CHAPTER 6

SUMMARY, CONCLUSION, POLICY IMPLICATIONS AND RECOMMENDATIONS

6.1 Introduction

This chapter presents the research summary and findings based on which the researcher draws conclusion, suggests policy implications and recommendations.

The study was aimed to find out the growth impact of modern stores who also sell food and grocery on the traditional retail stores whose majority sales dealings are also food and grocery. The study area was confined to Chennai Metropolitan Area. There are 35850 and 317 traditional and modern stores in CMA (Table 4.1). Most of the modern stores are found located nearer to the traditional stores (Treatment Group Stores) and good numbers of traditional stores are also away from modern stores (Control Group Stores).

The study explored the shoppers' preferences for modern store retailing than that of Shoppers' preferences for traditional store retailing. Shoppers' preferences for modern store retailing were researched worldwide, but the present research need on traditional stores is a unique one in Indian context, particularly in CMA, since the concept of modern store retailing is an emerging one in CMA. The understanding of shoppers' preferences for modern store retailing in the context of switching over from traditional retailing to modern store retailing is very important area in the present study, as the traditional retailers are expecting lot many problems for their survival due to the
emergence of modern store retailing. This is the widely debated public issue and is of great concern both to traditional retailers and policy makers in India and hence the study assumes of greater national importance.

6.2 Objectives of the Study

The study was aimed to define the unorganized (Traditional) retailing and organized (Modern) retailing, in Indian contexts particularly in Chennai CMA retail circumstances, (2) to enumerate the number of retail outlets both traditional or convenience retailing (C-Store) and modern retailing (Organized Chain stores) in Chennai Metropolitan Area (CMA), (3) to find out the sensitizing factors affecting the traditional retailing as against modern retailing in CMA, (4) to explore the employment status of both traditional retailing and modern retailing in CMA, so as to gauge the likelihood employment loss impact in traditional retailing, (5) to trace and identify causative factors for switching over from traditional retailing to modern retailing by interviewing modern retail customers and owners of traditional / convenience retailing and (6) to find out the impact and factual position for the possible survival of traditional (convenient) retailing as against the growth of modern retailing.

6.3 Research Design

The study was organized as follows in six chapters,

Introduction introduces the research area and background of the study. Also this chapter outlines the importance of food and grocery retail particularly in Chennai metropolitan area as the research focus is restricted to this segment.
Literature Review, sets the academic eye opening for the research. It contains the status of traditional and modern retailing in the developed and developing countries particularly focusing development in India. The other part of the literature brings out the shoppers preferences of consumers of modern stores. This section enlists various factors taken into account, the range of assortments provided by the retailers and the services offered by them to the shoppers.

The overview of Global and Indian Retail Landscape (Including BRIC Countries and Chennai CMA) was focused along with Chennai Metropolitan Area Retail Market, being the area of research for the present study.

The Methodology section explains the rationale for the study, objectives, hypotheses, sample frame, data sources and limitations of the study. A brief outline of all the tools and techniques used for data collection and statistical analysis, time frame of the research and design of the study are furnished.

The section on Impact of Modern Retail Stores on Traditional Food and Grocery Retail Stores in CMA (Survey Results and Discussions) deals with empirical analysis, interpretation and reporting the findings of the retailer interviews and discussions on the reasons for the changes in consumer shopping habits and factors that lead the switching over of traditional store customers from traditional retailing to modern store retailing. All the viewpoints given by the consumers and retailers are depicted for drawing the findings and conclusions and

The final section is the Summary, Conclusion, Policy Implications and Recommendations. It also summarizes the present study and outlines the
recommendations for the State and Central Governments towards various aspects concerning the traditional and modern retailing.

6.4 Research Methodology

Based on the review of literature, the research questions, objectives and hypotheses were framed. The data on the number of stores were gathered from wards, corporations, municipalities, panchayats and enquiries with traders association. The researcher also collected relevant secondary data that were appropriate to the research from reports like A.T. Kearney, Euromonitor report 2005, Planet retail report 2006, National Sample Survey Organization, Dun and Bradstreet group research, Chennai corporation, Department of Health and Family Welfare (Government of Tamil Nadu), Ambattur, Poonamallee, Tambaram municipalities, Various traders associations (Chennai), Aavin, Tamil Nadu government Civil supplies department, Animal husbandry and Poultry development corporation (Tamil Nadu), 2001 population census and Economic census of Government of India (2005). The questionnaires were administered by researcher with unorganized traditional outlet owners and conducted, exit interview of customers of organized modern outlets. Treatment group of traditional retail shop are: intruded with modern stores in the vicinity (Within 6 km) and Control Group of traditional retail shop are: not intruded with modern stores in the vicinity and found located > 6 km. Since the aim of the study is to find out the growth impact of modern stores on traditional stores, 500 treatment group traditional store owners selling more of food and groceries products viz., rice, wheat flours, pulses, edible oils, ghee (clarified butter), condiments, spices, pickles, noodles, snack food, jams and jellies, ketchup and sauces were selected based
on proportionate and convenience sampling method for interview cum survey. In order to find out the differential impact of modern stores on treatment group (stores situated nearby modern stores) and control group (situated far away from modern stores) another 121 control group traditional stores were also selected based on proportionate and convenience sampling method. Pretested interview questionnaire were administered and data on their demographics and shop business characteristics were collected and analyzed using descriptive statistics.

The modern stores growth impact on traditional stores was also further assessed by researcher by eliciting the opinion of Traditional retailers for the seven questions both from the treatment group as well as control group. The questions were open ended. The responses were taken down verbatim and care was taken not to intimidate and favor the answers. All the possible answers were taken into account and categorized for the analysis. For eliciting the opinions, every 10th respondents out of 500 and 5th respondent out of 121 were chosen randomly from the treatment group and control group retailers under study respectively so as to get the unbiased answers; the questions asked were; Have you experienced the reduction in the customers over the years 2005 - 2009? If yes, what could be the reasons? Is there a decrease in business turn over due to the emergence of modern stores? If yes, what are the possible reasons? Whether the business increased over the years 2005 - 2009? Give your opinion about the future prospects of your business? and, Do you offer credit facility to your customers?
It is to be noted that modern stores started coming up in CMA during 2005 and impact can be felt by the traditional retail owners in 2009–2010, i.e., over the 4–5 years and hence the above questions relate to 2005-2009.

The data on demographics and traditional retailers’ business characteristics were analyzed using descriptive statistics.

The results are presented and discussed and in section 1 of chapter 5.

There are 317 modern stores of different brands housed nearer to traditional stores in CMA. The 500 modern store shoppers (Exit Shoppers) were surveyed with prejudged and pre tested questionnaire. The data collected on demographics, shoppers’ characteristics and modern store attributes preferred by shoppers were statistically analyzed and the results are presented in section II of chapter 5.

6.5 Major Findings of Traditional Retailers’ Interview

6.5 (a) Study on Demographic Characteristics of Traditional Retailers

The demographic characteristics Viz., Age of the shop owners, Educational qualification, Migration from home town and Family background of traditional store owners. i.e., both of treatment group as well as control group traditional retailers’ were analyzed using descriptive statistics and the analysis reveals not much variation among them.

Age of the traditional store owners: The majority of the traditional store owners are in the age group between 30 and - 39 years which constitute 38 per cent. And the second largest component of store owners are in 40 – 49 age group and next major component is 20 -29 age group. These results indicate
that mostly youngsters are in business and all age group are also in the business; they make it a livelihood business for their survival.

**Educational qualification of the respondents:** About 82 per cent of respondents were found educated less than secondary or 10th standard. This clearly shows that, high educational qualification does not become big factor to run this business. Hence minimum qualifications seem to be sufficient to carry on the business.

**Migration and migrant ownership of traditional stores:** A majority of the respondents (95 per cent) were found migrated from the maximum distance of 600 KM and above from Chennai. They migrated from the districts of Tirunelveli, Virudhunagar, Toothkudi and Kanyakumari.

**Family Background of Traditional Store Owners:** Majority of the respondents (62 per cent) was having agriculture background and 33 per cent respondents were continuing their same profession of their family, i.e., traditional retailer business.

6.5 (b) **Study on Business Characteristics of Traditional Store Retailers' in CMA**

The study of business characteristics of traditional retailers’ Viz., Existence of traditional retail business, Locations of the shops, Housing of the shops, Establishment of the shops, Shop size, Investment made, Working hours per day, Profit they earn for a month, Opinion about their future aspect of the business, Availing bank loan for business, Accepting credit card for business transactions, Providing home delivery, Opinion about modern stores, Succession plan of the
business, Changes they faced due to the emergence of modern stores, Employment pattern, Monthly turnover of the business, Walk in Customer they receive and most importantly the Distance they are away from the modern stores of both treatment group and control group retailers' reveal that some differences persist between both the groups.

The descriptive analyses on the above business characteristics reveal that the differences between these two groups exist in the categories like, monthly turnover of business, number of walk in customers, profit they earn, their opinion about the future business prospect and employment reduction pattern. The following are some salient findings:

• Majority of the respondents are into this traditional retail business for more than 16 years and the analysis reveals that they are comfortable with their business and emergence of modern stores did not affect them much, than in the case of shops which are in existence for last few years.

• Majority of the shops are found located in the colony market area where they get more catchment area customers, since the store serves the felt needs of those class customers.

• Most of the traditional outlets are selling both food and grocery items, along with vegetables since the customers are demanding for such assortments and get satisfied convenient supply service rendered by the traditional retailers.

• Majority of the traditional shops in both treatment and control group were housed in rented premises of less than 200 sq.ft. in size. This size is
considered by them as ideal size, since they cannot afford to pay more as rent to the shops. The recycling of goods stored does not necessitate them to have more shop area.

- Majority of the shops are found established by the traditional retailers themselves and very few have acquired from others and in some cases shops got established by their parents. This clearly indicates that self employment for eaking livelihood would be the single factor because of which these traditional retailers continue do these businesses.

- Majority of the traditional outlets were established with an investment of up to 3 lakh and in few cases it went up to 5 lakh. These outlets did not require much investments and major portion of investments go to develop the infrastructure and other aspects. The working capital requirement is very less and most of the goods sold are obtained on 15 days to 1 month credit from their spot suppliers; and hence the logistics cost also is very less.

- Most of the respondents are working for almost 16 hours per day, which makes these shops to be unique in serving the needy customers. This was not possible in the case of modern retail stores. This facilitates them to service the customers even during odd hours i.e., early and late hours of the day.

- Majority of the respondents indicated that they get profit ranging ₹7000 to ₹20000 on an average every month after all expenses, and it may vary with the locality of the shops as well as the period of existence in that particular area.
Almost half of the respondents indicated that they are positive about their business in the sense that, their business will grow in the upcoming years in view of their fixed class customers in their catchment area.

Most of the shops are not accepting credit card for their transactions and also most of the traditional retailers are not availing bank loan for their business. They feel that banks are not encouraging the loans for these shops.

Majority of the shop owners are giving cash credit to their loyal customers, since it has become an inevitable service on the part of these shops. The time period of credit may vary from fortnight to monthly credit to their monthly earning customers.

Majority of the shop owners are giving home delivery to their customers since it has become an unavoidable service for sustenance of these shops. This service only makes them to survive in that locality.

Most of the traditional retailers are accepting that the modern way of shopping will become way in future and customers' habits may change over the time and for the present they have not felt the heat of modern stores. They also give add on services to cope up the anticipatory evil effects of modern store on traditional stores.

Most of the traditional retailers don’t want to make any change in their business albeit the emergence of modern stores in the CMA market. This is not only due to the lack of financial commitment on the part of the retailers, but also due to their business not requiring any big change since it is only a small store in size catering the local customers.
• Majority of the traditional retailers are not interested to hand over this business to their children, due to the difficulties, long hours of working, competition etc, surrounded by this business.

• Most of the traditional retailers have experienced some form of changes in their business due to the emergence of nearby modern stores; changes include supply of more assortments, supplying milk pockets, drinking water cans, credit giving and other services.

• Majority of the retail stores are employing family labor; fewer shops engage hired labors to run the business. Because of competition and reduced margin of profit experienced, majority of shops have introduced more of family labour to save the salary paid to hired labor. This makes them work harder and for long hours.

• Majority of the retailers are not interested to become the franchisee owners of the modern stores, since they want to do the business independently without others’ intervention.

• In terms of the monthly turnover of the business, it varies with the years of existence in the business area. The older the shops are quite comfortable in their business turnover since they have more customer base than the recently established shops.

• Other than the regular customers, more of walk in customers are found visiting the shops in the weekends.

• The differentiating factor among the treatment group shops and control group shops is the distance between these stores and the modern stores. In the case of control group stores, majority of the modern shops were found
intruded within 1 Km and 2 km, but in the case of control group, they are located beyond 6km – 8 km from the modern stores which make them to be in comfortable position in doing business.

6.5 (c) Seeking Opinions of Traditional Store Owners on the Impact of Modern Stores

In order to assess the impact on traditional stores due to the emergence of modern stores, the perceived opinions of the traditional retailers both treatment group as well as control group were obtained by posing seven relevant questions and their perceived answers were statistically analyzed using chi square. Though the analysis was not significant, there were both positive and negative answers as to the modern stores competition on them. The findings suggest that as of now, there was no big impact on the traditional stores but the situation may seem to be different in future.

6.6 Major Findings on the Study of Modern Store Shoppers

6.6 (a) Analysis of Demographics of Modern Store Shoppers

The demographics, shopping characteristics of shoppers, store attributes and shopping preferences of 500 modern store shoppers of different stores were collected through prejudged, pretested interview questionnaire. The data were analyzed using chi square ‘t’ test, Anova and Factor analysis. The results and discussions are presented in section II of chapter 5.
The following demographics of modern stores shoppers were analyzed using descriptive statistics and other statistical tools.

Modern Store Shoppers' Shopping Differences for Gender: The gender compositions of respondents in the survey revealed that majority of the shoppers were women who involved themselves in food and grocery shopping for their family.

Marital Status of Shoppers Influencing Shopping: More than three fourth of the shoppers were married persons who participated in the survey. This clearly shows that married respondents were more interested to do shopping and they feel that it is part of their family obligation to do the shopping.

Age Influence of Shoppers on Shopping: The highest proportion of the shoppers was in the age group of up to 35, (66.8 per cent). The respondents in the age group of 35 and above were of 30.8 per cent, which was second highest age group among the respondents. The young people are found as active shoppers in modern stores.

Family Structure Influence of Shoppers on Shopping: Majority of the shoppers were found living in the nuclear family set up of 2+1 of 2+2 format, whereby maximum of 2 adults and 2 children's are in the family. The family structure is the main aspect, depending on which the food consumption and purchase pattern in the family vary. More the family members, more the food and grocery requirements and they naturally look for quality and bulk purchases from modern stores.
Educational Status of Shoppers on Shopping: The statistics on the educational qualification of the respondents show that, majority of the respondents were graduate and above, clearly indicating that the respondents were highly literate and these shoppers were active in modern as store shoppers.

Shopping Influence of Occupation of the Chief Earner of Shoppers' Family: Majority of the respondents were working in private concern, and next chunk of respondents were associated with IT & ITES related profession indicating that they have more disposal income due to their higher salary.

Effect of Monthly Shoppers' Income on the Shopping: The information on monthly household income of shoppers reveals that majority of the respondents were earning between ₹10001 – 30000 and next chunk of respondents were in the income bracket of ₹30001 – 50000. The results indicate that modern store shoppers were having good purchasing power and they were interested in increasing their quality of life by incurring higher expenditure on food and grocery and other items.

6.6 (b) Study on Shoppers' characteristics and their Preferences for Modern Store Attributes
The following are observations on modern store shoppers' characteristics

- Most of the shoppers are travelling less than 5km to reach the modern store outlets for food and grocery purchase and they reach the outlet by their own vehicle like two wheeler or car. So relying on public transport
for visiting modern store is not found as a familiar practice among modern store shoppers.

- Majority of the shoppers are spending less than 1 hour for food and grocery purchase in the modern stores. This is due to the fact that shoppers are time starved and unable to spend more time in the modern stores.

- Majority of the shoppers spend more than ₹2000 as food and grocery expenditure in a month. The food and grocery expenditure depend mainly on the household size as well as family type.

- Majority of the shoppers are visiting 2 – 3 times in a month to modern stores. And also most shoppers prefer to visit during the weekend due to time and other constraints.

- Majority of the shoppers are not collecting any prior information about shopping, but in few case of the shoppers, they collect the information from their family, friends, or through advertisements or media.

The main aim of this study is to find out the impact of growth of modern stores on traditional retailers in CMA. The traditional retailers who are doing business for quite long time and are deeply rooted in the society and it has become inevitable part of the local community to rely on such nearby traditional retailers because of convenience. Due to the emergence of modern stores, the impact on traditional retailers may be in terms of business turnover, profit they earn, reduction of customer etc. The concept of modern retailing is a brainchild of Globalization and hence like any other industry, the growth of modern stores has both positive and negative aspects to its credit.
The other contribution expected of this study is to find out, how customers are migrating or switching over from traditional retail stores to modern stores. Of the 29 modern store attributes or factors studied on the customers of modern stores they were found grouped into 9 major modern store preference factors or dimensions in the factor analysis and these factors have been found significantly correlated with each other to become the regular and loyal customers of modern stores. These 9 factors attracted the traditional stores customers and made them to switch over to modern stores. So the modern store segment of retail industry is a niche segment in Indian retail industry, which is posing a huge potential to lure customers in upcoming years. Hence the modern store retailers are in constant innovations to decode the shopper’s preferences for modern store retailing. The study also reveals that shoppers get attracted and addicted towards modern stores shopping. In due course it may affect the traditional stores.

6.7 Conclusion

The study was conducted on two fronts i.e., one, on the demographics and business characteristics of 500 treatment group traditional retail outlets owners and 121 control group traditional retail outlet owners; the other, modern store shoppers (500 exit shoppers) on their demographics, shopping characteristics and 29 modern store attributes said to attract the shoppers.

The study on traditional retail outlet owners revealed that they had reduced turnover, and their migrated customers to modern shops. They were not maintaining detailed accounts to know the exact monetary impact. Their perceived opinions were both positive and negative on the impact of modern stores though not found
significant on chi square test. The survey reveals that they started reducing the hired labor engaged so as to save the cost incurred on hired labor and hence increased the family labor to compensate the competition effect. They also offer add on services to retain their catchment area customers. The add on services include working for longer hours from early morning till 11 pm, offering monthly of fortnightly credit to customers, supply of milk, fresh vegetables and drinking water cans at odd hours on the felt needs of customers, making home delivery and attending to specific requirements of their customers. The retailers feel that customers purchase habits are changing due to the emergence of modern stores and for convenience sake, they still patronize traditional stores for items of immediate needs. The control group retailers did not feel these impacts as they are far away from modern stores’ operational area. Hence we can visualize the slow poisonous effects of modern stores on the traditional stores situated in the vicinity of modern stores.

The study on modern store shoppers reveals that there is going to be a serious impact on traditional retail stores. The analytical results of their demographic and shoppers characteristics indicate their clear cut and statistically significant tendencies to have bulk of food and grocery items purchased from modern shops. The modern store attributes (29 attributes) grouped into 9 major dimensions are found most attractive to modern store shoppers. This is confirming the stand of alternate hypotheses and the researcher is able to achieve all the 6 objectives in the present study. As of now there are 317 modern stores in Chennai CMA and these shops have created such an impact on the shoppers. We can anticipate what could be the impact if they are coming up in larger numbers in CMA.
Hence a note of utmost caution is necessary on the part of policy makers and government as to whether allow the growth of modern store or not at the perils of traditional stores who stand to contribute substantially towards countries' GDP in the services sector.

6.8 Implications of the Findings

The results of the study have brought out several implications on the traditional retailers due to the growth and impact of modern store retailing in CMA. The shoppers’ preferences for modern store characteristics are on the increase. This preference attitude of shoppers may bring some serious repercussions on the business of traditional stores in future. That means as of now, the traditional retailers are comfortable with reduced margin of profit in their business and modern stores did not make any huge impact currently. But the situation might change in due course of time that it may create a big impact on the traditional stores. Along with that if government allows FDI in multi brand retailing, it may simply aggravate the situation and lead to some more problems like unrest or resistance as well by traditional store owners or traders associations. The results of this study provide an insight into the status of traditional retailers and how modern stores are ruining the business prospect of traditional retailers. Since the concept and entry of modern stores retailing in CMA, is a less than a decade old or in a nascent stage, much heat is not felt by traditional stores. If the same study is carried out after some more years as to know what would be the damage it may be too late to take up remedial measures.

Regarding the other implication, the study provides the framework for the consumers' preferences for modern stores in CMA. The different set of retail mix
which the modern stores provide to the shoppers make them to patronize the store and
the modern store retailers had landed in a situation whereby they are bound to decode
the shoppers' preferences to make them repeat purchasers. The results showed that
sales promotion coupled with different price strategy would be the main factors
making the shoppers to rely more on modern stores. Now shopping is found
pleasurable and become an entertainment for family members.

6.9 Policy Recommendations

- Though retail trade in the country dominates in terms of huge employment,
  contribution in GDP, it is not recognized as a industry so far. Hence this
  industry should be recognized as a service industry in the country.
- Commercial banks should be advised to give business loan to the
  traditional retailers and loans should be treated as small scale industry
  (SME) category and should be categorized as priority sector Advance as
  that of Agriculture by Reserve Bank of India.
- State government can form a separate ministry to look after the affairs of
  unorganized retailers and to monitor and growth prospects of unorganized
  traditional retailers. This will equip these store owners to compete with
  organized retailers in future.
- More liberalized FDI policy can be floated in the case of wholesale trade;
  but in the case of retail, still government can take some more time in
  allowing multibrand retailing in the country.
- Government should form a commission / authority to look in to the matters
  of modern store retailing such as licensing, regulation and control. They
should look for regulating and controlling of modern stores in order to prevent any cut throat competition, unfair pricing and malpractices by the corporate backed retailers.

- Government can encourage the modern store retailers to set up the shops at out of town, i.e., out of town retailing. This will prevent the impact of modern stores on traditional retailers who are close to living habitats to some extent.

- In order to minimize the role of middlemen in the supply chain, government can encourage contract farming arrangements which will benefit both retailers as well as farmers.

6.10 Scope for Future Research

The present study aimed at traditional food and grocery stores so as to find out the impact on them due to the growth of modern stores. The study also proposed to find out the impact difference between traditional stores (treatment group) which are nearer to modern stores and traditional stores (control group) which are far away from modern stores so as to relate these differential impact to the preference factors of modern stores found attracting by traditional store customers who switched over to modern stores. The food and grocery supply chain linkage with these stores have not been taken up in the present study and this offers future scope for research. The supply chain is to the advantage of modern stores because they resort to farm gate procurement by contractual agreement with producers and also participate in contract farming by which processes, modern stores completely avoid middlemen. This cost cutting exercise makes these bigger stores to sell at low price. But traditional stores
lack these advantages by getting supplies on the spot by middlemen or vendors who usually charge higher cost. The cost of logistics is also very less for bigger stores than traditional stores.

The researcher was purposive in studying traditional retail food and grocery stores and hence the fruit and vegetables wet market, push cart vendors of fruit, vegetables, meat, fish, pavement vendors, mandis, farmers market (Ulazavar or Tillers market) and wholesale and retail exclusive oil, rice, wheat, dhall outlets are to be studied by the future research workers.

Since the present study was only aimed at food and grocery retail stores, the supply chain of the food items like meat, mutton, beef, bakeries and supply sources like government civil supply stores (PDS), co operative stores, private grocery and provision stores, milk and dairy products (both private and government) stores have not been taken up by the researcher due to paucity of time and these areas offer scope for further research.