have also predicted a figure close to the one obtained in this study.

Table 1.2 Growth of organised formats by Category

Category	2003-04	2004-05	2005-06	2006-07
1. Food & grocery	66.4	62.5	61.7	59.6
2. Beverages	2.0	2.7	3.1	3.6
3. Clothing & footwear	7.3	8.8	8.6	9.3
4. Furniture, furnishing, appliances & services	4.8	5.8	6.2	6.8
5. Non-institutional healthcare	9.0	8.6	8.5	8.0
6. Sports goods, entertainment, equipment & books	2.0	2.4	2.6	2.7
7. Personal care	3.5	3.8	3.9	4.2
8. Jewellery, watches, etc.	5.0	5.4	5.4	5.9
Total Retail	100.0	100.0	100.0	100.0

Source: Singal, 2008.

Food and grocery takes a huge share in the retail pie. The other categories which comprises of Clothing and footwear, furniture, health care, sports, personal care, jewellery and beverage share a very minor proportion as seen in table 1.2. The food and grocery continue to hold a major share in organised retailing in the last four years, though their percentage has slightly declined over the years. According to technopak retail report 2009, KPMG retail report 2009, food and grocery would occupy a major share in organised retailing. The share of organised retail in the various cities in the country are presented in Table 1.3 and depicted in Figure 1.b

Table 1.3. Organised Retail across major cities in India

Organised retail as a percentage of FMCG	
Cities	Percentage
Hyderabad	33
Coimbatore	23
Ahmedabad	22
Mumbai	20
Pune	16
Chennai	15
Bangalore	15
Madurai	10
Vadodara	8
Nagpur	8
Delhi	2

Source: KPMG 2005
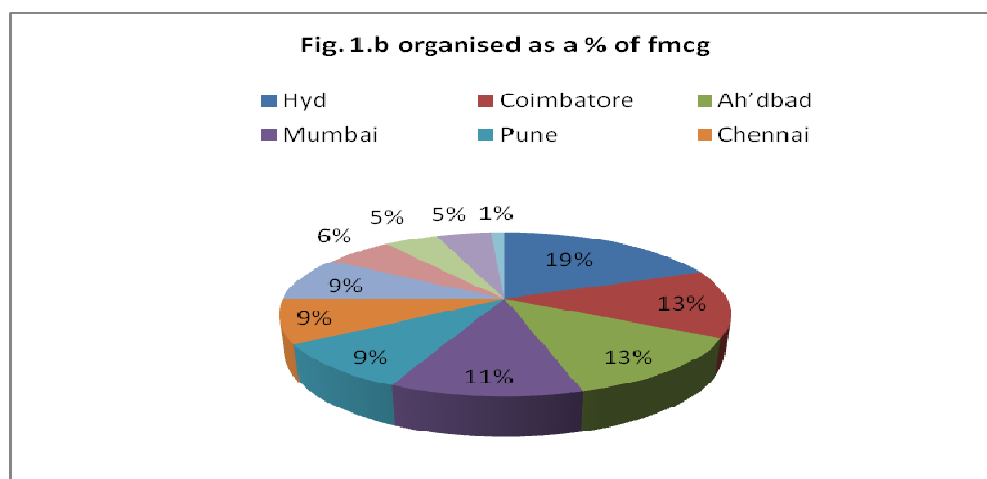
The survey by KPMG shows the tendency of organised retailing to flourish more in the urban areas than in the rural areas. From the above table (1.3) it can be said that retailing has gained a stronghold in many cities of Southern India. Hyderabad tops with 33 percent followed with cities like Coimbatore, Ahmedabad and Mumbai on an average of 20%. Chennai, Pune and Bangalore are other cities with 15 percent of retailing followed by cities like Madurai and others comprising of a little less than 10%..

Organised retailing which started on a very minor scale is poised to reach greater heights in the coming years. According to KSA Techno Pak 2006, investments in Indian retailing has been increasing . Of this, about 70 per cent is expected to come from the top seven players including Reliance Industries, Aditya Birla Group, Bharti-Wal-Mart, Future Group and others. It is also estimated that about 40 per cent of the total investments will be contributed by foreign players.   In India, organized retail contributed roughly to 4 per cent of the total Indian retail growth in 2006-07, which is very small even when compared with most of the emerging market economies. At the all India level the growth of speciality stores, supermarkets and hypermarkets have been the fastest.

Table: 1.4 Growth of Retail formats (All India Level)

Type of stores	Total Percentage
Specialty	45
Super market	45
Hyper market	36
Discount	27
Department Stores	18
Convenience	9
E-tailing	9

Source: KPMG study 2005

Fig 1.c Growth of Retail formats (%)
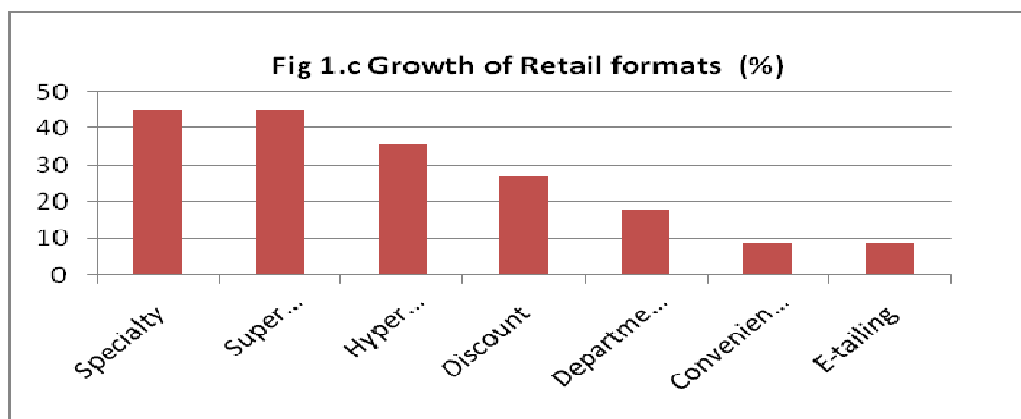
This is more or less in line with the study of KPMG which is presented in Table 1.4 and depicted in figure 1.c above.

1.3 Regulatory frame work of the Government for Retail:

The prospects for significant modernization and development in retailing will depend on the nature of investment in this sector. The investment required to be made in the sector is huge on land, building, stock and infrastructure and may require Foreign Direct Investment (FDI). Though 100% FDI in retailing in not allowed per se, foreign retailers can operate in India through joint ventures, where the Indian partner is a export house, Franchising/Local manufacturing/Sourcing from small-scale sector, Cash and carry operations. A number of global retailers are testing the waters by signing technical agreements and franchises with Indian firms. Fast food chains like McDonalds and Pizza Hut are already operating in the metros.   However, the development of the Indian retail sector is dependent not just on foreign investment but on Indian investment as well. Since the 1980's industrial groups such as Reliance, Rahejas, Piramals, and Tatas have entered retailing. Studies on FDI and retailing done in many countries have proved that investments have been successful not only for indigenous markets but also foreign retailers. The current policy allows FDI in single branded stores and for multi-branded stores it is not allowed.

1.4 Traditional Retailers:

Indians were used to buying their sugar, wheat, pulses, rice etc. from their neighbourhood "baniya". The majority of food and food products were and still are retailed through neighbourhood kirana (baniya) stores. A typical kirana store has a retail area of 200 sq ft and sells 500 to 800 stock keeping units (SKUs).

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Categories of traditional retailers

- Fruit and Vegetable Sellers - Sells fruits and vegetables.
- Food Store - Reseller of bakery products. Also sells dairy and processed food and beverages.
- Non -Vegetable Store - Sells chicken and mutton (supplemented by fish), or predominantly fish.
- *Kirana* I - Sells bakery products, dairy and processed food, home and
- personal care, and beverages.
- *Kirana* II - Sells categories available at a *Kirana* I store plus cereals,
- pulses, spices, and edible oils.

  (Source: ICRIER 2008)

The urban Indian retail sector has traditionally been structured around three small main retail entities -- the grocer, the general store and the chemist. The grocer stocks non-packaged, unbranded commodities such as rice, flour, and pulses, as well as branded fast-moving consumer goods (FMCGs); the general store stocks only branded, packaged FMCGs. The chemist, apart from dispensing pharmaceutical products, sells branded FMCGs such as personal care products, and health foods. Alongside the three retail outfits, exists a large segment of smaller, traditional players -- paan-beedi stores (or cigarette kiosks) which stock products in sachets, batteries, confectionery and soaps; bakeries and confectioners; fruit juice/tea stalls; ice-cream

parlours; electrical and hardware stores; and non-food boutiques. These retail outfits stock branded FMCGs that gel with their business. These apart, there are the hawkers, carts and stalls that dot sidewalks and street corners, and several door-to-door sellers such as vegetable vendors.

In mature retail markets, such as the US and Western Europe, individual small retailers have in many cases closed down or changed hands, but their total number has actually continued to grow, even as large organised retailing chains have begun to dominate the market. In the Indian market, small retailers have survived and flourished by adapting their services and product offering to meet the changing needs of customers. (Devsahayam 1998)

The small retailer in India continues to be favoured both by the marketer and the customer. For the marketer, small retailers are becoming increasingly important in the retailing pyramid. This is primarily because of the increase in stock-keeping units (SKUs) over the past years. This SKU proliferation has caused intense pressure on shelf space. Marketers, therefore, have been forced to seek width in distribution rather

than depth. So, the small retailer is playing a significant role as a distribution channel for FMCGs in existing and new settlement areas in urban cities. (Minten 2009; Devashayam-1998). The small retailer has, therefore, learnt to focus on customer/product niches and services where he can add value that large retail chains cannot. For instance, many small retailers have become corner stores or convenience stores, where consumers pick up their immediate or unexpected day-to-day needs. As consumer tastes become more sophisticated, other small retailers offer a deep assortment, in particular, specialist products that a multi-product retail chain cannot match. The small retailer will be around also because, by his very nature, he will be able to deal with several peculiarities in the Indian consumer psyche.

1.5   Organised outlets:

The changing food consumption patterns, of consumers, need for convenience, choice and value for money has changed the behaviour of consumers. The Indian consumers do visit about eight to ten outlets to purchase various food products, which make up the daily consumption basket. These outlets include neighbourhood kirana stores, bakeries, fruit and vegetable outlets, dairy booths and chakkies (small flour mills), which is very time-consuming and unproductive way of shopping for food. With changing lifestyle there is growing scarcity of time, and convenience in food shopping is emerging as an important driver of growth of one-stop retail formats that can offer consumer 'value for time' in addition to 'value for money'.

Key demand-side factors driving the rise of supermarkets are raising incomes, a burgeoning middle class (Senauer & Goetz 2003) and urbanisation. The entry of women into the workforce outside the home has also played a key role by increasing their incentive to purchase convenience and processed foods to save labour time on food preparation (Pingali 2006). India's growth is largely driven by increasing disposable income, favourable demographics and potential into urban and rural market. According to analysts, the retail industry in India is all set for the most exciting phase in the 21st century. Reportedly in 2004 alone about 12million sq feet space was occupied by the organized retail industry, and by the end of 2006 it grew to grow to 40 million sq feet. The overall size of the retail market in India at present is estimated at 5,88,000 crore   of which, traditional market is worth Rs 5,83,000 crore

and the share of organized market is calculated at Rs. 35000 crore, and it will create 50000 jobs a year in the next five years (Singhal, 2008).

1.5.1. Neighbourhood Stores:

They are within 0.5 to 1.5 km radius of the customer's home. The normal size of these stores range between (750 – 1000 sq ft) . It caters to the customer's daily needs which include grocery, fruits and vegetables and other essentials.

1.5.2 Supermarkets:

This format caters to the consumers' need for choice and variety. These needs translate into 'more width' and 'more depth' in each category. Having an area spread between 1500 and 3000 sq ft, these stores cater to the consumers in a catchment area with a radius of 3 to 4 km. A supermarket can cater to the consumers' weekly, monthly and occasional needs. Examples of supermarkets include Food World, Trinetra and Nilgiri's.

1.5.3 Hypermarkets

Hypermarkets are essentially destination stores catering to the consumers' bulk shopping needs in both food and non-food categories. The key added values for the customer are 'choice' and 'value for money' because products are sold at a discounted price. They have roughly an area between (3,000 – 5,000 sq ft), the hypermarkets model of food retailing is new to India. Spencer's (RPG), Big Bazaar (Pantaloons), Star India Bazaar.

1.5.4 Cash & Carry (C&C) Stores:

These stores sell their products to their members only. The members are typically retailers and institutions. The key added value is a wide range of products under one roof, available at wholesale prices. Metro has started the first C & C store in India in Bangalore. The typical area of a C & C store is 70,000 to 100,000 sq. ft. and both food and non-food products are stocked.

There has been considerable growth in organized retailing business in recent years and it is poised for much faster growth in the future. Major industrial houses in India like the Reliance Industries Limited (RIL),ITC Ltd., Bharti Enterprises, Aditya Birla Group, Godrej, and Tata are venturing into the organized food-retailing sector. The new entrants and several of the existing players have ambitious retail expansion plans including backward linkages for sourcing, processing and distribution India retail report 2006. According to technopak retail report 2008 the retail industry is poised to achieve $860 billion growth in the year 2018. The share of total retail is expected to grow by 16% . space occupied is around 500 Million sq.ft.

1.6   Brief Profile of the top Organised Retail Outlets in Bangalore:

The urban agglomeration of Bangalore has helped a number of the retail formats to establish here. The Jubilant group's hypermarket 'Total' had it first landing here, followed by a number of others like SPAR, Star Bazaar, and many others. According to estimates, Bangalore had a retail space of around 4 million sq ft in 2007, It is now expected to increase to one billion sq ft (Mohideen-2007). In the last ten years Bangalore's population has increased around 30 per cent; it is ranked the seventh most affluent city in India.

It is estimated that over one-third of the households in Bangalore have an annual expenditure between Rs 50,000 and Rs 1 lakh, while 40 per cent of the city's population has annual incomes ranging between Rs 70,000 and Rs 1.4 lakh. The 15-45 age group is a retailer's delight (Cushman wakefield-2009).

The reason for retail boom is the city's growing affluence and working spouses. The retail boom in Bangalore is not merely visible in the bigger malls but also among the smaller ones like MK Ahmad Stores, Foodies, etc which are basically large departmental stores and have sprung up in shopping areas in several localities. In Bangalore, the retail boom can be seen in every nook and corner.

A brief overview of some of the important organised retail outlets operating in Bangalore City has been presented in the section to understand some of their salient features of their operations.

Food World: The Food World (FW) supermarket chain has been one of the pioneers in organized food retailing in India. It is one of the biggest retailer outlets in India. The main challenge for FW was to alter the existing mindset of Indians with respect to price and value and add excitement to grocery shopping.

FW defined its objective as: "To offer the Indian housewife the freedom to choose from a wide range of products at a convenient location in a clean, bright, and functional ambience without a price penalty."

Initially, the target markets were identified as neighbourhoods that had at least 4,000 households with an average monthly income of more than Rs. 4,000. For this kind of customer base, FW needed to start operations in a metropolitan city. Considering the fact that the cost of real estate was low in Southern India, FW chose Chennai, Hyderabad and Bangalore as initial locations for setting up FW stores. FW adopted a self – service format for its stores, which typically had around 4500 sq ft of selling space. . The merchandise primarily comprised groceries, personal care products, kitchenware and tableware. Food World has around 40 branches in Bangalore. The average foot falls is 600 per day on which 65% convert to billing. The Strategy is to Sell Around 100-120 items at any point of time at below Maximum

Retail Price (MRP) rates. These are generally the key necessary items for which the customer attaches more Value.

Big Bazaar –: BIG Bazaar, a division of Pantaloon Retail (India) Ltd has stretched its brand to Mumbai by opening three hyper markets in the city after establishing itself in Bangalore, Hyderabad and Kolkata,. Offering discounts ranging from 5 per cent to 60 per cent, discount stores are still a nascent concept in India. Big Bazaar launched its stores in Bangalore, Hyderabad and Kolkata in 2001. Marking an investment of Rs 10 crore into this new division, Pantaloon expects to record the highest turnover from its Mumbai stores to the tune of almost Rs 80 crore from Mumbai alone within the first year of operations. But the turnover from its other Big Bazaar stores in Bangalore, Hyderabad and Kolkata is Rs 50 crore this year. Big Bazaar claims to be India's first chain of hypermarket discount stores.

Nilgiris:

Pic ,Fruits Section-Nilgiris

It is supermarket established in 1905. It has around 20 branches in and around Bangalore, with an average footfall of 600 per day. *Nilgiris* took birth as a small dairy farm in Ooty in Tamil Nadu in 1905. In 1962 they established a Huge Dairy Farm at Erode in Tamil Nadu which created a major growth path. It presently handles 1-Lakh Litres of Milk, 30,000 to 40,000 Loaves of Bread. In total they sell around

15000 Products, out of which 90% are Food Products. Having 26 Super Markets spread over different States, in the cities of Bangalore, Chennai, Coimbatore, Pondicherry, Guntur, Vishakapatnam, Vijayawada and Pune. The Company's Annual Turnover at present is around Rs 220 Crores.

Janatha Bazaars & HOPCOMS: Cooperative Departmental stores were started with Government patronage in the early 1960's at a time when shortage of basic goods was the order of the day. Poor marketing strategies hindered their progress in the field. Total membership - 11,680 farmers, with 100 tonnes of horticultural produce being traded per day in eight districts of Karnataka. In 1998, each cooperative society was made independent, sixteen of which were subsequently federated at the state level, as members of the Karnataka Horticulture Federation. Except for HOPCOMS in Bangalore the remaining are not very active.

Metro AG: Opened its first Indian outlet in Yeshwanthpur, Bangalore on a sprawling 6,500 square metres area and has opened one more centre in Bangalore during November 2003. Capital expenditure for the centre is Rs.176 crores (35 million euros). Employs 300 local people.

Namdahri's Fresh: Started in the year 2002, has five branches with an average foot fall of 600 perople in a day. The main visio is to meet the growing demand for fresh vegetables. It also out sources produce from over 2000 growers mission:

Safal: Started in the year 2002, with 10 brances in Bangalore. The average Footfalls is 580, the aim is to get the most remunerative price and to provide the best produce at a reasonable price. Especially designed modern retail outlets, the fruit and vegetables unit of the National Dairy Development Board (NDDB) was set up in 1988 with the objective of ensuring a direct link between the farmers and the consumers. The aim is to ensure that customers get the highest quality produce.

More: The Aditya Birla group made their foray into retailing through their outlet More in the year 2002. They have around 60 outlets with an average of 600 Foot falls their aim is to consistently provide the Indian consumer a complete and differentiated shopping experience, while delivering superior returns to all stake

holders. Their mission is to provide one stop solution for the consumers shopping needs. Recently they took over Fab Mal and Trinetra and merged it with itself.

SPAR: The world's largest food retail chain with nearly 126,800 stores in 32 countries. The companies in each country operate completely autonomous and independently from each other and are not connected by corporate law. The international SPAR headquarter has its registered office in Amsterdam and supports the individual SPAR countries by strengthening of the brand name SPAR, the development of the worldwide common purchase as well as the advancement of the mutual exchange of experiences and the acquisition of new SPAR member countries. SPAR is a great innovator and is differentiating itself from competitors by offering its customers market-leading self-checkout technology." In Bangalore SPAR was established in the year 2006. It has around 1500-1700 sq ft area it provides consumables, grocery, fruits and vegetables and other household essentials. It has an average foot fall of 680 individuals.

Spencer's Retail Limited: It is one of India's largest and fastest growing multi-format retailers with 250 stores, including 36 large format stores across 50 cities in India. Spencer's focuses on verticals like food and grocery, fruit and vegetables, electrical and electronics, home and office essentials, garments and fashion accessories, toys, food and personal care, music and books. Established in 1996, Spencer's has become a popular destination for shoppers in India with hypermarkets and convenient stores catering to various shopping needs of its large consumer base. The Spencer's Hyper stores are destination stores, of more than 15,000 sq. ft in size. They offer everything under one roof. The merchandise ranges from fruits & vegetables, processed foods (Ready to Eat, Ready to Cook, FMCG products), specialty foods including international, chilled and frozen foods, garments, consumer electronics & electrical products, home care, home décor & home needs, office stationeries, soft toys. Besides, the stores also comprise book & music retailing, electronic gadgets and IT accessories. On an average, a Spencer's hyper stocks 70,000 SKUs across 35,000 items.

Reliance: With a vision to generate inclusive growth and prosperity for farmers, vendor partners, small shopkeepers and consumers, Reliance Retail Limited (RRL), a subsidiary of RIL, was set up to lead Reliance Group's foray into organized retail.

Since its inception in 2006, Reliance Retail Limited (RRL) has grown into an organisation that caters to millions of customers, thousands of farmers and vendors. Based on its core growth strategy of backward integration, RRL has made rapid progress towards building an entire value chain starting from the farmers to the end consumers. RRL increased its footprint to more than 900 stores in 80 cities across 14 states in India

Reliance believes each Reliance Fresh outlet could earn annual revenues of Rs 3 crore. That's a sale per sq. ft of roughly Rs 12,500. If Reliance Fresh can match that, the 3,000-outlet chain

Pic -Vegetable Section-Reliance fresh, Bangalore

could be in line to clock revenues of about Rs 9,000 crore.

First, Reliance has demonstrated that it will not hesitate to try out untested formats. (Whether it works or not is a different issue.) Reliance Fresh is very different from what modern retail has offered in India so far. Second, unlike global retailers who operate on thin margins, Reliance Retail is looking at a fairly high-margin business model. It has limited itself to a food and grocery convenience store.

Reliance Fresh, in its first pilot store in Hyderabad, stocked plenty of fresh merchandise — fruits, vegetables, a juice bar, and even a large counter for *puja* flowers. In fact, over 60 per cent of the floor space has been dedicated to fresh fruits and vegetables, the rest to other food products like staples, spices, bakery, etc.

This model is engineered to clock a faster turnover of inventory — Reliance expects consumers to visit the store at least twice a week for their top-up groceries. Each store will have an investment of Rs 50 lakh to Rs 60 lakh. Industry sources expect Reliance Fresh to turn this capital over six times — again that indicates a revenue potential of Rs 3 crore per store.

ITC Choupal Fresh Stores: These stores were started in the cities of Chandigarh, Hyderabad and Pune, with their own cold chain supply to wholesale and retail clients. It was the first of 140 stores that ITC planned to open in 54 Indian cities over three years at an investment of $1.9 billion (Rs. 80 billion). Launched in June 2000, in 7 years the 6,500 strong e-choupal kiosk's services reached millions of farmers growing a wide range of crops and seafood, soyabean, coffee, wheat, rice, pulses, shrimp, in over 38,000 villages across nine states of the country.   ITC had designed the supply chain in collaboration with Ingersoll Rand and Mitsubish's Snowman. The store stocked only fresh fruit and vegetables, sourced directly from farmers from all over the country. And it expected the organised retail market for fresh produce would touch $12.4 billion (Rs. 500 billion) in the three years. The e-choupal project was empowering farmers and in turn, helping create new businesses for the company. These projects essentially worked on digital infrastructure (IT, Internet access), physical infrastructure (rural Internet enabled offices) human infrastructure (managers and IT professionals) and network orchestration by ITC. ITC leverages in backward linkages through its expertise in agricultural extension services and strategic partnerships for handling temperature-control technologies and logistics support.

1.7.   Need for Study:

The growth of Indian retailing has been a focus area for many research studies, as it entails exploration in terms of employment, in terms of sales, area of spread and its impact. The present study **"The Impact of the growth of organised food retail on the traditional retailers in Bangalore City"** focuses on the various facets of growth of food retailing in Bangalore and analyses the impact on the traditional outlets, in terms of employment, sales, among others and would indicate areas where traditional retail formats can make changes so as to enable it to compete with the

organised food retail chains. In addition, the study attempts to decipher the impact of these supermarkets on traditional food retailers. With the arrival of organized retailing in India there is a general apprehension that it would displace the traditional retailers whose numbers are very large. It is quite likely they will be wiped out due to the unfair advantage enjoyed by these organised retail outlets. The implication on employment another area of concern will be also studied. The study has tried to find the growth of retail formats, and its impact on the consumers and traditional retailers.

1.8.   Review of Literature

India was a late entrant in to retailing. The retail formats started to appear only in the 1990's in India. The background literature of emerging retailing around the world would throw light on status and impact on indigenous retail outlets. An analysis on the emergence of retail outlets shows that the retail outlets started in 1920s in countries like USA, Europe and France. The retail outlets carried out on a very measureable way by their slow spread in these countries. But in the emerging and developing countries organised retailing started in the 1990s.

The growth of organised retailing in developing countries has been received with both the positives and negatives. According to study conducted by (Feeny et al, 1996) in **Thailand**, there has been a tradition of having independently owned outlets called shop houses. These outlets were run by families, with the shop located on the ground floor and the families living in quarters on upper floors. Thailand's first department store opened in 1956, and the first shopping centre in 1967. The first branded convenience stores emerged in the mid-80s, but these stores were not very successful. Thai shopping habits and spending was still attuned to traditional shop houses.   The same results emerge from **Indonesia**. AC Nielsen (2007) undertook a survey of 1,300 consumers in the capital of Jakarta (capital) and in the second-tier cities of Bandung and Cirebon, focusing on consumers' buying habits in supermarkets versus traditional markets. The survey revealed that penetration of grocery retailing has occurred much more rapidly in processed, dry, and packaged foods and in household and personal care products. The supermarkets' progress in gaining control of fresh food markets has been slower because of procurement challenges, price,

cultural habits, and perspectives regarding freshness; moreover, shoppers still purchase fresh produce mainly at wet markets and small vegetable stalls, where they get low prices, credit, and personal service.

Retailing in **Greece**, Bennison and Boutsouki (1995), shows that though dominated independent owned and operated shops existed from times immemorial, modern retailing came to Greece only after 1991 in response to the need to harmonise legislation for a single European market. Greek retailing witnessed dramatic change in the 1990's. A large superstore hypermarket was introduced in 1991. This was followed by the entry of large cash and carry stores such as Makro, foreign department stores such as Marks and Spencers, supermarkets and a wave of franchising to Greek companies by international companies such as McDonalds, Bennetton, thereby turning out to be successful in their ventures.

Modern retail has forged in the Far East with remarkable success. According to Anand and Vikram, 2006, The Food Retail Industry in the Far East has evolved into what could be called 'the breeding ground' for emerging models with countries like Singapore being the home to some of the big players in the industry. Singapore has been considered 'the breeding ground' for modern retail formats.

Another country which enjoys an active spot on the retailers' map is Japan. The retail industry is as huge as US$ 1088 Billion, with a split of US$ 594.8 Billion in the non-food segment and US$ 493.2 Billion in the food-retailing sector. Numerous smaller, less efficient retailers may become takeover targets. The entire Japanese retail sector is likely to undergo some form of restructuring over the next decade as a result of overcapacity, dismal profits and the Wal-Mart factor, according to management consultant Anand and Vikram, 2006.

According to study conducted by Devashayam 1998 in **India,** the small retailer will be around because, by his very nature, he will be able to deal with several peculiarities in the Indian consumer's psyche. This keeps several potential middle-class shoppers from buying at supermarkets. Another myth is that fresh foods that are pre-packaged may not really be fresh (in the case of fruits and vegetables). Here, neighbourhood vendors have an edge since they replenish their stock on a daily basis

and most of them offer the products at the doorstep. Though transition is taking the consumers to newer heights in their buying behaviour and thereby providing growth to the organised retail outlets, the traditional retailers would coexist with modern retail formats. The same results was report by Reardon et al 2003, KPMG 2005.

According to Mulky and Nargundkar 2003, whose study focussed on '**Modern Indian retailing-Policy perspectives'**, modernization of retailing in India would be influenced by some important factors. These factors include economic development; improvements in civic situation, changes in consumer needs, attitudes and behaviour; changes in government policies; increased investment in retailing and rise in the power of organized retail. They contend that modern retail will have several implications for managerial practice in manufacturing firms. Firms will need to proactively review and their sales structures, brand activities, logistics policy and price structure to cope with pressures from powerful retailers.

According to IFPRI 2004 and Technopak, 2003), in their study on 'Growth of organised retailing' and 'Retailing in India' respectively, have indicated that population growth combined with rise in disposable incomes has given a boost to the retail sector in India. The growing brand-conscious urban population has also substantially contributed to the expansion of the retail sector in the region. The major factors that led to the growth of the retail sector have been discussed. They are:

1. Urban Population Growth
2. Rapid Urbanization
3. Increase in incomes

According to IFPRI et al, restrictions on foreign direct investments in the retail sector, regulations regarding purchase of agricultural commodities, multiplicity of controlling agencies and regulations, stringent labour laws and multiple layers of taxation have been identified as major factors impeding the growth of foods retail chains in India. Though consumers are attracted to retail chains owing to price, quality, and locations, a survey which was also done with traditional retailers indicated that they would be affected by the retail outlets only in a minor way.

The study by Joseph, et. al. 2008 on '**Impact of organised retailing on the traditional sector (2008)'**, Consumers has definitely gained from organized retail on multiple counts. Overall consumer spending has increased with the entry of the organized retail. While all income groups saved through organized retail purchases, the survey revealed that lower income consumers saved more. Thus, organized retail is relatively more beneficial to the less well-off consumers. Proximity is a major comparative advantage of traditional outlets. Traditional retailers have significant competitive strengths that include consumer goodwill, credit sales, and amenability to bargaining, ability to sell loose items, convenient timings, and home delivery. The macroeconomic landscape indicates that the domestic retail industry has immense scope for the modern as well as traditional retailers to co-exist. Through a balanced regulatory framework and competition policy, both the traditional format and the modern format can continue to grow, eventually closing the gap between the organized and traditional sectors.

According to the Euro Monitor survey, 2008, '**Food retailing in India'**, there are a large variety of retailers operating in the Indian food retail industry and it is highly fragmented. However, traditional types of retailers, who operate small single outlet businesses mainly using family labour, dominate this industry. In comparison, supermarkets account for a very small proportion of food sales. This is because of the strong competitive strengths that traditional retailers possess. These include low operating costs and overheads, low margins, proximity to customers, long opening hours, and additional services to customers (such as home delivery). Nevertheless, supermarket sales are expanding. This is because greater numbers of higher income Indians prefer to shop at supermarkets because of convenience, higher standards of hygiene and the attractive ambience. Rivalry is forecast to increase if, as expected, India's market becomes more penetrated by the major western retailers. Overall, rivalry in the Indian food retail industry is assessed as strong. The present research study would focus on the study area- Bangalore city to assess if the growth of the organised outlets have had an impact on consumers and the traditional retailers.

1.9. Objectives:

(vii) To study the growth of organized retailing in Bangalore city

(viii) To identify the factors influencing the growth of organized retailing.

(ix) To assess the impact of retail food chains on the existing traditional retailers engaged in food retailing.

(x) To estimate the gains and losses by allowing organized food retailing in India to grow.

(xi) To document the coping strategies adopted by traditional retailers to meet the onslaught of organized retail chains.

(xii) To suggest measures to protect the interests of the stakeholders.

1.10 Hypothesis:

(i) Organized retailing of food will have adverse effect the business prospects of traditional retailers.

(ii) Employment generation and conditions of employment is greater in organized food retailing

(iii) Traditional retailers will have a niche market and will co exist with organized retail outlets.

(iv) The wide range of products in organized retail chains will stimulate the demand for products.

(v) Changing life styles of consumers have led to spurt of organized outlets.

(vi) Lower income groups still have strong inclination towards kirana stores

(vii) Kirana is a key element in retail in India due to the housewives unwilling to travel long distance to purchase daily needs.

(viii) Price in organized outlets are higher than kirana stores'

(ix) Organized outlets have strong back ward linkages to producers of food products.

(x) Loyalty and personal contact is the hall mark of tradition outlets.

(xi) Timings and long working hours attract consumer owing to convenience in organized outlets.

(xii) Economic development has a positive impact on modern formats of retailing.

(xiii) Organized outlets are mainly driven by ads and promotions.

(xiv) Purchase basket is higher in the organized outlets.

The report has been organized as follows. In the first section, a description of the existing food retail scenario and the evolution of modern food retail at the international level and their growth in India have been described which includes, major organized food retailers and traditional retailers their growth and the regulatory framework of the government. This section also delves into the review of earlier research studies, the objectives of the study and the hypothesis. Section two covers the methodology of the study, the study area, its features and the analytical framework. Section three covers the results and discussion. This section analyses the growth of the retail outlets and their functioning. It also covers the analysis on traditional outlets and their functioning. The sub section maps the profile of consumers who prefer shopping in food retail chains both organised and traditional and understand the reasons for their preferences, while next subsection analyses the impact of organised outlets on the consumers and the traditional retailers, their coping strategies to tackle the competition offered by the food retail chains. Section 4 covers the summary and main findings of the study and policy implications.

2. Methodology:

2.1. Locale of the study:

The study was conducted in Bangalore city. Bangalore the capital city of Karnataka has a population of 76 lakhs, and the total urbanised area is to 1,000 sq. kms. A majority of the 3500 crore silk industry in India is headquartered in Karnataka State, particularly in the North Bengaluru region. It is one of the rapidly expanding cities, has around 97 Bio tech companies, it is also called the Silicon valley of India, it houses innumerable software companies. The city with its rapid urbanisation, affluence, has also encouraged the growth of different retail formats. Among the South Indian cities, Bangalore has been the launch pad for several other

new entrants such as the 'FabMall', 'Monday to Sunday', 'Family Mart', 'Total' among others. Metro AG, a fortune 500 German company, is the first overseas giant to enter India as a cash and carry wholesaler, which began its operations in Bangalore. It has thus become important to analyse the growth of these organised on the end user who is the customer and also the impact on traditional retailers.

2.2 Data Base:

A pilot survey was done with the help of a schedule prepared for the study, which covered ten percent of the planned sample size. The data so collected was analysed and changes were made in the schedule wherever necessary. Two samples were drawn, one consisting of retailers both organised retailers and traditional retailers, and the other was a sample of consumers.

A stratified random sampling was done in selecting the respondent's i.e., consumers who visited both the organised retail formats and those who visit the traditional outlets. The urban city has around 198 wards as is seen in the map. Sixty percent of wards were covered using a random sampling technique. Consumers who reside within a 2 kms radius of the organized retail outlet and a similar number who shop with the conventional stores (traditional stores) were surveyed to elicit their opinion on the various facets of the study. The sample size of the customers was 1033. The organised retail outlet sample was 126. The traditional outlets surveyed were 200 in number. The traditional outlets were chosen in a manner that they are situated within one kilo meter radius of the organised outlets.
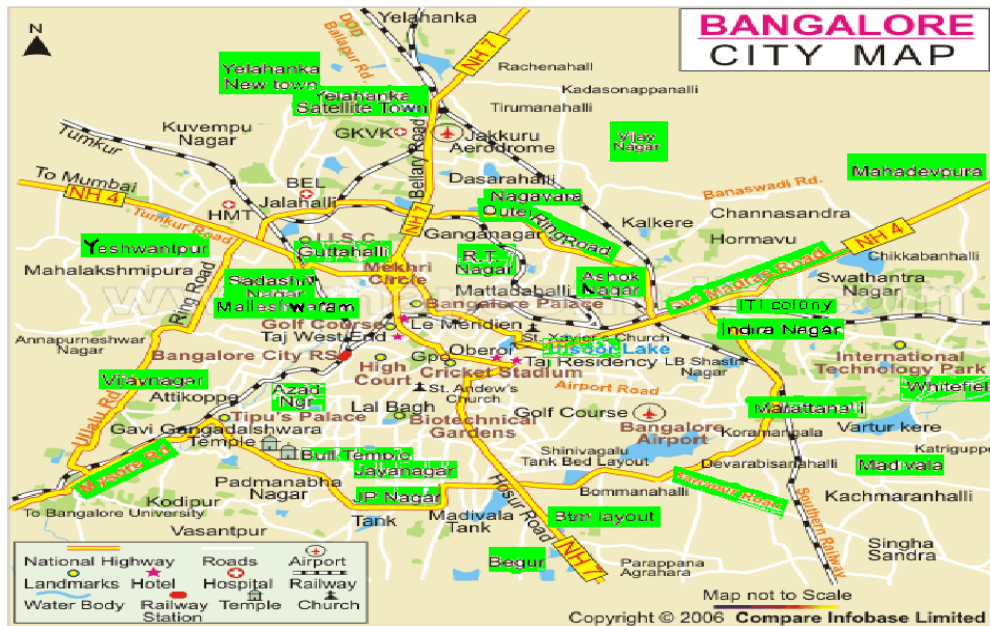
The break up of the sample of retailers and consumers is presented in the table below

Item	Organised	Traditional	Total
Retailers	126	200	326
Consumers	805	228	1033

2.3 Analytical Framework:

The data was analysed using simple tabular analysis and all the information was converted into appropriate tables. The households were post stratified into high, medium and low income groups based on the mean and standard deviation. Three income groups were created as follows:

- **High Income group**: Greater than Mean + 0.5 Standard Deviation
- **Middle Income group**: Between Mean – 0.5 Standard deviation and Mean + 0.5 Standard deviation
- **Low Income group**: Less than Mean – 0.5 Standard deviation

The significance of the results was tested wherever appropriate using the Chi-square test.

To determine the factors influencing the decision of customers to shop at organised retail outlets or not a logistic regression was used, with several independent

variables. The coefficients were tested for their significance. The presence of multi-co linearity was tested using the Variance Inflation Factor (VIF), and variables having a vif of greater than 10 were eliminated. The adequacy of the model was tested by calculating the predictability of the model using the formula:

$$P(1|x) = \exp(bx)/(1+\exp(bx))$$

Where b is a vector of logistic coefficients and the x is a matrix of independent variables.

3.0. Results and Discussion:

The study has been carried out separately on the Retail outlets, both organized and traditional and the Customers. The broad objective is to ascertain the views of both on the progress and prospects of the two formats from the stakeholders and the users of this facility.

This chapter is organised under the following sub-headings:

3.1   Retail outlets

3.2   Retail customers

3.3   Impact of organised retail outlets

3.1. Retail Outlets:

Retail outlet consists of both organized and traditional formats. A comparison of the mode of operation of both have been compared and contrasted. In addition, the socio-economic status of the traditional retailers has been assessed and their views on how they plan to cope with the onslaught of the organised retail have been documented. .

3.1.1. Organised Retail:

The results of the field survey are presented and discussed in this section

3.1.1.1 Growth of Organised Retail:

The growth of organised retail in Bangalore city was analysed based on the year of starting of the organised retail outlets surveyed. From the results presented in Table 3.1.1 it can be seen that very few outlets were started during the period 1990 to 1999 whereas the number increased from 2000 to 2005. This goes to show the

phenomenal rise in organised food retail in the city. Food World, Nilgiris, Food ways and Spencers were the oldest food retail outlets in Bangalore and later many others joined the fray.

Table: 3.1.1 Growth of organised retail in Bangalore

Organised outlet	Year of opening			
Name of Shop	1990-99	2000-05	After 2005	Grand Total
Owned by Industrial Houses				
Big Bazaar		6	5	11
Food World	6	7	1	14
Heritage Fresh			1	1
More		8	11	19
Namdhari's		2	2	4
Nilgiris	1	2	1	4
Reliance Fresh		1	24	25
Spar			3	3
Spencer	1	3	3	7
Star Bazaar		1	1	2
Sunday To Monday		2	2	4
The Home Shoppee			2	2
Total		4	3	7
Sub Total	8	41	59	108
Janatha Bazaar		1		1
Small companies				
B.I.G Company		1		1
Big Market			2	2
Fair Choice		1		1
Fair Price		1	2	3
Family Mall			2	2
Food Zone			1	1
Foodays	1		2	3
Home Centre Super Market		1		1
K B Fair Price			1	1
Lake Bazaar			1	1
Safol Daily Fresh		6		6
Big Bazaar		6	5	11
Food World	6	7	1	14
Organised total	9	47	70	126

Organised retail arrived on the Indian retail landscape around the mid 1990's. Prior to that there were single retails outlets and these did not grow into chains. However, after 1995, organised retail chains arrived in a big way. The above table (3.1.1) which analyses the growth of organised outlets clearly shows that in the period between 1990 and 1999 witnessed a sizeable growth of organised retail outlets. The period 2000-05 saw the growth of many organised retail outlets. Year 2005 and beyond has only consolidated the growth of these outlets. In the period between 1990 – 1999. Food World had around six outlets being the largest player among the new entrants followed way beyond by others. In the period 2000-2005 outlets like food world increased in size. The period also saw outlets like Safal, Namdhari's, More, Big Bazaar and total opening a sizeable no of outlets. This only increased after year 2005. Retail outlets like Reliance Fresh expanded rapidly and hold highest percentage of market share in terms of their volume of spread. The period also witnessed a number of retail outlets opening up in different locations of Bangalore city. Many of them were operated and owned by big industrial houses like the Goenkas, TATAs, Birlas, Reliance, Heritage Foods and Jubilant Organics. Others were owned by smaller groups. Scrutiny of the table clearly reveals that the big industrial houses have big stake in the organised food retail outlets and they have been growing especially in recent years. Out of the 122 retail outlets started after 2005, about 106 are owned by big industrial houses. This is an indication that these ventures require huge investment which only the big industries can afford.

Table 3.1.2: Growth of organised and traditional in Bangalore.

Year opened	Organised	%	Traditional	%	Grand total	Total %
Before 1980	4.00	3.17%	6.00	3.39%	10.00	3.30%
1980-89	1.00	0.79%	24.00	13.56%	25.00	8.25%
1990-99	9.00	7.14%	76.00	42.94%	85.00	28.05%
2000-05	47.00	37.30%	59.00	33.33%	106.00	34.98%
After 2005	65.00	51.59%	12.00	6.78%	77.00	25.41%
Grand Total	126.00	100.00%	177.00	100.00%	303.00	100.00%

$\chi2 = 106.65$**

Growth of organised & traditional outlets
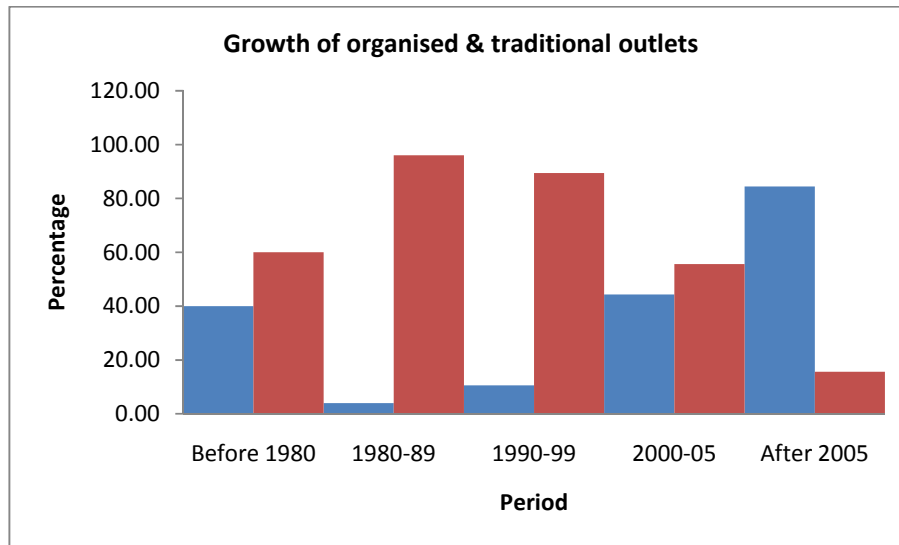
The pattern of growth of organised and traditional retail outlets has shown differing patterns. Traditional outlets held sway before 1980's and continued till 1999 with a vast majority of 90% of outlets (table 3.1.2). Their numbers dropped phenomenally in the year 2000-05 and after the year 2005 they have grown only 15%. On the other hand the retail outlets from 7% growth in the 1990s they grew by 44% in 2000-05 and after 2005 the growth of organised almost doubled to eighty four percent. The pattern of growth being different was vindicated by the significant chi square test. This goes to show that the explosive growth of organised retail outlets has halted the growth of new traditional retail outlets. Economic development of the country has given an added impetus to the growing formats, with the consumer purchasing power increasing.

Table 3.1.3 Types of outlets in Bangalore

Type of Outlets	No	%
Supermarket	58	46.03
Hypermarket	36	28.57
Discount stores	10	7.94
convenience stores	4	3.17
Department stores	8	6.35
Grand total	126	100

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Fig.3. b Organised formats

■ Supermarket   ■ Hypermarket
■ Discount stores   ■ convenience stores
■ Department stores
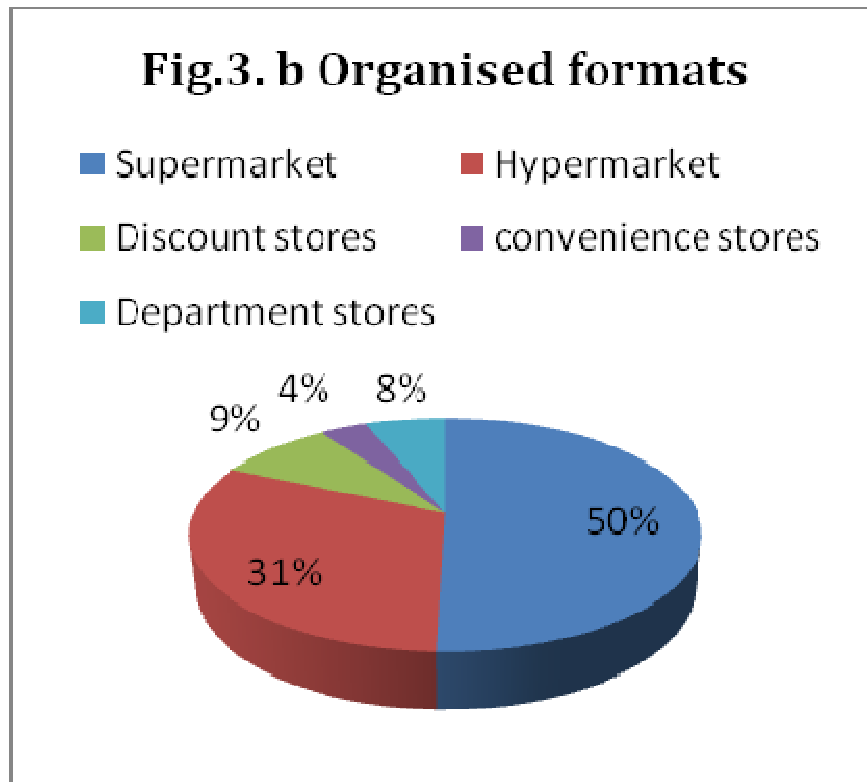
The distribution of formats of the organised outlets was examined in Bangalore and the results presented in Table 3.1.3. Perusal of the table reveals that almost half (46.03%) of the organised retail formats fall into the category of Supermarket, followed by hypermarkets. The breakup of formats is depicted in Fig.3.b.

The organised retail stores have taken the competition to the doorstep of the traditional retail outlets and are located close to them. As revealed in table 3.1.3 supermarkets have 46% establishments, followed closely by hypermarkets with a coverage of 29%. The others formats like the discount stores, department stores and convenience stores comprise a very small percentage of around 5%.

Table 3.1.4: Average distance of retail outlet from home

Organised outlet	Average of Distance
More	2.03
Total	2.37
Reliance	1.47
Big Bazaar	2.13
Others	2.15
Food World	0.94
Nilgiris	1.07
Spencer	1.38
Food Days	1.57
Smart	0.81
M K Retail	2.01
Namdari's	1.83
Spar	0.51
Thom's Super Market	3.00
Food Mall	3.00
Monday To Sunday	3.00
Grand Total	1.81

The sudden increase in the number of outlets in the last five years (Table-3.1.4) has led to a no of branches to spread over the city of Bangalore. In the sample area each of these outlets has spread with in an average of 0.5 km to a maximum of 3 km. Changing life styles, has led to consumers to change their shopping preference, thereby increasing the demand for more establishments in and around the city.

Table 3.1.5 Organised retail shifts system

Shifts	Total	%
No	41	42.27
Sometimes only	10	10.31
Yes	46	47.42
Grand total	97	100.00

Working conditions were better in the organised food retail outlets. Workers in the organised outlets had shift system (Table 3.1.5), this is because the outlets have off late changed their working hours to increase the convenience for working

customers who would like to shop after their work hours. Forty seven percent of the workers cited working in shifts, while 42% felt they did not have shift system . A small percentage felt they had shifts only at times.

Table 3.1.6: Own Brands of the organised outlets.

Items	No	Total %
Consumer Needs	17	14.41
Dairy Products	2	1.69
Edible Items	12	10.17
Home needs	86	72.88
Sprouts	1	0.85
Grand Total	**118**	**100.00**

In order to make the items cheap and realise a higher profit margin, the retailers, are now marketing home brands which are gaining popularity. The organised outlets though have a number of variants in each product line, it is seen that they also stock their own brands. This can be in confectionery, food items like ready to cook and ready to eat items, home needs –which includes cereals, spices, staples, fruits, dairy products and vegetables. In the sample area it is found that (Table 3.1.6), Seventy three percent of the home need items in organised retail outlets stocked their own brands, where as 14% had their own brands in consumer needs, ten percent in edible items and 2% in dairy products.

Fig 3.c. Own Brand(organised outlets)
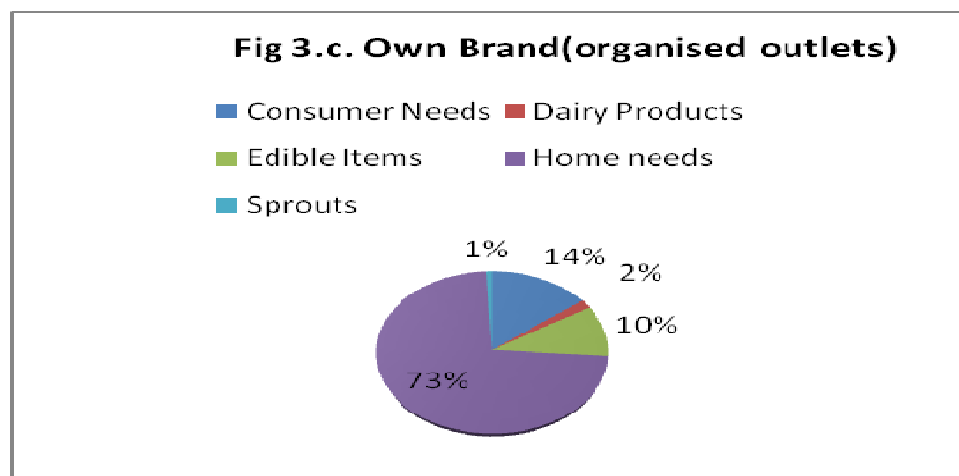
Globally private labels contribute to 17 percent of retail sales and are growing at 5 percent an annum. Private labels provide a higher margin to the retailers while simultaneously offering lower prices to consumers. There is an increasing acceptance for private labels in India. A recent survey by AC Nielsen 2007, has identified that 56 percent of their survey respondents in India considered private labels to be good alternatives to manufacturer brands. In India, private label penetration is on the rise. Some of the major food & grocery retailers average between 20 percent to 30 percent private label penetration with the highest penetration of about 50 percent today. High profile, quality focused private label brands are likely to prosper as consumers begin to reassess their views on own brands of the retail outlets. Also with increase in competition and rising pressure on margins, private labels are increasingly getting attention due to the aggressive marketing of retailers are par with branded goods (KPMG retail study, Joseph, 2008)

3.1.2 Traditional outlets

3.1.2.1 Socio-economic status of traditional retailers

To analyse the impact of organised retailing on the tradition retailers we have to gain an insight into their socio-economic status.

Table 3.1.7: Occupational distribution

Occupation	Traditional outlets	Percentage
Business	65.00	34.21%
Clerical	10.00	5.26%
House Wife	4.00	2.11%
Middle Level Officer	15.00	7.89%
Petty Traders	50.00	26.32%
Senior Officer	15.00	7.89%
Skilled workers	20.00	10.53%
Supervisory level	9.00	4.74%
Any Other	2.00	1.05%
Grand Total	**190.00**	**100.00%**

In the traditional outlets taken up for the study it was found that a majority of retailers belong to the business class and petty traders and hence retailing was their vocation and their main source of livelihood. Sixty percent comprised of business and

petty traders. For the rest it was a part time business to augment the family income. This shows that the traditional retailers are feeling the pressure of competition and using it as a subsidiary source of income. (Table 3.1.7)

Table 3.1.8: Educational status of the Un-organised retailers (%)

Education	Traditional outlets	Percentage
Illiterate	9.00	4.74
Intermediate level	87.00	45.79
Diploma	48.00	25.26
Graduate	40.00	21.05
Professional	5.00	2.63
P.G	1.00	0.53
Grand Total	**190.00**	**100.00**

The organised outlets generally consisted of shop owners who were educated though the level of educational achievements varied between them (Table 3.1.8). Vast majority (46%) of them were qualified only up to the intermediate level and about 5% were illiterate. Around 25% of respondents were diploma holders where as 21% of them were graduates. It is seen that a very small percentage also consisted of professionals and post graduates. Thus their level of education will not permit them to shift the profession to something else.

Table 3.1.9: Family Size

Retail Type	Family Size	Household income
Unorganised	5.23	16923.08

The average family size of traditional retailers was five. They had an average monthly income of Rs 16923/- which can be seen from Table 3.1.9. This show that they have a modest means given the risk involved in the business.

3.2. Retail Customers

The customers were surveyed in order to find out what their perceptions about the organised and traditional retail were and whyt their preference for retail outlets. This helps to understand if customer preferences are driving the growth of organised retail and leading to the neglect of the traditional retail. The customers surveyed for the study were one thousand and thirty three in number. They were customers who visited both the organised and traditional outlets to procure their consumption needs were interviewed. The finding of the study is presented in this section.

3.2.1 Socio Economic background of the consumers

Table: 3.2.1 Household income and preference for organised food retail outlets.

Groups	Organised outlets		Traditional outlets		Grand Total	
Low Income (< 10,000)		0%	3	100%	3	100%
Middle Income (10,000 to 50,000)	636	76%	201	24%	837	100%
High Income (>50,000)	140	90%	16	10%	156	100%
Grand Total	776	78%	220	22%	996	100%

Chi-square 25.076**

Figure 3.d Household Income
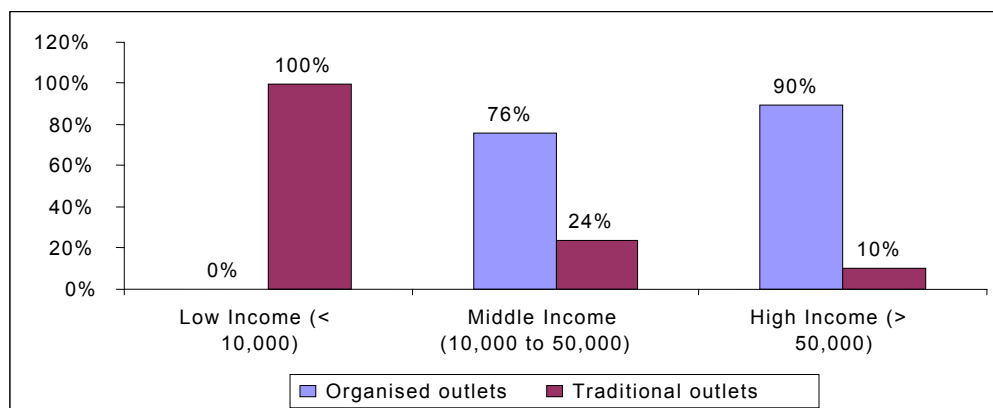
In order to see if income has a bearing on the purchase behaviour of respondents, the information elicited from the survey states that as incomes increase the preference for organised outlets increase was distinctly visible. The results in

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Table 3.2.1 reveal that the low income households, i.e. households with incomes less than Rs 10000/- did not shop at organised retail outlets. The hypothesis that lower income groups have strong inclination towards kirana stores is proved. As income increased the preference for organised retail increased. Ninety percent of the consumers in the income group of Rs 50000/- and above and seventy six percent of consumers in the income category of Rs 10,000-50,000/- preferred shopping in organised outlets. A chi- square test was performed to determine if any association existed between income and the type of retail outlets preferred. The test was significant confirming the above results which indicated an association between income and preference for a particular type of outlet.

The study conducted by Ernst & Young (2006), is also of the view that the emergence of a larger middle and upper middle classes and the substantial increase in their disposable income has changed the nature of shopping in India from need based to lifestyle dictated. The self-employed segment has replaced the employed salaried segment as the mainstream market, thus resulting in an increasing consumption of productivity goods. On the other hand the study of Euro monitor et al reveals that greater numbers of higher income Indians prefer to shop at supermarkets because of convenience, higher standards of hygiene and the attractive ambience.

Table: 3.2.2 Socio-economic profile of the respondents

Data	Organised outlets	Traditional outlets	Grand Total
Age (Years)	33	36	33
Family Size (No)	4	4	4
Monthly Income (Rs)	35747	25227	33424

Organised food retail was preferred by the high income consumers, which confirms the notion that organised retail outlets are a place where the rich people shop. Customers from organised outlets were relatively younger (Table 3.2.2) as compared to the customers of the traditional retail food outlets, who were mostly nuclear families. 78% of shoppers in the organised outlets were from nuclear families and only 22% from traditional outlets. A larger percentage of the joint families also hopped in organised outlets as can be seen in table 3.2.3 and fig 3.e

Table :3.2.3 Family type and its bearing on the shopping behaviour

Type of family	Organised outlets		Traditional outlets		Grand Total	
Joint	115	74%	40	26%	155	100%
Nuclear	664	78%	187	22%	851	100%
Grand Total	779	77%	227	23%	1006	100%

Fig 3.e Family type
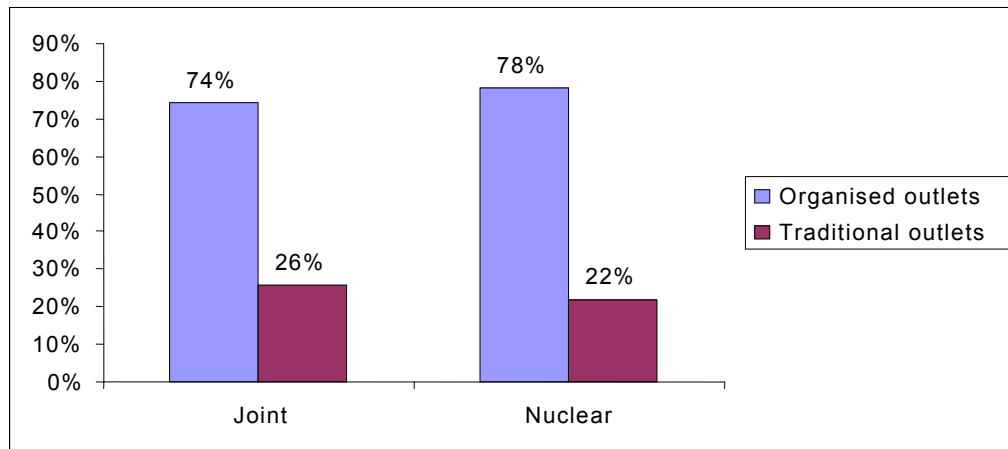
Table:3.2.4 Purchase behaviour based on gender

Gender	Organised outlets		Traditional outlets		Grand Total	
Female	401	81%	92	19%	493	100%
Male	398	75%	136	25%	534	100%
Grand Total	799	78%	228	22%	1027	100%

Fig 3.f Gender Classification
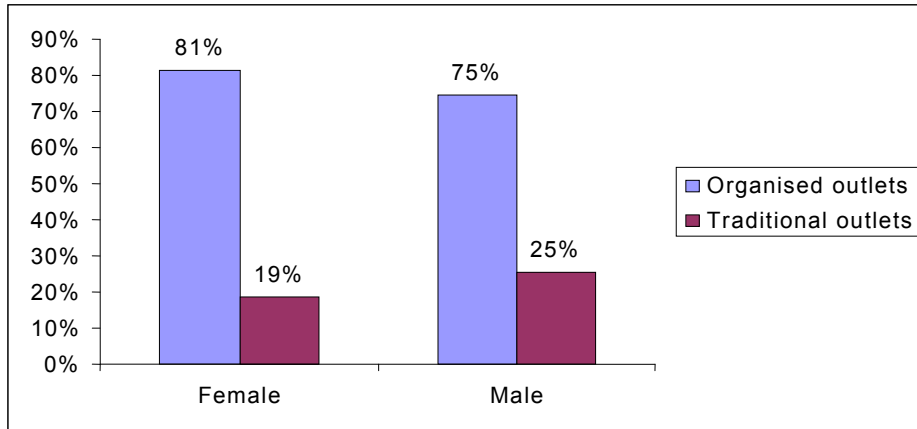
An analysis was done to find if the consumers buying behaviour varied between gender. Though a vast majority of the customers (Table 3.2.4) preferred the organised retail in the study area. It was seen that female respondents outlive their counterparts. Eighty one percent of the female consumers preferred organised retail while 75% of males preferred the organised outlets. 25% of men preferred the traditional outlet while a small 19% of females preferred the traditional outlets. Perhaps women are more discerning shoppers when it comes to food products and would look for wide range of products with varied attributes which are available in organised retail outlets. Hence the strong preference of women for organised outlets. This also disproves the hypothesis that Kirana stores are a key element in retail in India due to the housewives unwilling to travel long distance to purchase daily needs.

Table: 3.2.5 Marital status and shopping behaviour

Marital Status	Organised outlets		Traditional outlets		Grand Total	
Married	562	76%	173	24%	735	100%
Unmarried	231	81%	53	19%	284	100%
Grand Total	793	78%	226	22%	1019	100%

$\chi2 = 68.98**$

Fig 3.g Marital Status
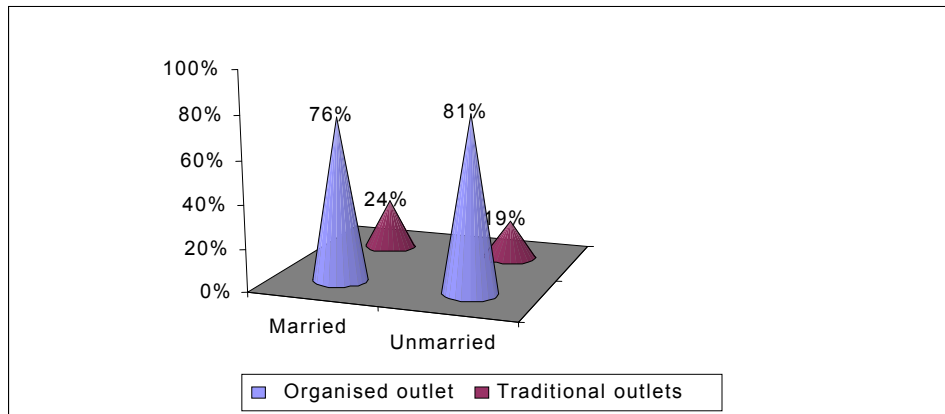
The marital status of the respondents had a bearing on their shopping behaviour. While Unmarried individuals showed a strong preference for organised retail, the married ones were less specific about organised outlet. From Table 3.2.5 (fig3.g), it can be seen that 76.4% of the married people visited the organised retail and 23.54% visited traditional retail. The corresponding figures for the single individuals were 81.34 and 18.66 respectively. The chi-square test to test the association between marital status and shopping behaviour was found to highly significant.

Table: 3.2.6 Buying behaviour based on educational qualifications of respondents

Education	Organised outlets		Traditional outlets		Grand Total	
High School	102	13%	77	34%	179	18%
PUC	95	12%	34	15%	129	13%
Degree	336	44%	85	38%	421	42%
Tech Degree	87	11%	15	7%	102	10%
Post graduate	148	19%	15	7%	163	16%
Grand Total	768	100%	226	100%	994	100%

$\chi 2= 65.165**$

Fig 3.h Educational Qualification
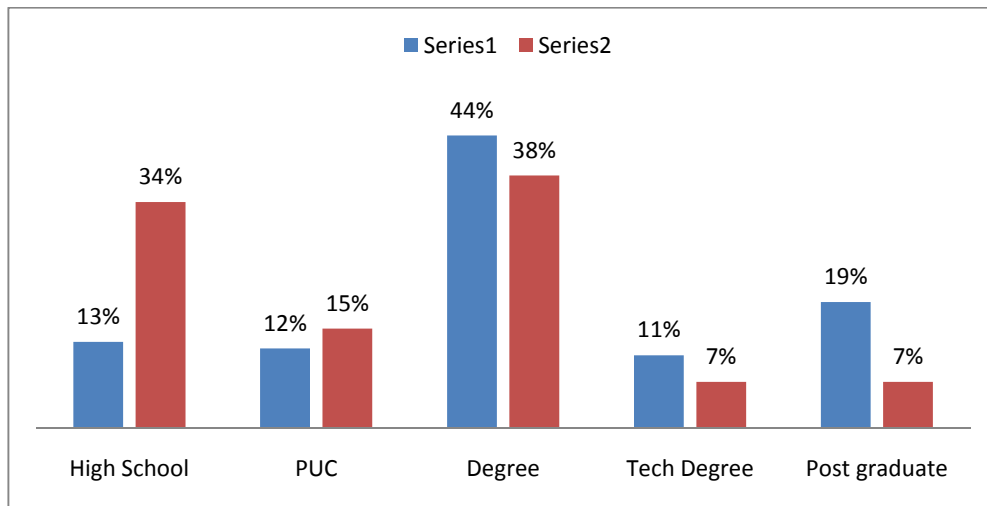
1-organised 2-traditional

To identify if education plays a significant role in their shopping behaviour the qualification of consumers were found in Table 3.2.6. Among the consumers who shopped at the organised and traditional outlets, a large percentage of consumers were qualified than their counterparts in the traditional outlets. Forty four percent were graduates, 19% were post graduates and technical degree holders comprised a small 10 %. In the traditional outlets 38% were educated up to high school. Consumers with technical qualification and graduates comprised a very small percentage. Knowledge about newer formats has helped in changing the buying behaviour of the consumers. The chi square reveals a strong association between education and the buying behaviour of the customers.

Table 3.2.7 Educational qualification and average income of the respondents (Rs/per month)

Educational Qualification	OUTLET TYPE		
	Organised Retail	Traditional Retail	Grand Total
High School	24684	20694	22964
PUC	22789	19242	21875
Degree	34250	22229	31774
Post graduate	45137	52333	45807
Tech Degree	53605	42333	51931
Grand Total	35943	24725	33396

Table 3.2.7 reveals that the average income of the customers is directly related to the educational qualification in the study area. In the organised outlets it is seen that the customers with less educational qualifications generally have lower income and higher their educational qualification higher is the salary. In the traditional outlets, relationship between income and educational qualifications was found to be direct. Fig 3.i depicts it in a clear manner. It is also seen that the average income of customers in the organised outlets is higher than their counter parts in the traditional outlets.

Fig 3.i Educational qualification vs Income
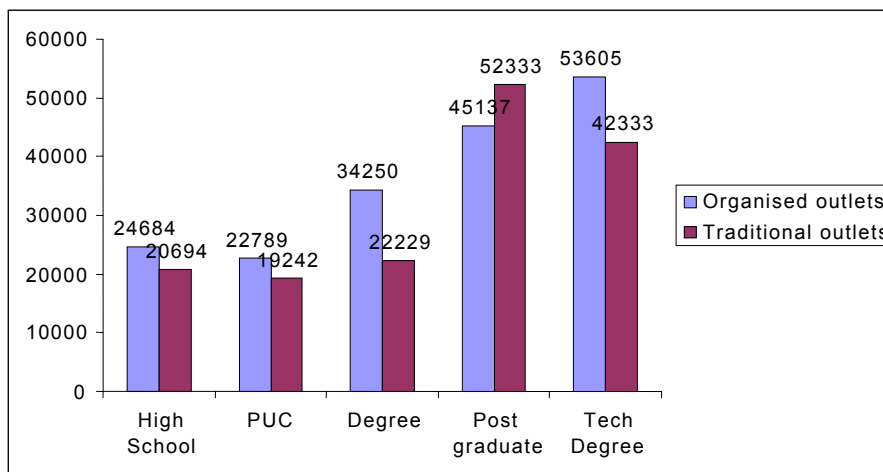
Table: 3.2.8 Modes of transport used

Transport	Organised Retail		Traditional Retail		Grand Total	
Bike	231	30%	55	24%	286	29%
Car	182	24%	25	11%	207	21%
Walking	123	16%	77	34%	200	20%
Bus	85	11%	30	13%	115	12%
Auto	76	10%	25	11%	101	10%
Scooter	49	6%	8	4%	57	6%
Bicycle	9	1%	6	3%	15	2%
Public transport	8	1%	0	0%	8	1%
Bike/Car	7	1%	0	0%	7	1%
Grand Total	770	100%	226	100%	996	100%

The amount of travel involved plays a significant role in the customers buying behaviour (Table 3.2.8). If the purchases involve a no of items a customer may be willing to visit an organised outlet, where one stop shopping is available. On the other hand the neighbourhood shops help when it is multi time purchase. Thirty percent of the customers shopping in the organised outlets used motorbikes while 24% used their cars, sixteen percent walked to their shops. 11% used public buses and a small 10% used autos. Where as in the traditional market 34% walked to traditional outlets while 24% used motorbikes, while 13% used buses around 11% used cars and autos.

Customers of organised outlets relatively preferred two wheelers and cars than the other modes of transport, as it helps easy transportation. A sizeable majority of the consumers who shop in the traditional outlets have had no necessity to use any modes of transport as it was found closer to their residence. This could also be one of those reasons why they prefer the traditional outlets.

Fig 3.j Modes of transport used

44
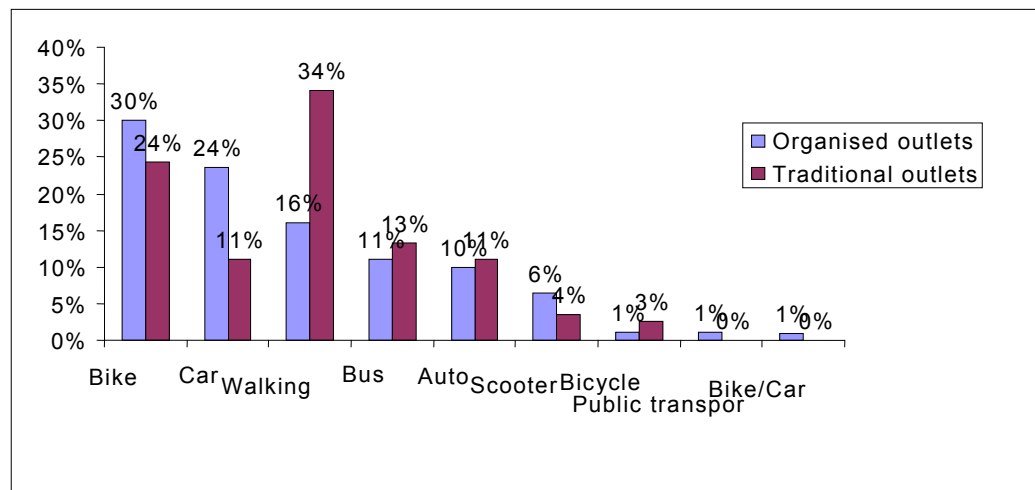
3.2.2 Buying behaviour

Table 3.2.9 Average expenditure of households on food and non food:

Item	Organised outlets		Traditional outlets		Grand Total	
	Amount (Rs)	(%)	Amount (Rs)	(%)	Amount (Rs)	(%)
Food	8714	24.38%	7354	29.15%	8322	24.90%
Non Food	7372	20.62%	7100	28.15%	7254	21.70%
Average Income	35747	100.00%	25227	100.00%	33424	100.00%

Fig 3.k Average expenditure of Household
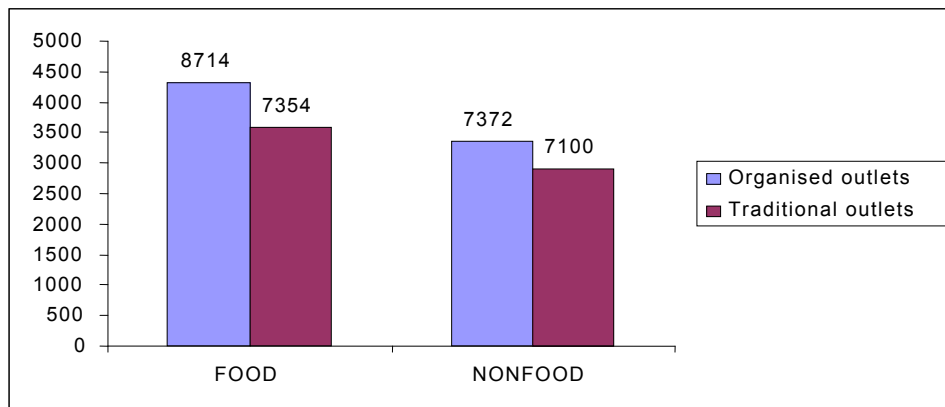
Food accounts for the largest share of consumer spending. Indian retail food Industry has revolutionized shopping experience of Indian customers. Growing at the rate of 30%, the Indian food retail is going to be and no doubt is the major driving force for the retail industry (techno pak 2008).

Consumers who shop in organised outlets have a tendency to spend more than their counterparts in the traditional outlets. This is disproved in the study. It is also noticed that the average expenditure on food is more than the expenditure on non food items. The same pattern of purchasing behaviour in seen in consumers shopping in organised outlets and traditional outlets, as seen in and fig 3.k, the organised consumers with an average income of Rs 35747 spend 24% and 21% on food and non food respectively (Table 3.2.9). The customers visiting the traditional outlets with an

average monthly income Rs 25227 spend 29% on food and 28% non food, which takes away more than 55%of their income. The food inflation which India is witnessing in the recent period has increased the prices of essential commodities. This could also be one of the reasons why expenditure is high in households.

Table: 3.2.10 Pattern of food expenditure (Per month)

Food Items	Organised outlets		Traditional outlets		Grand Total	
	Branded	Unbranded	Branded	Unbranded	Branded	Unbranded
Staples	1452.29	860.98	1192.33	862.29	1398.14	861.34
Meat/fish/eggs	475.57	347.58	345.72	369.88	448.71	355.52
Dairy products	606.20	542.48	628.46	358.03	609.37	483.42
Edible oil	391.90	317.40	323.41	210.86	376.08	288.93
Fruits and Vegetables	297.70	300.34	185.82	207.03	282.27	257.39
Beverages	868.79	780.40	885.26	503.03	870.91	682.47
Soft Drink	681.26	538.89	670.51	342.53	678.95	473.98
Spices	68.65	183.10	69.16	199.90	68.84	185.77

Table 3.2.10 and 3.2.11 deal with the expenditure pattern on food and non food items. On an average the households in the study area spend a sizeable portion of income on staples in the food category. It is also seen that the consumers spend more on branded products. The same trend is witnessed across both the outlets. In the organised outlets around Rs 1452 is spent on staples in the branded category. Beverages and soft drinks comes next with an average monthly expenditure of Rs 868 and soft drink with Rs 681., Products like meat/fish/eggs, dairy products, edible oil and fruits and vegetable entail an expenditure Rs 300 to 600 on an average, spices comes with an expenditure of Rs 68. The consumers spend relatively lesser on the unbranded varieties. Items like staples consumers spend only 50% of what they would spend in the branded category. In case of meat and fruits and vegetables, dairy products, soft drinks and beverages, they spend a lesser amount of money than which they were spending on the same branded items.

Customers in the traditional outlets behave in similar manner as that of their counterparts in the organised sector spending more on certain branded items. In the staples they prefer branded staples a little more than the unbranded ones. While buying items like meat/fish/eggs, fruits and vegetables and spices they prefer the unbranded one than the branded ones. The availability of fresh stock and new arrivals in these categories could be one of the reasons in consumers preferring the unbranded items. According to Neven et al. (2006), in the early-stage modern retail situation of urban Kenya, show that consumers tend mainly to buy processed foods and staples from supermarkets, but mainly depend on traditional retailers for fresh produce In items like beverages, dairy products and edible oil they prefer very less of unbranded items.

Table: 3.2.11 Pattern of non food expenditure

(Rs/ per month)

Data	Organised outlets		Traditional outlets		Grand Total	
	Branded	Unbranded	Branded	Unbranded	Branded	Unbranded
Toiletries	752.43	453.40	707.74	280.33	743.36	389.19
Stationery	286.99	529.11	388.38	255.87	299.62	424.10
Garments	2037.88	1400.61	1765.96	1334.00	1986.96	1380.30
Others	1234.17	677.08	1408.51	959.71	1265.49	764.97

Customers of the organised and traditional outlets spend more on branded items in the non food category as seen in table 3.2.11. In organised outlets it is seen that a major percentage of expenditure is spent on branded garments, toiletries and other items, except for stationery. They spend a sizeable amount on unbranded stationery. This can also be because stationery expenses are adhoc expenses which occur frequently. They also spend a sizeable amount on unbranded clothes. Customers who visit traditional outlets behave in the same manner by spending more on branded items than the unbranded items. Branded items irrespective of category come in very attractive packs, volume and they are provided more information about the product, which catches the attention of the customer.

Table: 3.2.12 Preference of consumers based on products

Preference	Organised	%	Traditional	%	Total (n)
Wider Product Range	424	53.00%	89	39.38%	513
More Brands	449	56.13%	85	37.61%	534
More Variants	145	18.13%	23	10.18%	168
Different Pack Size	114	14.25%	14	6.19%	128
Fresh stock	346	43.25%	67	29.65%	413

The choice of products plays an important role in changing the buying behaviour of the customers. A wider brand, product range and variants in similar products help the consumer to have a wider choice and at times increase their purchasing power. In the sample area majority of consumers have preferred the organised outlets due to the reasons cited above. For instance 53% of them preferred the organised outlets due to wider product range. This goes to prove the attraction of customers owing to availability of wide range of products. Fifty six percent expressed the presence of more brands under a single product, 43% felt the stocks were fresh. But only 18% felt they had more variants to select from, a mere 14% of consumers choose the organised outlets because the outlets offered different pack size which would help in buying according the size of family, In the traditional outlets 39% stated the presence of wide product range, 38% expressed. the availability of more brands. Thirty percent felt stocks were fresh. Ten percent felt there were variants and small percent also expressed availability of different pack sizes. Though customers of organised outlets expressed the superior features of the organised retail, the opinion from traditional customers also states traditional outlets are also making changes to attract the so called 'new age' customers who are acquainted with the products they purchase..

Table: 3.2.13 Preference of consumers based on offers

Offers	Organised	%	Traditional	%	Grand total	Total %
Loyalty pts	133	16.52%	19	8.33%	152	14.71%
Promotional schemes	178	22.11%	29	12.72%	207	20.04%
Discounts	364	45.22%	77	33.77%	441	42.69%
Genuine Prices	413	51.30%	110	48.25%	523	50.63%
Prices less than market	199	24.72%	37	16.23%	236	22.85%
Others	36	4.47%	4	1.75%	40	3.87%

The customers who visit the organised retail outlets are also attracted by the offers of the organised outlets. There are various offers given in the organised outlets, they include loyalty points on every purchase, discounts, promotional schemes, genuine prices for many products and also a lower margin on the MRP as could be seen from Table 3.2.13. Majority (45%) felt happy with discounts, a sizeable percentage felt prices were genuine. Twenty five percent of the shoppers also stated prices being less than the MRP. These can be very latent promotional policies of the modern formats to attract larger section of society. Studies by Bart Minten (2009) and KPMG (2007) have revealed the same phenomenon with organised outlets. Alongside they provide offers like buy take one free to mention a few popular offers among many. 22% felt schemes were attractive. Consumers shopping in organised outlets are attracted because of loyalty points which can be traded for a free coupon or discount on a purchase. Sixteen percent in the study area felt attracted because of loyalty coupons.

In the traditional outlets though these offers are found they would cover only a few products, would last for a short period and would be available for expensive products. The customers visiting the traditional outlets have in a small way got attracted towards these offers. A sizeable 48% felt they visited neighbourhood shop because of genuine prices, 34% felt discounts attracted them. 16% felt prices were less than the MRP. 13% owing to promotional schemes and a small 8% felt it was because of loyalty points. Modern formats need not be expensive and can offer lower prices to consumers (Rao, 2001). The modern formats can afford less prices because of direct contacts with the producers and owing to backward linkages of supply.

Lower prices in turn will increase the attractiveness of modern formats. It is also noticed more than fifty percent of consumers were happy with the prices of the retail formats and that matched with the prices of the traditional outlets, at times offering lesser price. While consumer needs, attitudes and behaviour will influence the development in retail, it is likely that investments in retailing and the creation of new stores offering value will in turn influence consumers. This appears to have happened in Greece, Thailand and Brazil(Mulky Nargundkar (2003)).

Table: 3.2.14 Preference of consumers based on amenities provided

Amenities	Organised outlet	%	Traditional outlet	%	Grand Total	Total %
Shopping Experience	151	18.76%	49	21.49%	200	19.36%
Freedom of choosing Brands	363	45.09%	46	20.18%	409	39.59%
Better ambience	188	23.35%	39	17.11%	227	21.97%
One stop shopping	408	50.68%	65	28.51%	473	45.79%
Better service	272	33.79%	72	31.58%	344	33.30%
Better Parking	185	22.98%	29	12.72%	214	20.72%
Attractive display	226	28.07%	62	27.19%	288	27.88%

The shopping trend of modern day consumers has undergone major changes. Attractive display, better ambience, parking facilities, better service are some of the many preferences consumers choose to have while they are shopping. The consumers in the sample area have favoured the organised outlets by the facilities obtained. Fifty one percent of consumers favoured the organised outlets owing to one stop shopping (Table 3.2.14). This also saves time and expenses on shopping at different places for different things. Forty five percent felt they had high freedom in selecting brands, Thirty four percent preferred the organised outlets because of better service. 28% felt display being the attractive force, while 23 percent preferred the ambience, and owing to good parking facilities. Nineteen percent preferred organised outlets owing to good shopping experience. According to Mulky 2003, The growth of modern retail is linked to consumer needs, attitudes and behaviour. Marketing channels including retailing emerge because they receive impetus from both the supply side, and the demand side. On the demand side, the marketing channel facilitates provides service

outputs that consumers value. These service outputs may include but are not limited to bulk-breaking, spatial convenience, waiting and delivery time and assortment (Coughlan et al, 2001,). In Indian retailing, convenience and merchandise appear to be the most important factors influencing store choice, although ambience and service are also becoming important in some contexts (Sinha et al, 2002). Retailers are offering a package of convenience and freshness, and have an edge over manufacturers that focus mainly on packaged conveniences (AC Nielson 2006).

In the traditional outlets also it is seen that 32% of consumers felt service being good and they had a good shopping experience. The traditional outlets have changed their way of operations. They have given a facelift to their shops by having a better ambience and attractive displays. Nearly 27% of consumers preferred them due to better display. In case of other facilities like freedom of choosing brands, parking, and ambience, the consumers have given a very less weightage. It can be seen that the traditional outlets are also making gradual changes to their way of operation, which has also caught the eye of the customer.

Table: 3.2.15 Preference of consumers based on Facilities provided

Facilities	Organised outlets		Traditional outlets		Grand Total	Total percentage
	No	%	No	%		
Closer to Residence	434	53.91%	109	47.81%	543	52.57%
Easy access	336	41.74%	78	34.21%	414	40.08%
Family shopping	255	31.68%	32	14.04%	287	27.78%
Entertainment	172	21.37%	36	15.79%	208	20.14%
Saves time	377	46.83%	100	43.86%	477	46.18%
Home delivery	188	23.35%	50	21.93%	238	23.04%
AC outlets	163	20.25%	29	12.72%	192	18.59%
Others	20	2.48%	4	1.75%	24	2.32%

A comparative analysis between the consumers of organised and traditional outlets reveals that majority of them prefer the organised retail outlets due to many facilities made available as seen from Table 3.2.15. Fifty three percent felt the outlets were closer to residence and accessible. It is seen that the majority of outlets were

located not more 3 kms distance between one another. Forty seven percent preferred the outlets as it saves time and also because of home delivery which only certain outlets provide. Thirty two percent of them felt they could shop with the family, this could be owing to one time shopping which facilitates each and every family member to buy things of their desire. Twenty percent stated they had air condition facilities, whereas for 21% it was entertainment, the awareness of new products, unknown products, attractive displays, food courts and children entertainment area adds to this. In the traditional 48% of consumers preferred them as they are located closer to home and it saves time. Thirty four percent expressed easy accessibility. 22% preferred owing to free home delivery. Only sixteen percent states it provided for entertainment and having air conditioned outlets. Only fourteen percent felt the traditional outlets had provided for family shopping.

Table: 3.2.16 Products purchased

Items	Organised outlet	%	Traditional outlet	%	Grand total	Total %
Food items	390	48.45%	184	80.70%	574	55.57%
Fruits & Vegetables	418	51.93%	173	75.88%	591	57.21%
Meat/Fish	244	30.31%	141	61.84%	385	37.27%
Dairy Products	247	30.68%	146	64.04%	393	38.04%
Toiletries	220	27.33%	140	61.40%	360	34.85%
Others	82	10.19%	117	51.32%	199	19.26%

Consumers do not have a preferred choice of visiting retail outlets or traditional outlets always. What are the items which they prefer the organised outlet or the traditional outlet? Though the percentage of consumers who prefer the organised outlet, are a good majority, a vast majority of customers have preferred the traditional outlets. 81% for food items. 76% preferred the organised outlets for fruits and vegetables Sixty four percent preferred for dairy products, sixty one percent for meat and fish and toiletries and 51% for other items in the traditional outlets. Customers of the organised outlets, have more preference for fruits and vegetables (52%) and food items (48%). Thirty percent preferred them for dairy products and for meat and fish. A small percentage have preferred the organised outlets for toiletries.

Thus it is seen that for daily necessities consumers do visit both the outlets but comparatively less of the organised outlets (Table 3.2.16 and fig 3m.).

Fig 3.m. Products purchased from organised and traditional outlets
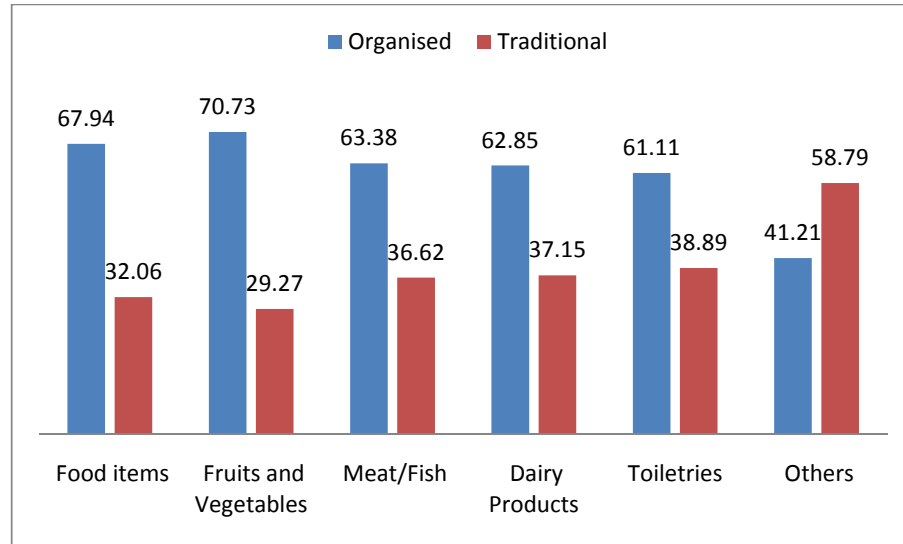
Table 3.2.17: Buying behaviour of consumers

Items	Organised	%	Traditional	%	Grand total	Total %
Planned	788	97.89%	228	100.00%	1016	98.35%
Impulsive	289	35.90%	81	35.53%	370	35.82%

It is generally seen that consumers do plan their shopping. From the results presented in Table 3.2.17 It is seen in both the outlets consumers have planned buying pattern.

Ninety eight percent of consumers in the organised outlets and 100% of consumers have said they plan their buying but among those who felt they have impulsive buying tendencies 36% were people shopping in organised outlets and traditional outlets. The variants available, attractive displays are some of the reasons for them to go for impulsive buying.

Fig 3.n.Buying behaviour of consumers
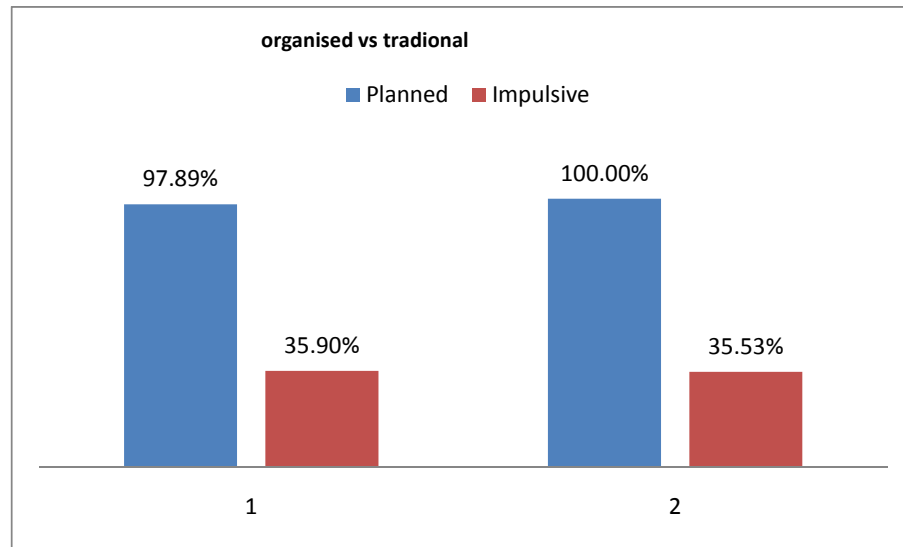
To capture the overall effect of all the factors discussed on the purchase behaviour of consumers a logist regression was estimated. The results of the regression are presented in Table 3.2.18.

3.2.3 Factors influencing the decision of consumers to shop at organised retail outlets

Table - 3.2.18: Coefficients of the logistic regression of factors influencing consumers to shop at organised retail outlets.

Variables	B	S.E.	Wald	Sig.	Exp(B)
Household Income	0.000015	0.000005	8.06925	0.00450	1.00001
Transport			16.01467	0.00113	
Two wheeler	0.848444	0.228464	13.79149	0.00020	2.33601
Public Transport	0.683562	0.246301	7.70233	0.00551	1.98092
Car	0.916493	0.312793	8.58507	0.00339	2.50051
Wider Product Range	0.391425	0.185006	4.47636	0.03437	1.47909
Availability of More Brands	0.657393	0.182441	12.98395	0.00031	1.92976
One stop shopping	0.786856	0.190744	17.01716	0.00004	2.19648
Proximity	-0.408764	0.205857	3.94288	0.04707	0.66447
Occupation	0.559974	0.253529	4.87842	0.02719	1.75063
Education			31.66906	0.00000	
EDUCATION (1)	-1.162497	0.371024	9.81702	0.00173	0.31270
EDUCATION (2)	-0.397455	0.402992	0.97271	0.32401	0.67203
EDUCATION (3)	-0.297786	0.339630	0.76877	0.38060	0.74246
EDUCATION (4)	0.672909	0.412681	2.65879	0.10298	1.95993
Food Expenditure	0.000146	0.000046	10.05809	0.00152	1.00015
Non Food Expenditure	-0.000121	0.000039	9.62502	0.00192	0.99988
Constant	-0.501837	0.424322	1.39873	0.23694	0.60542

A logistic regression is a regression which is used when the dependent variable is qualitative. For instance here the objective is to determine the factors which influence an individual to shop in an organised food retail outlet or in an traditional retail outlet. The dependent variable is given the value 1 if the household shops predominantly in an organised retail outlet for their requirements of food articles, else 0, if they shop in an traditional retail outlet. This is a qualitative variable. The independent variables considered in the model can be seen in table 3.2.18. The data was checked for outliers and multi-co linearity before estimating the final model.

The table presents the logistic regression coefficients and the odds ratio in columns 2 and 6, respectively. Most of the variables considered were significant as indicated by the Wald's statistic. The adequacy of the model is vindicated by the fact that the model was able to predict the cases correctly in 80 percent of the cases. (Table 3.2.19).

Table 3.2.19 : Predictive accuracy of the logistic regression

		Predicted		Percentage Correct Prediction
		0	1	
Observed	0	58	158	26.85
	1	24	691	96.64
Overall Percentage				80.45

Scrutiny of the logistic regression coefficients reveals that mode of transport is a significant determinant of shopping in organised retail outlets. Households with bikes and cars had odds ratios of 2.33 and 2.5, respectively, which indicates the times greater chance of shopping at organised retails as compared to people who go by foot. This goes to show that people visit organised retail outlets using their own vehicles which goes to show possession of vehicles induces people to visit organised retail outlets. The other factors which favour organised retail outlets is the availability a wider range of products, availability of more brands and the one-stop-shop experience that the organised retail outlets give are the other factors that favour organised food retail outlets. The last factor had an odds ratio of 2.19. This implies that since organised food retail outlets are perceived as a one stop shop increases the chance of consumers shopping in them by 2.19 times.

Education was an important determinant of shopping in organised retail outlets. With the increase in the educational level the probability of shopping at organised retail outlets increased. However the technical graduates were the ones who patronised organised retail outlets the most. Household income and expenditure on food and non food items had an equal probability of shopping at organised retail and traditional retail outlets. From these results it is apparent that the organised retails outlets have all the features which makes them desirable to the customer to shop.

3.3. Impact of organised retail on traditional retail

The arrival of the new formats of retail has had an impact on the traditional sector in many dimensions. Some of them have been analysed here in this section.

Table 3.3.1. Working hours

Working hours	Organised	Percentage	Traditional	percentage	Grand total
Close by 8 pm	45.00	35.71	23.00	12.30	68.00
Close 9 pm	58.00	46.03	105.00	56.15	163.00
Close by 10 pm	17.00	13.49	47.00	25.13	64.00
Close 11 pm	6.00	4.76	11.00	5.88	17.00
Close 12 pm			1.00	0.53	1.00
Grand Total	126.00	100.00	187.00	100.00	313.00

X^2 26.31**

The operational working hours between the organised and traditional outlets did not show many variations as revealed in table 3.3.1. Most of the organised outlets close by 9 p.m., but where as a sizeable percentage (36%) of outlets close by 8 p.m. A minor percentage of them close only by 10 p.m. and beyond. In the traditional outlets it was found a little more than fifty percent of the outlets operated up to 9 p.m. one fourth of them closed by 10 p.m. a very small percentage (12%) closed by 8 p.m. and a minor percentage of them also worked up to 11 p.m. This shows that traditional outlets open their shops a little longer that the retail outlets as it are manned by themselves or their family members. One of the reason for this could also be that they are located close to their shops, it becomes convenient for them to work late. This becomes an added advantage to attract customers who shop after their working hours. The χ^2 statistic reveals a significant difference in the timings of the organised and un-organised retail outlets.

Fig 3.o Working hours
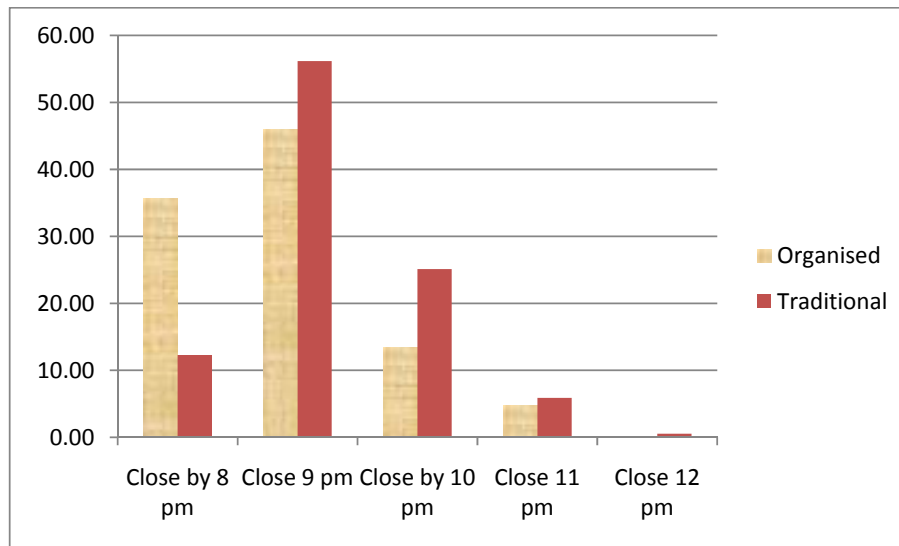
A welcome feature of the organised retail outlets is the employment of females. From Table 3.3.1 (fig 3.p), it can be seen that 2/3 rd of the women working in retail outlets are employed in the organised sector. The employment of males in more or less the same. The opening of retail formats has created employment for sizeable no of individuals even with basic education as seen in table 3.3.3

Table 3.3.2 Gender wise employment:

Type of employees	Organised	%	Traditional	%	Total	Grand total (%)
Male	126.00	41.86	175.00	58.14	301.00	100.00
Female	126.00	72.83	47.00	27.17	173.00	100.00
Family Members Engaged	6.00	4.55	126.00	95.45	132.00	100.00

Fig 3.p Gender wise employment
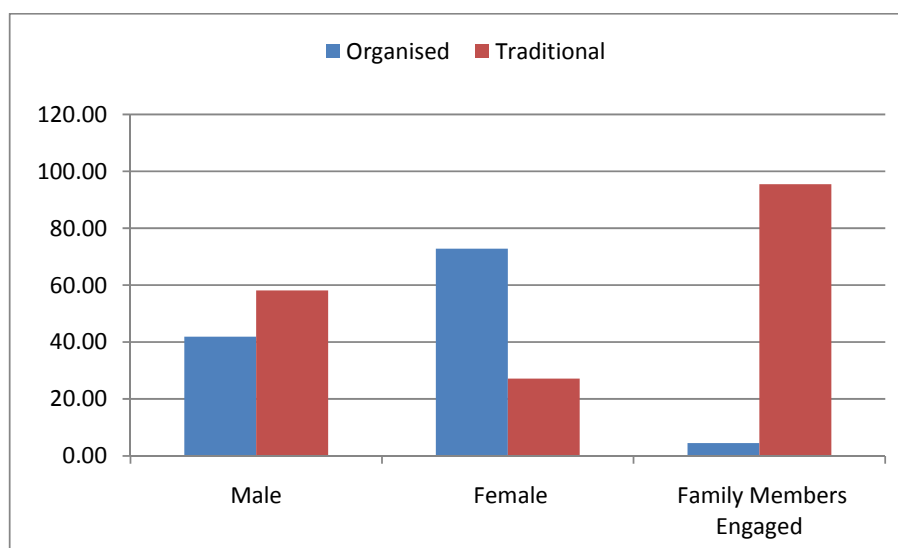
The study sought to understand the gender equations in employment in both type of outlets. In the organised retail outlets a vast majority comprised of female employees (73%) whereas only 42% comprised male employees and a very minor percentage comprised family members. In the traditional outlets 58% comprised males, 27% comprised female employees. Many earlier studies have also found the traditional outlets being unorganised and run by family members (Euro Monitor 2008). A large percentage of female employees in the organised outlets show that the emergence of retail outlets has also provided employment opportunities for the females (Table 3.3.2)..

Table 3.3.3 Educational requirements (Organised and Traditional outlets)

Educational requirements	Organised	%	Traditional	%	Grand total
PUC	35.00	27.78	59.00	31.05	94.00
SSLC	91.00	72.22	129.00	67.89	220.00
Any		0.00	2.00	1.05	2.00
Grand Total	126.00	100.00	190.00	100.00	316.00

Fig 3.q Education requirement
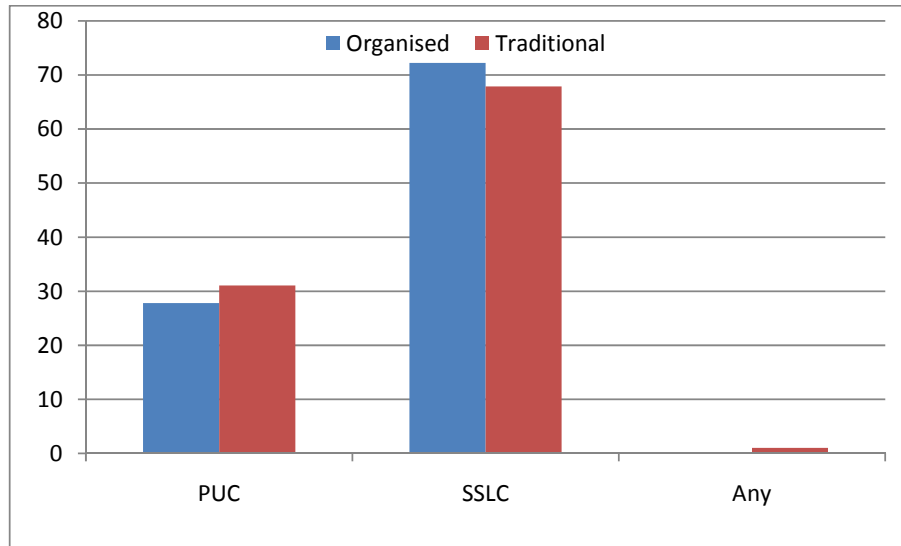
Knowledge of products, their manufacture and expiry date and price are some of the things the employees should be aware in order to help consumers to make a choice. Thus education plays a significant role in the employment. A sizeable individuals across outlets have had basic education of tenth class (Table 3.3.3). In the organised outlets 72% percent had SSLC qualifications, 28% had PUC qualification. 68% were SSLC qualified in the traditional outlets and 31% had educated up to PUC.

Table 3.3.4: Average area of the outlets

Average of Size of Store (Sq ft)	
Retail Type	Total
Organised	2991.06
Unorganised	551.31
Grand Total	1530.32

Large size of outlet is the hallmark of the organised retail sector. This can be seen from table 3.3.4. The spatial dimension of any outlet help customers to move around and have an overview of availability of products available. It also helps in increasing the volume of SKU's. The space provided for each section of goods helps in better display, in turn increasing their purchase. In the study area it was found that organised outlets had an average of 2991.06 sq ft, whereas the traditional outlets had 551 sq ft which is four times lesser than the size of the organised outlets. Thus the

former is able to stock more commodities and provide the right ambience to promote sales.

Table 3.3.5: Average daily footfalls

Retail Type	Total
Organised	579.72
Unorganised	320.67
Grand Total	477.60

The study also found the average visit of consumers on a daily basis. The results in Table 3.3.5 show that organised outlets had an average of 580 foot falls in a day. Whereas in the traditional outlets the average footfalls were 320. This would be due one stop shopping or one roof shopping which is catching up very fast with the Indian consumer. Given the large amount of facilities and comforts that the organised retail outlets provide their average footfall are comparatively less. This also indicates the slow penetration of the organised outlets and dominance of traditional outlets (AC Nielson 2007)

Table 3.3.6: Days when average sales increase and percentage of increase

Days when no are more	Organised	traditional	Average
Festivals	-	25%	25%
Weekends	30%	28%	29%
Average	30%	28%	29%

The traditional outlets generally had increased number of foot falls during weekends and festivals, whereas the same may not be true of organised retail outlets. There was 25% increase in the average no of footfalls during times of festivals and during weekends in traditional outlets. The organised outlets felt that only during weekends the flow of customers increased and not during festivities as found in the traditional outlets.(Table 3.3.6). This goes to show that customers prefer to visit organised retail outlets at their convenience.

Table 3.3.7: Available facilities

Facilities	Organised	%	Traditional	%	Grand total	Total %
Computerised billing	122.00	96.83%	60.00	30.00%	182.00	55.83%
Credit card	121.00	96.03%	24.00	12.00%	145.00	44.48%
Bar coding	117.00	92.86%	17.00	8.50%	134.00	41.10%
Home delivery	43.00	34.13%	128.00	64.00%	171.00	52.45%
Self services	126.00	100.00%	44.00	22.00%	44.00	13.50%
Others	15.00	11.90%	55.00	27.50%	70.00	21.47%

The types of facilities provided by the organised outlets were found to be far better than those found in the traditional outlets as revealed in Table 3.3.7. This is obvious given their recent origin. All retail outlets had self service, which helped the customer to decide based on the display of products. A vast majority (93%) were equipped with bar coding on the products and computerised billing (97%) which helped making the billing faster and accurate. More than 96% of retail outlets provided customers with the credit card option, which also helped to increase the buying sphere. A small percentage expressed the existence of home delivery in organised outlets. Some outlets also provided the customers with home delivery if the household are within the prescribed limits. Sixty four percent of the traditional outlets had home delivery for their customers. Thirty percent expressed having bar coding for their products. A few outlets did have self service. Self services help consumers to decide what products they require and thereby make the purchases. In case of other changes like bar coding and credit card facilities it was found very few outlets had them. The traditional outlets are adapting to the small changes in the trading environment to meet the challenges of their giant counterparts.

Table 3.3.8: Promotional measures utilised

Schemes	Organised	%	Traditional	%	Grand total
Discount	121.00	96.03%	69.00	34.50%	190.00
Offers	120.00	95.24%	65.00	32.50%	185.00
Loyalty coupons	32.00	25.40%	8.00	4.00%	40.00
Credit Sales	5.00	3.97%	31.00	15.50%	36.00

Perusal of Table 3.3.8 shows that discount on prices and offers on purchase of certain variety of products were found predominantly in the organised outlets. Organised Retail outlets offer the customers a number of offers which are from wholesalers, from companies or from themselves. In the study area it was found that 96% of the organised retail outlets had discounts on the MRP, 95 % provided offers which ranged from free gifts, increased volume in the content etc. Certain retail outlets provided the customers purchase points with every purchase and at the end of a particular period they were either given gifts or discount price for a specified range of products. The credit sale was found to be very minimum comprising a mere 11%. The unknown factor of the customers could be the reason here. In the traditional outlets 34 percent had discount on their products, 32% provided offers, 15% had credit sales. A very small percentage provided loyalty coupons. The retail outlets could afford discounts and offers because of their direct procurement, back ward linkages which the traditional retailers do not have access to.

Organised retail outlets given the nature of their clients provide a host of value added amenities. These have been presented in this section.

Table 3.3.9 Parking Facilities

Parking Facilities	Organised	Traditional	Grand Total
Adequate	44.44%	21.08%	30.55%
Moderate	13.49%	19.46%	17.04%
Inadequate	4.76%	37.30%	24.12%
Nil	37.30%	22.16%	28.30%
Grand Total	100.00%	100.00%	100.00%

The general facilities like parking play an important role in encouraging the consumers to visit the organised or the traditional outlets. An analysis of consumer opinion presented in Table 3.3.9 shows that parking facilities were adequate in the shopping areas, more so with the organised outlets. Forty four percent of the consumers felt that parking facilities were adequately available in the retail outlets, only 21% of consumers in the traditional sector felt parking facilities being adequate. 13.5% percent in the organised and 19.5 % in the traditional outlet the parking facilities moderate. Nearly 37% shopping in traditional outlet felt parking to be a problem but only a mere 4% percent of consumers shopping in organised outlets felt parking was inadequate. This perhaps explains why people visit traditional outlets by foot and organised retail outlets in their own vehicles.

The results in Table 3.3.12 reveal that 2/3rd of the traditional retailers felt that the opening up of organised retail outlets in the area has not affected their business. This indeed heartening, perhaps it is because they have niche market that they cater to.

Table –3.3.10 Source of procurement

Item	Type of store	Producer	Commission Agent	Whole-saler	Retailer	Grand total
Staples	Organised	42.06%	16.67%	38.89%	2.38%	100.00%
	Traditional	3.75%	6.25%	86.25%	3.75%	100.00%
Edible Oil	Organised	31.45%	18.55%	44.35%	5.65%	100.00%
	Traditional	2.50%	7.50%	82.50%	7.50%	100.00%
Spices	Organised	31.90%	17.24%	45.69%	5.17%	100.00%
	Traditional	3.75%	5.00%	82.50%	8.75%	100.00%
F&V	Organised	42.50%	16.67%	35.83%	5.00%	100.00%
	Traditional	8.33%	13.89%	69.44%	8.33%	100.00%
Beverages	Organised	26.83%	18.70%	53.66%	0.81%	100.00%
	Traditional	6.25%	7.81%	81.25%	4.69%	100.00%
Toiletries'	Organised	23.93%	20.51%	54.70%	0.85%	100.00%
	Traditional	3.75%	7.50%	81.25%	7.50%	100.00%
Stationery	Organised	29.47%	24.21%	46.32%	0.00%	100.00%
	Traditional	5.71%	5.71%	84.29%	4.29%	100.00%
Garments	Organised	48.21%	5.36%	41.07%	5.36%	100.00%
	Traditional	14.29%	21.43%	50.00%	14.29%	100.00%

The source of procurement has wide difference between the organised retail outlets and the traditional retailers as seen in table 3.3.10. The traditional retailers have generally procured their wares from the whole sale market. Except for garments where only 50% of them stated buying from the producer, in case of all other products it is seen that 80 to 86 percent of them bought their products from the wholesalers. The other linkages of their procurement are the commission agents and retailers of specific products. A very small percentage of them had direct contact with the producers.

The procurement pattern of the organised outlets reveal a mixed picture. In case of spices, edible oil, vegetables and garments majority of procurement is from the producers and from whole sale markets. In case of beverages, toiletries, stationery and garments a little more than 50% of them have procured from wholesale markets. Twenty five of them procured from producers directly. A sizeable percentage of products are also bought from commission agents. A small percentage was also procured from retail outlets. The type of commodity determined the procurement systems of retail chains. Retail outlets depended on traditional food grain marketing channels for the supply of food grains. In the case of manufactured commodities such as detergents, processed foods, beverages, etc, the retail outlets procured them directly from manufacturers, reducing the involvement of middlemen (Joseph, 2008,). The studies conducted by earlier researches have to some extent exhibited a similar type of procurement, of the outlets. Traditional wholesalers continued to play an important role in the procurement system of fresh fruits and vegetables (FFV) of all organised retail chains. However, one of the food retail chains, Spencer's, established an innovative mechanism of backward linkages with farmers for direct procurement of fresh fruits and vegetables (Joseph, 2008, KPMG 2008, Reardon 2003). The lack of scale forces the traditional retailers to procure from market intermediaries rather than the producers. The organised retailers on the other hand are able to source many of their requirements directly from the producer, thereby the cost.

Table: 3.3.11 Opening of retail outlets

Effected by retail outlets	Traditional	%
No	128.00	64.00
Yes	40.00	20.00
No comments	32.00	16.00
Grand Total	200.00	100.00

Fig 3.r Opening of retail outlets
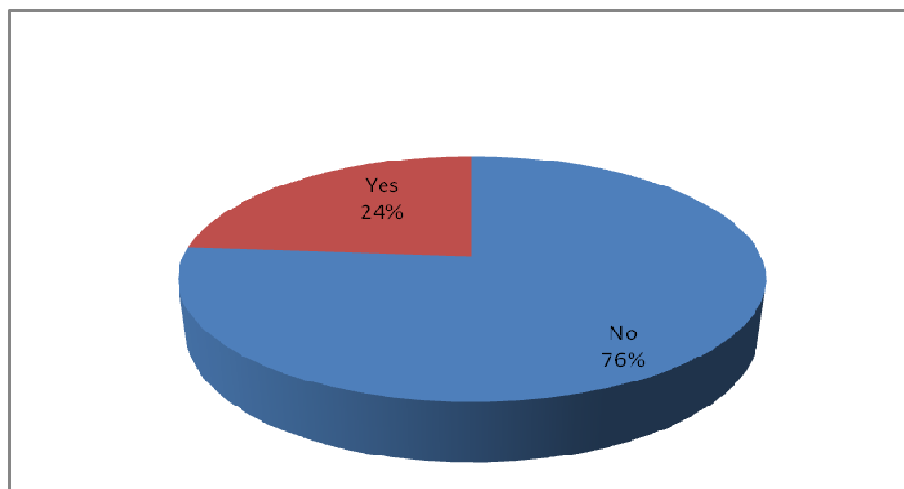
From table 3.3.11, It is apparent that the traditional retailers are not much affected by the opening of organised retail outlets as indicated by 64 % of the respondents. Only 20 % expressed that they were affected by the opening of retail formats.

Table 3.3.12: Perceived changes in sales of traditional retail due to organised retail

Opening of organised outlet	Traditional
Large Decline in sales	3.53%
Minor decline in sales	61.18%
No change in sales	35.29%
Grand Total	100.00%

The presence of the organised outlets has not led to drastic changes in the traditional sector. A vast majority of the neighbourhood shops only felt a minor dip their sales with 61% citing decline in sales(table 3.3.12). Thirty five percent felt no change their sales. Only three percent of the total retail felt large decline in sales. Reardon and Gulati's (2008) paper states that the experiences in China and Indonesia of retail outlets have revealed that both *kirana* stores and organized retail outlets can coexist, although they will grow at varying rates.

Table 3.3.13: Perceived effects of starting organised retail outlets in the locality

Magnitude of the effect	No	%
Reduced sales	62.00	31
Reduced foot falls	61.00	30.5
Price competition	50.00	25
Supply of brand products	19.00	9.5
Grand total	200.00	100

An analysis has been done in the test area to find the magnitude of effect that the retail formats had on the traditional outlets. Around 31 percent of them felt that it had reduced their sales and footfalls (Table 3.3.13). Twenty five percent felt they have to compete with the prices of the retail outlets. A small ten percent felt it changed their supply for branded products. It is seen that only 1/3rd of the retail outlets have only been adversely affected by the opening of the retail formats. There are various reasons cited for this. Many studies (KPMG 2008, Reardon 2003) have felt that Indian organised is still in its infancy and its predominated by a vast no of traditional outlets. Other studies believe this is because of the strong competitive strengths that traditional retailers have like low operating costs and overheads, low margins, proximity to customers, long opening hours, and additional services to customers such as home delivery (Euro Monitor 2008).

Fig 3.s Magnitude of effect
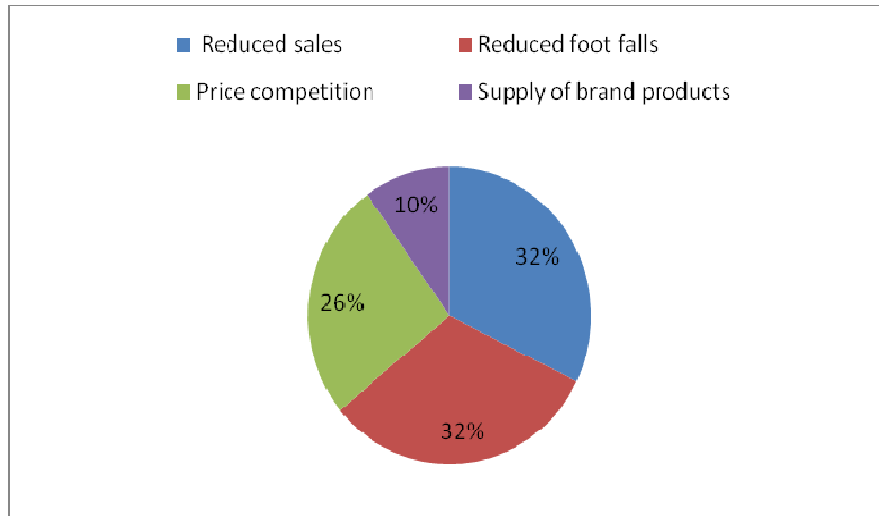
Table 3.3.14: Coping mechanisms followed by traditional retail outlets

Coping Strategies	Followed	Not Followed	Followed to some extent	Total
Increased Store Space	25.00%	71.25%	3.75%	100.00%
Increased price for some consumers	12.99%	85.71%	1.30%	100.00%
Reduced Prices	57.50%	18.75%	23.75%	100.00%
Reduced costs	28.75%	36.25%	35.00%	100.00%
Reduced Employees	18.75%	68.75%	11.25%	100.00%
Add new Product Lines	49.37%	7.59%	43.04%	100.00%
Discontinued Product Lines	32.91%	16.46%	50.63%	100.00%
Better Display	60.49%	12.35%	27.16%	100.00%
Self Service	35.00%	61.25%	3.75%	100.00%
More ambience	62.50%	30.00%	7.50%	100.00%
Improved Home Delivery	70.89%	11.39%	17.72%	100.00%

The way forward for the traditional retailer is to evolve a coping strategy, details of which are presented in Table 3.3.14. In the study area which covered more than 60% of Bangalore city, majority of the retail outlets were within a radius of 1.5

to 2 kms (Table -3.1.4) which pose threats to the neighbourhood shops. These shops have nevertheless undertaken various measures to cope with the new marketing threats of the major retail giants. It is also to be noted that the changes were not sweeping in nature. Fifty eight percent of them reduced prices of all their goods, where as 24% of them followed reduction in prices of only some goods. Nearly fifty percent of the outlets have added more product lines in almost all types of goods where as forty three percent followed them in some goods. Sixty percent of them have improved the product display and twenty seven of them had good display for some products only. Sixty two percent of the outlets had improved the ambience in their stores. Three fourth of outlets in the sample area had started home delivery. Majority of home delivery were provided for households within two kms radius. Thirty five percent of them have started with self service and a sizeable (61%) had not started self service. A vast majority of products have also been discontinued.

Eighty six percent of the outlets have not practiced price discrimination. They have continued to operate with the same space of operation. It is only 1/4th of the shop keepers who had changed built up space in their shops. Vast majority of outlets have also retained their employees, rather than decreasing their number.   The traditional outlets have not made any radical changes as seen in the above analysis. They have changed in areas which involves very less expenditure like increasing home delivery, improving ambience and better display and in adding new product lines. This reveals that they do not see a great threat from the emergence of the retail formats and would be able to coexist.

Table 3.3.15: Quality control measures adopted

Retail type					
Measures adopted	**Organised**	**%**	**Traditional**	**%**	**Grand Total**
Quality Certification	6.00	4.76			3.00
Inspection	33.00	26.19	55.00	64.59	45.00
Inspection ,Quality Certification	5.00	3.96			5.00
Inspection, Quality Certification, Rotation of Stock	10.00	7.94	1	1.18	11.00
Inspection, Rotation of Stock	24.00	19.05	1.00	1.18	25.00
Quality certification, Rotation of Stock	2.00	1.59	2.00	2.35	4.00
Rotation of Stock	46.00	36.50	22.00	25.88	68.00
Others			3.00	3.53	3.00
Grand Total	126.00	100.00	85.00	100.00	211.00

The retail consumers are turning increasingly quality conscious. The perception of quality among products sold in organised retail could be a factor favouring them among consumers. Table 3.3.15 explains the various quality control measures adopted. Quality certification, quality inspection, rotation of stock by replacing old stock periodically are some of the measures adopted independently or in a combination with each other by the retail outlets. The table revealed that the organised retail made a conscious effort to maintain quality by periodic inspection (26%), rotation of stock (37%), and combination of all measures (19%). Vast majority (65%) of the traditional retailers stated inspection as a measure for quality control. A sizeable percentage have also stated they have rotation of stock (25%). The food corporation of India, department of food and civil supplies are some of the boards that normally have inspections in traditional outlets. The various standardised certifications like the ISO 9002 for instance add to the prestige of the outlets. This also encourages them to maintain quality standards.

Table 3.3.16: Benefits of home delivery

Home delivery increased customers	Traditional	Percent
No	4.00	5.33
To some extent	52.00	69.33
Yes	19.00	25.33
Grand Total	75.00	100.00

The traditional outlets have also increased their scale of operation in the recent times. One witnesses a cluster of outlets in residential areas. They also have home deliveries provided if the order is in close proximity of the household. An analysis has been done to find if home deliveries has increased the no of customers. Twenty five percent of the retail outlets felt it has increased their customer volume. But more than 69% of retailers felt it helped only at times. But only a mere 5% felt no changes taking place. (Table 3.3.16).

Table 3.3.17: Future Plans of the traditional retails

Plans	%
Change business model	48.24%
Lack of resources to change business	14.12%
No reason to change	37.65%
Total	100.00%

The emergence of organised food retailing has brought within it a unique shopping behaviour which has changed the behaviour of the consumers. Has the emergence threatened the un organised outlets?   Table 3.3.17 shows that the traditional outlets felt the strong need to change their business model i.e to change basic infrastructure adding value added products.   Around 48% felt they should change the model of operation. Fourteen percent of them felt the need to change but did not possess the resources for a changeover. A sizeable majority (38%) felt there was no reason to change / deviate from the present mode of operation.

More than sixty percent felt they only had a slight decrease in sales. As it is seen that the traditional outlets have made major changes in their outlets which has helped them to withstand the competition from the organised outlets.

4.   Findings

- The Indian retail industry is the fifth largest in the world. Comprising of organized and traditional sectors, India retailing is one of the fastest growing industries in India, especially over the last few years.

- The growth of the organised retailing has been consistent. What developed countries achieved in the last 20-30 years, India has achieved remarkably in 5 to 10 years period.

- Among the various categories of products marketed by the retail formats like Food, beverage, clothing, furniture, appliances, health, sports goods, entertainment, personal care and jewellery, food and grocery takes a major share of 60%. It would continue to have a major percentage share.

- A large number of organised retail outlets were set up after 2005 in Bangalore city, whereas most of the unorganised retail stores were set up prior to the 2000.

- The survey among consumers has revealed that the low income households preferred the traditional outlets. Higher income groups preferred the organised retail outlets proving a strong association between incomes and buying behaviour. Vast majority of shoppers in the organised outlets were young and from nuclear families.

- Seventy five to eighty one percent of the respondents preferred the organised outlets than the traditional outlets, though they also shop with them. The female respondents outnumbered the male respondents in their choice of preference for organised outlets.

- Education plays a significant role in their shopping behaviour. High educated respondents very strongly preferred the organised outlets and less of the traditional outlets. The individuals who shopped in un organised outlets were not that qualified, indicating that awareness of retail formats have helped some consumers to change their shopping.

- A sizeable majority of the consumers who shop in the traditional outlets have had no necessity to use any modes of transport as it was found closer to their residence. In case of customers shopping in retail outlets had to use some mode of transport. This also indicates that the outlets were not within a close reach.

- Consumers who shop in organised outlets have a tendency to spend more than their counterparts in the traditional outlets. It is also noticed that the average expenditure on food is more than the expenditure on non food items.

- Customers prefer branded items for durable goods and items like fruits, vegetables, meat and other perishables they prefer unbranded items. This trend is found with both retail and traditional customers.

- The customers who visit the retail outlets are immensely attracted by the offers of the organised outlets. There are various offers given to the customers in the organised outlets, they include loyalty points, discounts, promotional schemes, and have genuine prices for many products and also change a less price than MRP. Consumers in the traditional outlets also expressed genuine prices and discounts to be major attractions

- Consumers in both the outlets prefer them owing to availability of different brands, variants and fresh stock.

- A vast majority preferred the retail outlets to traditional outlets owing to the facilities it offered like one stop shopping, better service, freedom to

choose brands, good parking facility, and better display of commodities. A small percentage of consumers in traditional outlets also expressed these facilities but in a very less manner.

- Consumers of both the formats stated the outlets being closer to home, and that shopping saves time. Consumers felt shopping in organised outlets provides for family shopping easy access among others.

- They have also being attracted by offers, easy access, closer to residence as factors which brought them closer to retail outlets.

- Convenience in shopping like easy accessibility, entertainment, family shopping are factors which have a bearing on consumers who shop in organised outlets, these facilities though available are least attracted to consumers in the traditional outlets.

- Fifty two percent of consumers visited the organised outlets for fruits, vegetables, edible items and toiletries but a vast majority of consumers (61%) shopped in traditional outlets for the same. The constant demand for these products has slightly increased the consumer's tendency to shop in traditional outlets for these items.

- Consumers in the study area stated that their buying in planned and impulsive when shopping in organised outlets. The ambience and displays offers could be some of the reasons for them to go for impulsive buying.

- Retailing is still at its nascent stage in India. The growth rates of food retailing in India have almost double between the years 1996-2000 (5%) to 2001-2007 (12.8%).

- Bangalore city roughly has 15% of organised retailing. The period 2000-05 saw the growth of many organised retail outlets.

- Majority of the retail outlets have their own brands when it comes to home need like ready to eat, ready to cook, daily necessities and basic consumer needs.

- The traditional retailers were qualified up to intermediate level with an average family size of 5 members, with an average monthly income of Rs 17000/- the traditional outlets work for slightly longer workers than that of the organised retail outlets.

- Female employees were found more in the organised outlets than the traditional outlets.

- The sq feet of retail outlets were four times bigger than that of the traditional outlets. The average foot falls in organised outlets was almost double the average of the traditional outlets.

- The increase in footfalls during weekends was almost similar between both the outlets.

- A near fifty percent who shopped in retail outlets felt the availability of parking being adequate, where as a mere twenty one felt parking to be adequate in traditional outlets.

- More than 60% of the traditional retailers felt they were not affected by opening of organised outlets and only small percentage felt a minor decline in sales. In the organised outlets, they have various methods to enhance quality like rotation of stock, quality certification, and inspection but where as in the traditional outlets inspection done basically by Food Corporation of India is a most popular measure cited to enhance quality. Nearly fifty percent of traditional retailers felt they need to change their method of functioning but where as a sizeable no (38%) felt there was no necessity.

4.2.   Policy Implications:

In a world that is moving swiftly towards free competition, controls and regulation do not have a place. The phenomenon of organised retailing, which initially started in the developed countries has spread in Socialistic countries like and China and developing countries. While keeping an open mind on encouraging organised retail, the onus of the Government is to protect the vulnerable, and this responsibility should not be abdicated. Efforts should be made to empower those affected by the new innovations and institutions, and be made competitive. Towards this endeavour the Government should design its policy.

- There is no denying the fact the organised retail has some very positive implications on the system like improving quality, integrating the producers to the marketing system, better accountability, enforcing minimum labour standards, fostering gender equality by employing women, giving consumer wider choices, etc. We cannot afford to shut out these positive externalities that organised retailing brings to the business. Institutional support in the form of credit facilities from Commercial banks have to be provided to the traditional retailers to bring certain infrastructural changes, to upgrade their outlets which can increase the business.

- As cited in ICRIER 2008, farmers cooperatives on one hand and the association of traditional outlets should be formed on the other side to prevent the intermediaries who snatch away a major portion of commission, which also help both the parties to obtain fair profits. This is a far cry from reality considering the track record of Janatha Bazaar's, a pioneer cooperative in the sphere of retailing.

- Whole sale outlets like the "Metro" in Bangalore should be encouraged to supply material to traditional retailers. This will ensure supply of quality products to traditional retailers.

- Traditional retailers should also engage in doing primary market research to understand the pulse of consumers, their buying behaviour and about new brands which they are not aware which will make them aware of their surroundings and help them take corrective measures would help in withstanding competition from the organised retail formats. Traditional outlets should undergo a transformation process, bringing in new changes which in turn increase their competitiveness.

- Owing to backward linkages and direct contacts the organised retail outlets are in a better position to bargain prices of many of essential products. However their steep overheads will eat into their profits. Steps should be taken by traditional retailers to cut excess cost.

- The retail outlets can invest in supply chain, buy directly from the sources and eliminate middlemen and can attempt to obtain volumes in buying by aggregating the requirements of various stores, and bargaining for competitive strength.

- Retailing should be given the status of an industry. This will help retailers to source funds and upgrade the quality of their products. The retailers should upgrade their outlets, improve the ambience in the shop and stock a wider range of products and provide value added services like home delivery, concentrate on niche markets, etc. The study revealed that income is not an important determinant of where the individual shops. Therefore the traditional retailers should try to attract consumers to their stores.

- The increase in world food trade and the advent of the Sanitary and Phytosanitary (SPS) Agreement under the World Trade Organization (WTO) have also raised interest in food safety requirements.

To ensure a strong presence in global markets, India should realize the need to meet these challenges and keep pace with international developments. Therefore steps should be taken by various government run corporations to promote stringent regulations for traditional retailing in terms quality control, hygienic exposure of goods among others. This in turn would make their outlets more attractive for consumers to shop.

GLOSSARY

FDI	Foreign Direct Investment
FFV	Fresh Fruits and Vegetables
FMCG	Fast Moving Consumer Goods
GDP	Gross Domestic Product
GRDI	Global Retail Development Index
ICRIER	Indian Council for Research on International Economic Relations
IFPRI	International Food Policy Research Institute
MRP	Maximum retail price
SKU	Stock Keeping Units
WTO	World Trade Organisation

Traditional outlets   Unorganised outlets

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ST JOSEPHS COLLEGE OF COMMERCE, (AUTONOMOUS) BANGALORE

QUESTIONNAIRE 1

Organised Retail Outlets

1. Name of the organised retail outlet _____

2. Year of opening of the retail outlet_____ in how many places do you have the out let in Bangalore………………………

3. Location of the store(Place)_____

4. Facilities for parking   Adequate / Moderate / Inadequate / nil

5. How many SKU's (Stock Keeping Units) do you keep_____

6. Household Items sold and sources of supply

Sl No	Item	Source of purchase			
		WS	CA	Prod	Retail
1	Staples (rice /wheat/dhal)				
2	Edible oils				
3	Spices				
4	Fruits and vegetables				
5	Beverages				
6	Soft drinks				
7	Meat/Fish/eggs				
8	Dairy Products				
9	Toiletries (soaps/shampoos, hair dye /Shaving cream, sanitary napkins)				
10	Stationery				
11	Garments				
12	Others				

7 How would you classify this outlet _____(eg. dept store/discount store/speciality)

8. Size of the store_____sq ft

9. Approximate Space allotted for divisions (%)

a)   Fruits and vegetables

b)   Confectionaries & soft drinks

c)   Dry groceries

d)   Textiles

e)   Cosmetics

f)   Utensils

g)   Electrical and electrical

h)   Others

10. Working hours_____

11. Do the employees have shift system? Yes / No/Sometimes only

12. No of people working in the outlet   Male_____   Female_____

13. Educational requirement for employees…………………………..

14. Facilities provided to customers

- Computerised billing
- Credit card
- Bar coding
- Home delivery
  - Others

15.Average number of footfalls per day……………………………

16 Days on which numbers are more ….. Sundays, weekdays, festivals, others (put a tick against)

17 Extent of increase of customers visiting the out let in the last one year_____%.
Decrease in the last one year……% (10-25%, 26-45%, 46-75% above 75%)

18. Promotional measures undertaken

Sl No	Type of offer	Frequency in a year 1/2/3/many
1	Discounts	
2	Offers	
3	loyalty coupons	
4	Sale	
5	Credit sales	
6	others	

19. Quality control measures adopted for food stuffs

   a) inspection   b) quality certification c) rotation of stock d) Others

20. What is the system of procurement that you follow for

(Note : Sources could be direct from producer, farmers, wholesale market, agents.

21.What are the products in which you have your own brand? (home needs, consumer items, edible items) No can be obtained……………………………..

22. How is the waste disposed (veg and fruits)   distribute to poor areas, to NGO's, thrown into waste bins

ST JOSEPHS COLLEGE OF COMMERCE, (AUTONOMOUS) BANGALORE

QUESTIONNAIRE 2

Un-Organised Retail Outlets

1. Name:

   (optional)……………………………………………….

2. Sex: Male/Female

3. Age :   20—30, 31—40, 41—50, above 50 years

4. Family type :   Nuclear/Joint family

5. Family size:_____

6. Education level of the head of the family……………………………..

   (P.G   / Professional /Graduate /Diploma /Intermediate level /Illiterate)

7. Occupational level of wage earner(put a tick against any one)

   - Senior officer/Middle officer/Supervisory level/Clerical level/Business /Petty traders

   - Skilled workers/Any other

8. What is the average household income?

Up to Rs. 10000 /Rs.10001 20,000 /Rs.20,001 40,000/ Rs.40,001 60,000 /Above Rs. 1,00,000

9. Name of the Traditional retail outlet _____

10 Location of the store (Place)_____ 10 a. Year opened………………

11.The Organised retail outlet closest to you (name of outlet)_____

12. Distance from the Organised retail outlet_____.

13. Facilities for parking   Adequate / Moderate / Inadequate / nil

14. Household consumable Items sold by the out let

      I.   Staples (rice /wheat/dhal)

     II.   Edible oils

    III.   Spices

    IV.   Fruits and vegetables

     V.   Beverages

    VI.   Soft drinks

   VII.   Meat/Fish/eggs chilled and fresh

  VIII.   Dairy Products

    IX.   Toiletries (soaps/shampoos, hair dye /Shaving cream, sanitary napkins)

     X.   Stationery

    XI.   Garments

   XII.   Others ready to eat items/ready to cook/

15 Size of the store_____sq ft

16 Working hours_____

17 No of people working in the outlet Male_____   Female_____

18. No of family members engaged in work

19. Educational requirement for employees illiterate/literate/highschool/puc

20. Facilities provided

- Computerised billing
- Credit card
- Bar coding
- Home delivery
- Self services
  - Others

21. Average number of footfalls per day……………….

22. Days on which numbers are more _week ends, festivals, daily

22a.Extent of increase_____ by 20-30%,31-50%,above 50%

23. Promotion measures adopted

Sl No	Type of offer	Frequency in a year
	Discounts	Festivals, twice a year, once a yr, none
	Offers	Festivals, twice a year, once a yr, none
	loyalty coupons	Festivals, twice a year, once a yr, none
	Sale	Festivals, twice a year, once a yr, none
	Credit sales	Festivals, twice a year, once a yr, none
	others	Festivals, twice a year, once a yr, none

24. Quality control measures adopted for food stuffs

a) inspection   b) quality certification c) rotation of stock d) Others

25. How often do you change your stock? Every week, monthly, as stock gets emptied

26. What do you do with the waste or old stocks generated?

25 Do you have home delivery? Yes /No

If yes within how many KM_____

25 a. Has home delivery increased the no of customers? Yes definitely, to some extent , No

26. Have you been effected by the opening of the Organised Retail outlet   yes/no

27. if yes, In what ways have you   been affected

Sl No	Type of effect	Extent (%) (>50%, 49-25%, <25%)
1	Reduction in sales	
2	Reduced foot falls	
3	Price competition	
4	Branded products not supplied	
5	Others	

28. Have you done any of these in recent times?

- Reduced prices   yes/to some extent/No
- Reduced costs   yes/to some extent/No
- Reduced staff   yes/to some extent/No
- Added new product lines   yes/to some extent/No
- Discontinued some product lines   yes/to some extent/No
- Increased number of brands   yes/ to some extent /No
- Better display and lighting   yes/ to some extent /No
- Introduced self-service   yes/ to some extent /No
- Improved store ambience   yes/ to some extent /No
- Improved home delivery   yes/ to some extent /No
- Increased store space   yes/ to some extent /No
- Increased price for some consumers   yes/ to some extent /No

Any other (describe)_____

29. Where do you procure your supplies from

Sl No	Item	Source of purchase			
		WS	CA	Prod	Retail
1	Staples (rice /wheat/dhal)				
2	Edible oils				
3	Spices				
4	Fruits and vegetables				
5	Beverages				
6	Soft drinks				
7	Meat/Fish/eggs				
8	Dairy Products				
9	Toiletries (soaps/shampoos, hair dye /Shaving cream, sanitary napkins)				
10	Stationery				
11	Garments				
12	Others				

30. if an organised outlet is opened within one km radius of your shop, do you

a. See a forced closure   b. decline in sales   c. minor decline in sales   d. No change

31. The extent of sales decline due to presence of an organised retail outlet in the vicinity

0-10%, 10-20%, 21-35%, 36-50%, 51-75%, >75%

33. Which of the following statements best describe changes, if any in the recent past?

- ➢ Started free home delivery only now
- ➢ Giving home delivery to more customers now
- ➢ Reduced home delivery order size
- ➢ Any other

34.What is your option on Supermarkets/Large self-service stores?

- ➢ I think having a supermarket/large self-service store is the way to be in the future.
- ➢ Supermarkets/large self-service stores are temporary phenomena- they will not last over a period of time.
- ➢ Supermarkets/large self-service stores are good, but I am fine in my own business format. I do not need to change
- ➢ My set of customers are different from those of modern/large self-service stores so there will not be any effect on my business
- ➢ I have a set of loyal/regular customers that will not change even if new, more modern stores come in.

35. Plans for the future

- ➢ I would like to change my business in keeping with modern times.
- ➢ I do not have the resources to change my business in keeping with modern times.
- ➢ We have always been doing this business in a certain way I do not see any reason to change that.
- ➢ Our shops will coexist with the retail outlets

36. What in your estimation is the level of loyalty of your customers?

37 Do you have regular customers ?Yes/No

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QUESTIONNAIRE - 3

Consumer Interview Schedule

1 Location of interview Place_____

Outlet_____

2. Sex   M/F

3. Age____   Family Size   Type of Family Nuclear/

Joint

4. Marital status   Married   /   Single

   6. Education of respondent and spouse

   7. Occupation of respondent

   8. Average monthly household income?

10,001-20000

20001-50000

50001-100000

Above 100000

   9. How did you come to this outlet on this visit?

   - Walking /Bicycle/Bus/public transport/Auto /Scooter/bike/Car

10. How much do you spend in a month on

Sl No	Item	Expenditure (Rs)		
		Branded	**Shop brands**	**Unbranded**
1	Staples (rice /wheat/dhal)			
2	Edible oils			
3	Spices			
4	Fruits and vegetables			
5	Beverages			
6	Soft drinks			
7	Meat/Fish/eggs			
8	Dairy Products			

9	Toiletries (soaps/shampoos, hair dye /Shaving cream, sanitary napkins)			
10	Stationery			
11	Garments			
12	Others			
13	Staples (rice /wheat/dhal)			
14	Edible oils			

11. Why do you opt for the Organised Retail outlet?

    a.   Product Related

        i.   Wider product range

        ii.   Choice of more brands

        iii.   Choice of more pack sizes

        iv.   Choice of more variants

        v.   Better product quality

        vi.   Fresh /new stocks

        vii.   Shopping experience

        viii.   Loyalty points

        ix.   Others

    b.   Price Related

        i.   Promotional schemes

        ii.   Discounts/lesser price

        iii.   Genuine prices

        iv.   Prices are lesser than the market price

    c.   Outlet related

        i.   Freedom of choosing products/brands

        ii.   Better parking facility

        iii.   Attractive display

        iv.   Better ambience

        v.   One-stop shopping

        vi.   Better service

        vii.   Variety of modes of payment

        d.   Location

               i.   Closer to residence

              ii.   Proximity to place of work

            iii.   Easy to access

        e.   Others

               i.   Family shopping

              ii.   Entertainment

            iii.   Saves time

            iv.   Air conditioned outlets

              v.   Home delivery

            vi.   Good service

           vii.   Sufficient parking

          viii.   Another (specify)

12. Which are the products for which you prefer the retail :

1.food items

2. fruits and vegetable

3, meat/fish

4.dairy products

5.toiletries

6. others

14.Are your Purchases planned or impulsive?