Executive Summary

Indian retail is witnessing a confluence of several favorable factors such as steady economic growth, favorable demographics, easy availability of credit, investments in infrastructure creation, and supply of real estate and malls. This, coupled with low penetration, creates a base for the next big leap of growth for the organized retailing industry. The organized retail in India is at the helm of action with robust growth in the economy trickling down to every segment in the country. The direct beneficiary is the consumer. In the last few years, the country has seen the evolution of a large and growing young consumer group, with tastes and preferences vastly different from the older set of consumers. Aiding the robust demand scenario, created by the attractive consumer set, is the investment in supply chain and real estate that will take organized retail across the country. It was inferred that a combination of the demand and supply side factors is the key driver of a 42% CAGR in organized retail over FY07-11E. It can be predicted that the organized retail can achieve sustainable growth due to two major factors: consumer/demand side and retailer/supply side.

The overall purpose of this research has been to study and understand the effect of modern retail formats on traditional retail formats in India. With rapid change and expansion in the retail environment, it has become all the more necessary to identify the different parameters that drive overall satisfaction of consumers for modern retail formats and traditional retail formats.
Eight hypotheses were proposed of which three are stated: H1: There exists a relationship between types of food items purchased and choice of formats, H2: Satisfaction levels vary for the different attributes in traditional formats and modern formats and H3: Patrons of modern formats differ from patrons of traditional formats on various demographic variables.

The research was carried out across two Indian cities- Mumbai and Delhi with 400 respondents from Mumbai and 72 respondents from Delhi. The sampling design used was area sampling which is a type of cluster sampling. Multivariate statistical techniques were used to analyze the data collected with the help of a structured questionnaire.

Main findings from the research were consumers make frequent lower expenditure trips in traditional formats while they make less frequent higher expenditure trips in modern formats for food and grocery. There was a relationship between types of food items purchased and choice of formats with consumers preferring to purchase processed foods from modern formats and fresh produce from traditional formats. Satisfaction levels varied for individual attributes however overall store satisfaction was the same for both modern and traditional formats. Traditional formats scored on location, free home delivery and offering credit. Modern formats offer great in store experience, with a variety of brands, access to international brands and ambience.
A factor analysis and multiple regression indicated that the major driver for traditional formats are smooth transaction and interaction and enhanced shopping experience. Ease of access was a significant driver but not a major predictor of overall satisfaction. For modern formats, enhanced shopping experience was the major driver of customer satisfaction. When consumers were classified on the basis of their involvement in the process of shopping, a cluster analysis revealed, three distinct clusters. The present research has highlighted the fact that traditional formats need to upgrade their facilities to be able to compete with the organized retailers, who are expected to improve their location scores rapidly in the near future.

The research predicts whether the foray of large organized grocery retailing would close down millions of traditional formats and result in loss of livelihood, suggesting measures to counter the onslaught.