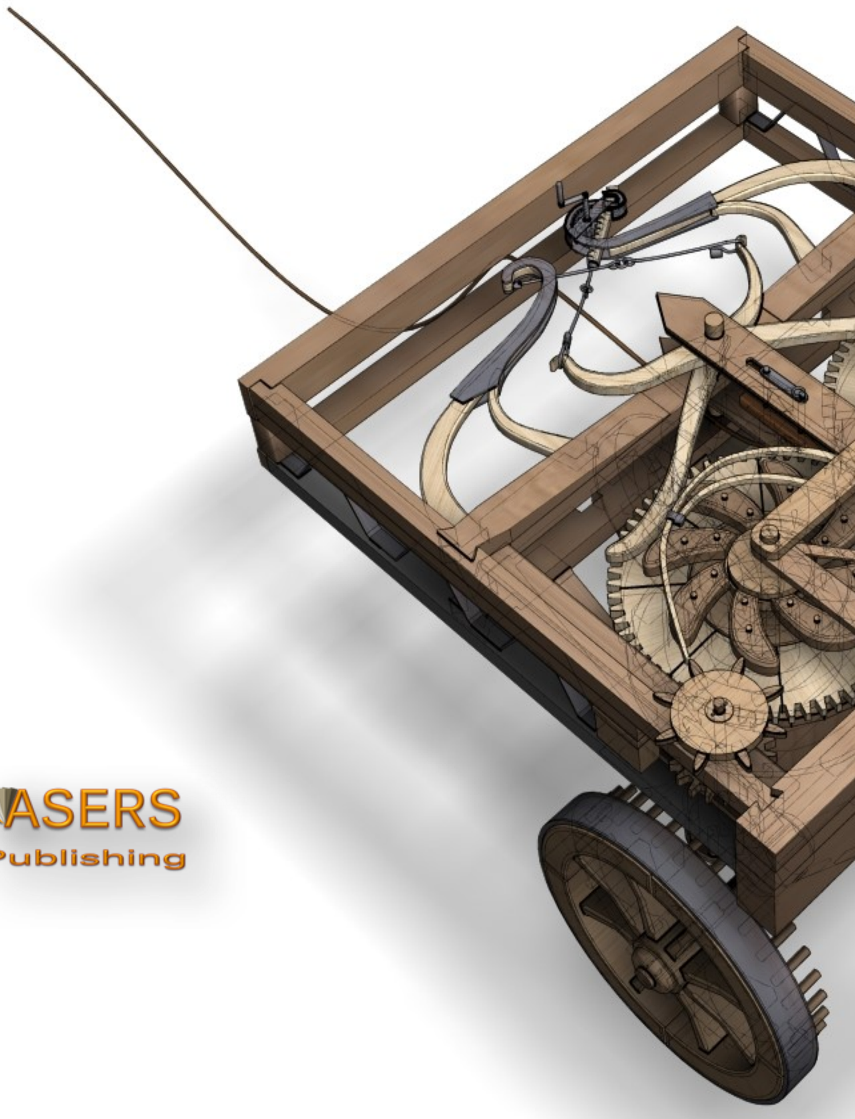
Theoretical and Practical Research in Economic Fields



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Volume XV, Issue 2(30), Summer 2024
Theoretical and Practical Research in Economic Fields

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Decoding Retail Realities: Traditional Retailers' Outlook on Sales Erosion to Modern Retail Economy

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Abstract: *The traditional retail landscape in Indian metropolises has changed significantly in the last several decades, mostly due to the modern retail economy's growth, including corporate chain stores and e-commerce sites. Small merchants have been gradually displaced as a result of this paradigm shift, which has been exacerbated by changed Foreign Direct Investment (FDI) laws that have brought significant money into the Indian market, as well as a rise in consumer disposable income and the wave of digitalization. This study explores small merchants' consequences as they contend with the growing power of organized retail and e-commerce behemoths. Despite earlier research studies mostly focusing on the organized trade's exponential rise due to changing customer behavior, this paper fills this gap by illuminating the traditional retailer's perspective towards the contemporary retail landscape and highlighting the threats to small businesses with a traditional focus. The study uses empirical analysis using tools like SPSS and SEM models to examine the initial troubles faced by small retailers of fast-moving consumer goods (FMCG), highlighting the difficulties they face in competing with the powerful forces of deep discounting, massive sales events, and evolving consumer tastes. This exploratory research analyzed the undermining factors like utilitarian and hedonic, purchasing patterns, menaces, hindrances, pecuniary and location as reasons for the retail paradigm from traditional to modern trade. The outcome emphasized that utilitarian factors like ambience, experience, status, variety, payment modes, single-store distribution and assortment are the drivers behind the explosion of traditional trade by the modern trade in retail economy.*

Keywords: small Retailers; organized retailers; e-commerce; traditional Trade; modern Trade; fast moving consumer goods; retail economy.

JEL Classification: A22; L81; M31; O33.

Introduction

The last couple of decades have seen an unprecedented transformation in the dynamic Indian retail sector, fuelled by the pervasive impact of modern retail economy, which includes corporate chain shops and e-commerce platforms. The effects of this evolution are most evident in the big cities, where unorganized retailers have to contend with the established organized retailers of change while navigating turbulences. With a focus on the Fast-Moving Consumer Goods (FMCG) industry, this study dissects the complex web of this retail revolution. Traditional trade commenced in India during the barter system itself, a few million years ago. Gradually barter system reformed from the transaction of goods to the transfer of money for goods or services. Lately, the traditional trade is losing its familiarity with the tremendous increase in Modern Trade and e-commerce trade introduction (Nichit 2020, 796). Modern trade is explained as the organized form of trade with wholesale or retail arrangements generally equipped with the corporate chain model with warehouses and multi-stores.

1. Research Background

Modern trade is capitally adopted by the Indian markets, especially in metros (Premchandani *et al.* 2014). Every fifth urban consumer in India buys from a modern trade and every third consumer opts for saver packs for best price deals. Nielsen's (2023) report elaborated that the Modern retail economy in India on average burgeoning at 21.2 percent with various formats like hypermarkets and Supermarkets ranging to 7.5 percent CAGR growth for the year 2023. The tire II and III cities also subsequently showed a steep growth faster than the metro cities in the country.

1.1 The Indian Retail Resurgence

The retail industry in India cannot be compared with the retail industry of any other developing and developed countries. The retail sector in India is unique and has typical challenges and developments that cannot be compared to the other nations (Prasad and Rao 2015). The traditional retail segment underwent huge revamping exercises to adopt various new formats like supermarkets, hypermarkets and e-commerce (Sathish and Raju 2010). India being the vast consumer base markets the whole world to eye on the trade capabilities. India has a unique market sector that has certain key features dominated by 15 million Kirana stores which operate on a very slim profit margin of one to three percent per product (Siddharth 2019).

The emergence of multiple new competitors has made the Indian retail business one of the fastest-growing and most dynamic sectors. It contributes more than ten percent to the GDP of the nation and about eight percent of the employment. India came in at number 73 in the 2019 Business-to-Consumer (B2C) E-commerce Index published by the United Nations Conference on Trade and Development (Kathuria and Jain 2012). According to the World Bank's Doing Business 2020 report, India is rated 63rd and is the fifth-largest retail destination worldwide. In India, the retail industry contributes more than 10% of the GDP and employs about 8% of the labor force, or more than 35 million people. By 2030, it is anticipated to generate 25 million new employments. The key elements that attract multinational retail behemoths looking to expand into new markets are India's sizable middle class and its almost untapped retail market, which will accelerate the growth of the Indian retail industry. The purchasing power of urban Indian consumers is growing, and branded products in areas including clothing, makeup, footwear, watches, beverages, cuisine, and even jewellery are progressively becoming popular choices for work and pleasure (Pathak and Gupta 2014). As per the latest estimate conducted by the Boston Consulting Group, the retail industry in India is projected to attain a staggering valuation of US$ 2 trillion by 2032 (BCG 2023).

The Indian Retail Industry cannot be compared with the European markets as it includes a huge chunk of the unorganized segment about eighty-eight percent (Invest India 2023). The strategies in the developed nations do not hold relevance to India. India clutches huge consumerism with the second largest consumer base, rising disposable income, changing lifestyles mounting with working women growth and brand proliferation resulting in retail Modernization (Bhattacharyya 2012). These tractions magnets investors globally, and with favoring FDI policies of the country the nation is witnessing huge expansion in the organized corporate business in this segment (Mukherjee *et al.* 2014).

1.2 Indian FMCG Industry

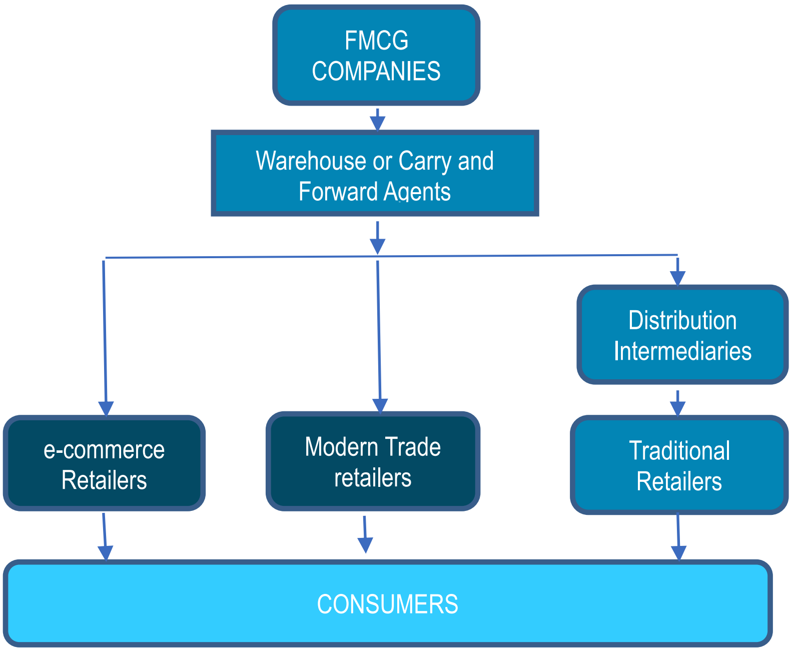
Rising product costs, particularly for necessities, and consumer-driven growth contributed to the FMCG sector's expansion in India. Three million people are employed in the FMCG sector in India, which makes up around 5% of all factory jobs in the country. In terms of revenues, FMCG sales were predicted to increase by 7-9 percent in the nation in 2022–2023. Favorable government initiatives and laws, a growing rural market and youth population, newly branded items, and the expansion of e-commerce platforms are the main growth factors for the industry. The production process, day-to-day operations, retail and logistical channels, consumer insights, and communication all need to prioritize resilience if FMCG companies are to endure over the long term and provide greater value for their customers (Arya 2018). In the April–June 2023 quarter, India's fast-moving consumer goods (FMCG) sector experienced its strongest growth in eight quarters, rising 7.5 percent by volume, driven by increased growth in contemporary trade and a renaissance in rural areas.

The fast-moving consumer goods (FMCG) industry, which is the fourth-largest in India, has been growing at a healthy rate over the years due to factors including rising disposable income, an increase in the number of young people, and increased consumer brand awareness. Half of India's FMCG sales are in the home and personal care categories, making this business a significant contribution to the country's GDP. The sale of FMCG products is grounded on three major pillars Traditional Trade (Unorganized), Modern Trade and e-commerce throughout the country. The growth of FMCG is expected to rise to 27.9 percent from 2023 to 2029. The Urban segment of FMCG contributes a maximum of about two-thirds of the total revenue of the economy and abides as the growth cause (Kavitha 2012). The major clout is lying at the 'Bottom of the Pyramid' in rural India. Rural India is featured with 700 million consumers of FMCG and contributes fifty percent of the FMCG sales. This sale merely happens in the traditional trade by small retailers only with various sub-formats like mom-and-pop stores, Kirana stores, General stores, madis etc. (Neetu, Himanshu and Pawan 2012). The corporate business houses in the retail segment are eyeing this base as a huge potential growth of the organized sector in India (Ahmad and Vays 2011).

1.3 Indian Retail FMCG Framework

Indian Retailing Framework as explained in Figure 1, Various FMCG companies send their products to their warehouse or carry and forward agents, and from there the transit happens in three various paths A, B, and C as explained in Figure 1. In Indian markets, the largest source of distribution of products is through the strong-rooted distribution intermediaries also called the stockiest system in India. This supply chain in Path A constitutes a group of distributors, wholesalers and finally Retailers. These retailers again have a sub-segment of store formats like mom-and-pop stores, General stores, Kirana Stores, Medical stores, specialty stores etc (Nielsen 2022). These are the Small Retailers existed for ages and are also called Traditional Retailers. They will not have direct contact with the FMCG companies but rather purchase in small quantities from local distributors or middlemen (Business Line 2019). The commissions are less when compared to the other trade as there are plenty of middlemen to share. They work on a bare minimum margin ranging from one to five rupees per product.

Figure 1. Indian Retail FMCG Framework



Source: Authors Compilation.

Path B is the fastest-growing chain at a CARG of 25 percent per annum. Out of 90 Fast Moving consumer products, the modern trade contribution of 43 products like Cheese, Breakfast Cereals, hand wash, olive oil, Body washes, and packaged rice, was almost 70% of the modern trade sale. Big sale days by all the corporate chains conducted in January, May, August and Diwali sales absorb huge footfalls grabbing 15 to 17% of total Modern trade contribution sales. The FMCG categories like chocolates, washing powders, salty snacks, diapers, deodorants, packaged tea, packaged rice of saver packs and large packets contribute to the maximum sale of FMCG in modern trade. These modern trade companies buy large quantities from FMCG companies and maintain separate Distribution Centres for local store-level distribution.

According to a Nielsen report (2023) conducted on the 10 metros contribute 85 percent of the total modern trade business in the country. Chennai stands first with the highest Modern trade sales with 40 percent and Pune follows with 35%. The Omni-channel operational strategies will continue to emerge and rapid the growth of modern retail economy and shopper count (Buch 2019). Modern retail formats are creating repeated consumers with their reasonable price offerings and high level of shopping experience (Ravi and Bhagat 2017).

Path C explained the e-commerce networks that buy stocks directly from the FMCG companies and supply to the end consumers through digital platforms. The increased internet penetration, enhanced consumer digital knowledge, and rising infra standards are breeding online e-commerce sales in the country (Shetty 2017). It is projected that the e-commerce market in India will grow from US$ 111 billion in 2024 to US$ 200 billion in 2026 (IBEF 2023). Over the last three years, the number of internet shoppers in India has increased to 125 million, and by 2025, an additional 80 million are anticipated. This trade is in the nascent stage in India but with a promising growth rate. The round-the-clock working hours, convenience, door deliveries, and easy return policies encourage more consumers to opt the digital platforms.

Despite consumers' persistent preference for online and digital trade, small grocery stores are enjoying a revival in business, with sales reaching pre-pandemic levels and higher product stockings. Many urban and semi-urban Indian marketplaces are seeing a balance between traditional trade and new channels, even though tiny businesses, or kiranas, are doing well. FMCG companies declared they will keep their attention on direct distribution to both rural and urban areas (Business Standard 2023). Nielsen (2023) revealed 1.9 percent volume growth in conventional trade with small grocers leading the way. The positive growth in modern commerce reached its highest quarterly pace during the January-March period, at 14.6 percent. Traditional trade is showing signs of recovery for the first time in quarter one of 2023 post-Covid, with a 1.9% increase in consumption led mainly by grocers. Small businesses engaged in traditional trade faced hardships for almost a couple of years (Business Standard 2023).

2. Drivers of Paradigm Shift from Traditional to Modern Trade-Empirical Studies

For many Indians, conventional trade channels are the favoured option because of their price and the ease of accessing them from their neighbourhood. For the foreseeable future, these reasons will keep traditional trade channels dominant in the Indian FMCG sector but contemporary retail forms will keep becoming more and more popular, particularly in cities (Sharma 2023). The shift of consumer preference from traditional trade to organized retailers is derived from numerous factors. Hedonic factors are characteristics or elements associated with happiness, pleasure, or emotional health (Calvo-Porral and Lévy-Mangin 2021). These variables are frequently used to assess and comprehend people's subjective experiences in the context of marketing, psychology, and consumer behavior. In the context of consumer behavior and product design, utilitarian and hedonic variables are compared (Arora and Budree 2016). Utilitarian factors are related to a product's performance, efficiency, or durability, among other practical or functional aspects (Bhagat and Ravi 2018). Hedonic variables, on the other hand, concentrate on the sensory and emotional elements of a good or service.

Gowrishankkar (2017) in his study mentioned Ambience is the quiet conductor in the modern retail world, arranging harmonious interactions between customers. The faint scent that permeates the air, the soft glow of ambient lighting, and the ambient music all combine to create an environment that elevates shopping into a multisensory experience which has become an asset for the hypermarket and supermarket sales (Muhammad *et al.* 2014). The assortment of premium brands and exclusive collections has been carefully chosen to appeal to a discerning customer, making purchases a reflection of one's status and taste (Statista 2020). Every aisle exudes a sense of status, and this allure turns every product into a mark of exclusivity for the customers (Stieninger *et al.* 2021). Modern payment technology makes sure that making a purchase is as simple and attractive as the items that are being shown. The payment method itself becomes a component of the hedonic appeal, adding to an overall feeling of convenience and sophistication, from contactless payments to customized reward programs. Contactless payments are adopted in traditional trade but loyalty programs are more exclusive to modern trade which attracts the customer base (Srivastava 2023).

The store's dedication to a single-store distribution approach also adds to the appeal of exclusivity and rarity (Rinoj 2012). A feeling of urgency and importance is created by the limited availability of some things, drawing customers looking for unique gems that are unavailable elsewhere and also creating attraction towards modern trade retailers (Upshaw *et al.* 2017). The wide range of options accommodates a variety of preferences and tastes. The diversity of the modern retail economy, which ranges from historical pieces to cutting-edge works, is a celebration of uniqueness. Every aisle beckons investigation and every shelf tells a tale, so there's always a chance to learn something fresh and a remarkable assortment for the consumer to choose from

(Sweeney *et al.* 2022). The research identified that shopping is a luxury rather than a chore. Knowledgeable and attentive employees make a big difference in the experience by providing individualized support and professional advice. Every purchase is a new chapter in the tale of a customer's distinct and developing style, and the trip through the store takes on the character of a narrative experience that turned out to be a selling point for the modern trade sale (Bascur and Rusu 2020).

In today's continually evolving retail environment, customers are looking for incentives with value in addition to products. "Offers and sales" are two potent factors that can greatly affect consumers' decisions to buy. Buy one, get one free offer, loyalty plans, and time-limited discounts instill customers with a sense of urgency and value (Mutlu *et al.* 2023). A major consideration in the decision-making process of the modern customer is convenience. The emergence of e-commerce has increased demand for delivery services that are quick, easy, and efficient. "Door delivery" is an important factor that can make or break a transaction, not just a convenience (Deepika and Kannan 2023). Modern stores guarantee "payment security" as internet transactions grow more common. Customers want to know that the highest care and security are being taken with their financial information. Customers trust a business that uses strong encryption, secure payment methods, and complies with industry data protection requirements and modern trade wins this race (Cologgi 2023).

Lavuri (2023) in his study uncovered that volume sales are essential to drawing customers in today's commerce. Customers are encouraged to buy in bigger quantities by discounts and promotions that offer them cost savings per unit (Pantano and Naccarato 2010). To create a win-win situation where customers believe they are getting more for their money and retailers gain from higher transaction volumes, modern trade establishments frequently use volume sales as part of their pricing and promotional strategies. Sharma and Kashyap (2023) in their study explored that the desire of consumers for comfort and predictability is played upon by subscription models or incentives for frequent, planned purchases. Modern commerce may create a steady cash stream, increase client loyalty, and simplify inventory management by providing discounts or special benefits for committing to monthly orders.

Ali and Muhammad (2021) explained that saver packs give customers a one-stop shop for all of their necessities, which not only saves them money but also makes shopping easier for them. By catering to the budget-conscious section of their consumer base, modern trade establishments can increase customer satisfaction and foster repeat business. Smaller retailers are more vulnerable to supply chain disruptions because they may have less bargaining power with suppliers. This may cause product delivery delays, which would make it more difficult to quickly satisfy client demand. If customers are unable to find the products they need from a traditional merchant due to supply lags, they may resort to alternative sources. Losing the trust and loyalty of customers may result from this (Moussaoui *et al.* 2016). Bhatia and Soni (2010) mentioned that customers of modern times can now quickly compare costs from different retailers. It is difficult for traditional retailers to sustain higher pricing without providing extra value or distinctive selling propositions when prices are transparent. Particularly online shops might be able to operate with lesser administrative costs, which enables them to sell products at reduced prices. Modern retailers will operate in huge volumes and work on minimum margins compared to local retailers which causes price infiltrations. Compared to modern trade merchants, traditional trade frequently uses manual methods and lacks the necessary technology infrastructure (Yang and Jun 2008). This includes point-of-sale (POS) systems, customer relationship management (CRM) tools, and inventory management systems. Traditional trade distributors could lack the means or know-how to accept and incorporate cutting-edge technologies. As a result, their operational speed, accuracy, and efficiency are all negatively impacted (Ahmad and Dixit 2021).

Vetrivel and Solayappan (2016) In their research identified that it could be difficult for conventional trade distributors to streamline their supply chain procedures. Reliance on manual procedures can result in cost increases, inefficiencies, and longer lead times, making it harder to compete with the efficient supply chains of contemporary retailers resulting in supply chain inefficiency. Traditional trade sellers make less money on each sale since their commissions are lower. Their profit margins are directly impacted by this, which makes it difficult for them to pay for renovations, cover operational costs, or compete with contemporary trade shops that might provide more alluring commission plans (Rani 2013).

For conventional trade sellers, the combination of high carrying costs and decreased commissions can create a difficult business environment. These companies might have trouble continuing to operate in the long run if they are unable to turn a profit. Closures or a drop in the calibre of services provided could result from this (Sinha *et al.* 2015). This Horizontal competition phrase refers to the rivalry between companies that cater to the same clientele and provide comparable goods or services (Srinivasu 2014). Because they are aiming for the same customer base, a Kirana store and a medical supply store that sell comparable everyday goods (such as over-the-counter drugs, toiletries, snacks, etc.) are in horizontal competition. This can also affect the traditional trade effectiveness (Hemalatha and Najma 2013).

In their study, Thakkar and Swati (2009) elaborated that traditional stores usually have physical premises where they sell products to walk-in customers. They aim to attract and cater to a clientele that shares their requirements, tastes, and shopping habits, resulting in the sharing of consumerism and direct competition.

3. Research Methodology

This present research is an empirical-based study with primary data collected from 432 respondents from Bengaluru city. The study's respondents were the small retailers (traditional trade) of General stores, Kirana Stores, Medical Stores and Mom and Pop stores (Pan Shops) selling FMCG products. This research was conducted in the time frame of January'23 to August'23. This study focused on exploring the perceptions of traditional retailers about withstanding challenges in the intense market competition with modern trade and the e-commerce business giants. This study is conducted in two parts. The initial part is a qualitative study that identified the Indian Retail FMCG framework and the 21 major issues of diminishing traditional retailers both in number and profits. The later study conducted a detailed quantitative study on analysing the reasons and challenges of the downfall of traditional trade in comparison with modern and e-commerce fronts. The respondents' opinions were collected on a five-point Likert scale recording their statements regarding twenty-one factors of losing their business for modern trade and e-commerce competition. The snowball sampling technique is used and the statistical tool of exploratory factor analysis is conducted. IBM Amos 26 tool was used to frame the Structured equation model and check the validity and reliability of the data.

3. Data Examination

The literature review assisted in the identification of variables of the paradigm shift to consumer preferences from traditional retail to modern trade, Factor analysis is identified to be an appropriate exploratory test to analyze the outlook of traditional retailers. To proceed with an acceptable factor analysis, the KMO assesses the sampling adequacy, which indicates whether the responses provided with the sample are adequate or not and the value must be closer to 0.5. According to Kaiser (1974), values above 0.9 are excellent, values between 0.7 and 0.8 are acceptable, and 0.5 is the minimal (barely accepted) value for KMO. The KMO measure in the above table is 0.865, which is greater than 0.5 and can be accepted for validation to conduct further analysis as shown in Table 1.

Table 1. KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.865
Bartlett's Test of Sphericity	Approx. Chi-Square	5037.637
	df	210
	Sig.	.000

An additional measure of the strength of the association between the variables is Bartlett's test. It can be observed that Bartlett's Test of Sphericity is significant from the above table which is (0.000). In other words, the significance is below 0.05. Since the actual value is 0.000, we can accept the null hypothesis and proceed to analyze all the variables.

Table 2. Communalities

Variables	Extraction
Supply Lags	0.762
Lack of technical knowledge	0.841
Increase in Overheads	0.695
Payment modes	0.786
Door Delivery	0.762
Offers and Sales	0.802
Variety	0.656
Volume Sales	0.807
Savor Packets	0.587
Payment Security	0.803
Competitors	0.868
Less Margins	0.854
High no of traditional stores	0.689

Variables	Extraction
Ambience	0.808
Monthly Orders	0.819
Distributors dependency	0.859
Assortment	0.767
Experience	0.804
Single store distribution	0.797
Price Infiltration	0.785
Status	0.714

The communalities Table 2 shown above demonstrates the variance (*i.e.*, the communality value, which needs to be greater than 0.5 to be taken into consideration for additional analysis) or the values that are lesser than that should be eliminated for additional study. More than 86.8% of the variance in "Competitors" and 58.7% of the variance in "Savor packets as shown in (Table 2). The variance for all the factors is above 0.50. So, all the variables can be taken for further analysis.

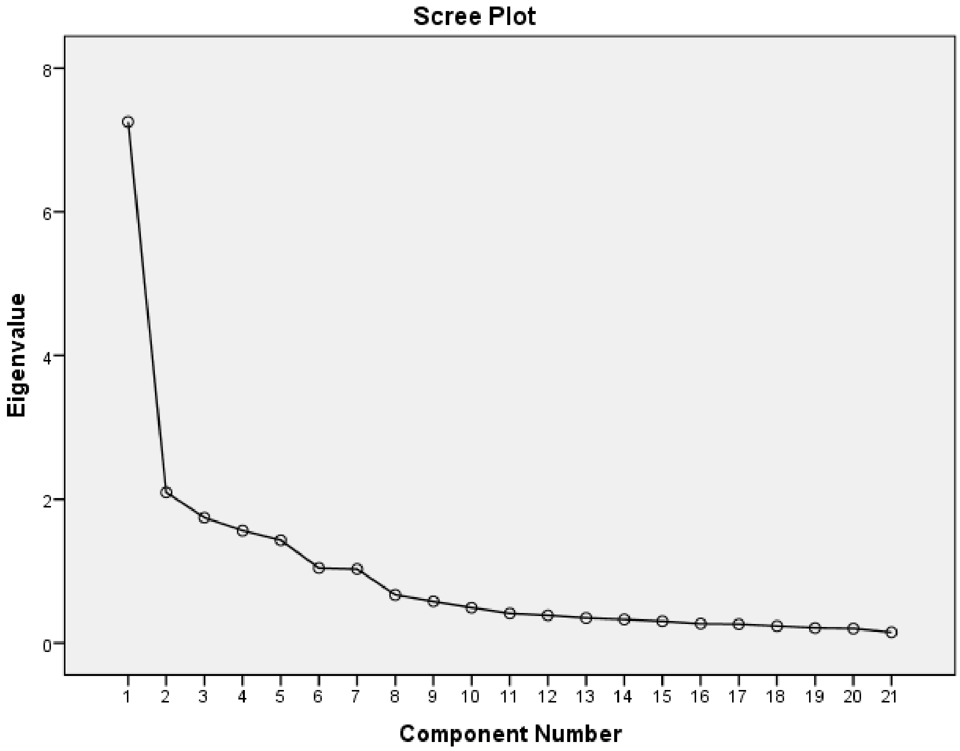
Table 3. Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.254	34.545	34.545	7.254	34.545	34.545	4.288	20.418	20.418
2	2.096	9.98	44.525	2.096	9.98	44.525	2.429	11.568	31.986
3	1.746	8.314	52.839	1.746	8.314	52.839	2.259	10.758	42.743
4	1.564	7.448	60.287	1.564	7.448	60.287	2.178	10.373	53.116
5	1.432	6.82	67.107	1.432	6.82	67.107	2.172	10.343	63.459
6	1.043	4.967	72.074	1.043	4.967	72.074	1.499	7.14	70.598
7	1.029	4.902	76.976	1.029	4.902	76.976	1.339	6.377	76.976
8	0.67	3.19	80.166						
9	0.579	2.755	82.921						
10	0.492	2.341	85.261						
11	0.412	1.962	87.223						
12	0.384	1.83	89.052						
13	0.348	1.657	90.71						
14	0.328	1.561	92.27						
15	0.302	1.436	93.707						
16	0.268	1.274	94.981						
17	0.261	1.244	96.225						
18	0.235	1.118	97.343						
19	0.208	0.993	98.336						
20	0.201	0.959	99.295						
21	0.148	0.705	100						
Extraction Method:	Principal Component Analysis.								

The number of retrieved factors whose sum should be equal to the number of items undergoing factor analysis is reflected in the Eigenvalue. The factors that can be extracted from the analysis and their eigenvalues are displayed in the following item as shown in Table 3. Three subsections comprise the Eigenvalue table: Rotation of Sums of Squared Loadings, Extracted Sums of Squared Loadings, and Initial Eigen Values. Extracted Sums of Squared Loadings have been only taken for further analysis and interpretation.

34.545% of the variance is explained by the first factor, 44.525% by the second, 52.839% by the third variable, 60.287% by the fourth, 67.107% by the fifth factor, the sixth accounted for 72074% and the last seventh factor accounted for 76.976% shown in Table 3. The total variation accounted for all these factors is 76.976% which is found to be acceptable, and therefore it benefits the validity of the study.

Figure 2. Screen Plot



The eigenvalues against each variable are shown in the screen plot (Figure 2 Graph). It is helpful to find out how many components or factors can be retained. Where the curve begins to flatten is the point of interest. It is evident that between factors 7 and 8, the curve starts to flatten. As can be seen, only seven factors can be taken because beyond that factor, the eigenvalues are smaller than one.

4. Discussions

Technically, a factor (or component) is the combination of all variables. Our rotated component matrix (above) shows that our first component is measured by v14, v18, v21, v7, v4, v19, v17 shown in Table 4. These all variables relate to the same. Therefore, we interpret component 1 as "Hedonic variables". This is the underlying trait measured by v14, v18, v21, v7, v4, v19, v17. After similarly interpreting all components, we arrived at the following descriptions:

Component 1- "**Hedonic variables**"
Component 2- "**Utilitarian variables**"
Component 3- "**Purchasing Pattern**"
Component 4- "**Menaces**"
Component 5- "**Hindrances**"
Component 6- "**Pecuniary**"
Component 7- "**Location**"

Table 4. Rotated Component Matrix

Factors	Component						
	1	2	3	4	5	6	7
Ambience	0.872						
Experience	0.861						
Status	0.819						
Variety	0.72						
Payment Modes	0.657						
Single store distribution	0.632						
Assortment	0.579						

Factors	Component						
	1	2	3	4	5	6	7
Offers and Sales		0.866					
Door Delivery		0.853					
Payment security		0.85					
Volume Sales			0.881				
Monthly orders			0.879				
Savor Packets			0.473				
Price Infiltration				0.854			
Supply lags				0.817			
Distributors dependency					0.912		
Lack of technical knowledge					0.901		
Less Margins						0.92	
Increase in overheads						0.661	
Competitors							0.914
High no of traditional stores							0.629
Extraction Method: Principal Component Analysis.							
Rotation Method: Varimax with Kaiser Normalization.							

The descriptive Table 5 shows the interpretation of the factors with mean computation and 1-5 scale variables. This allows the researcher to infer that "**Hedonic variables**" are ranked best (roughly 4 out of 5 points) and "**Utilitarian**" is ranked low (roughly 3.4 out of 5).

Table 5. Descriptive Statistics

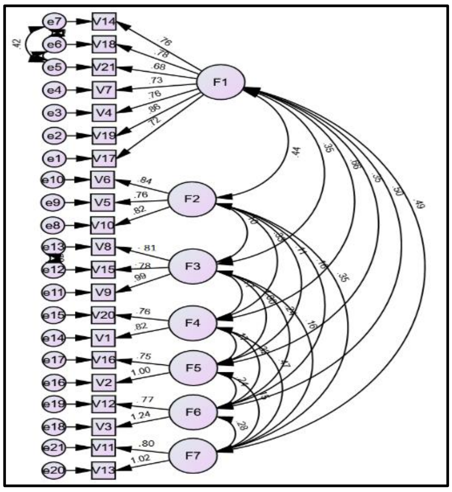
Factors	N	Minimum	Maximum	Mean	Std. Deviation
Hedonic	432	1	5	3.86	0.737
Utilitarian	432	1	5	3.47	0.986
Purchasing Pattern	432	1	5	3.54	0.873
Menaces	432	1	5	3.62	1.004
Hindrances	432	1	5	3.49	0.941
Pecuniary	432	1	5	3.72	0.798
Location	432	2	5	3.59	0.742
Valid N (listwise)	432				

A wide range of model fit statistics is used to evaluate or characterize the overall model fit. The most often reported fit statistics include the Root Mean Square Error of Approximation (RMSEA) with its lower and upper confidence interval limits, the Tucker-Lewis Index (TLI), the chi-square (labelled Discrepancy), its degrees of freedom (DF), and its probability value (P). Standardized Root Mean Residual, or Standardized RMR, is an additional fit index that is only available for complete datasets and will not be printed for incomplete databases. The chi-square test is an absolute test of model fit; a model is considered acceptable if the probability value (P) is 0.5 or above.

The fit output includes a wide range of model fit statistics used to evaluate or characterize the overall model fit. The most often reported fit statistics include the Root Mean Square Error of Approximation (RMSEA) should be equal to .09(.05-.10 moderate) and its lower and upper confidence interval limits, the Tucker-Lewis Index (TLI), the chi-square (labelled Discrepancy), its degrees of freedom (DF), and its probability value (P).

Standardized Root Mean Residual, or Standardized RMR, is an additional fit index that is only available for complete datasets and will not be printed for incomplete databases. The chi-square=609.818, df=130 and p=0.000 test is an absolute test of model fit; a model is considered acceptable if the probability value (P) is 0.5 or above.

Figure 3. SEM Model



Hu and Bentler (1999) advocated that the Normed Fit Index (NFI) be as high as.90 (Anderson and Gerbing, 1988), the Tucker-Lewis Index (TLI) be as high as .90, the Goodness of Fit Index (GFI) be as high as .80, the Relative Fit Index (RFI) be as high as .90, and the Comparative Fit Index (CFI) be as high as.90. According to the descriptive measures of fit, the model fit well since its RMR is.049, NFI is.907, GFI is.883, IFI is.926, CFI is.925, RFI is .900, and TLI value is .907, as shown in the table below (Table 6). The fit indices for the First-Order CFA are detailed in Table 6.

The confirmed GFI, CFI, TLI, IFI, RMR, and NFI values fulfill the conditional cut-off values. The model fits the data well and thus, it may be said that these seven elements Hedonic, Utilitarian, Purchasing Pattern, Menaces, Hindrances, Pecuniary, and Location explain that consumers prefer organized trade over unorganized trade. Thus, it is possible to infer from the fitness indices that the constructs of Hedonic variables which can be measured by seven factors such as (ambience, experience, status, variety, payment modes, single store distribution and assortment) is a good fit, with majority of indices satisfying the recommended cut-off values.

Table 6. Measurement Model Evaluation: Goodness-of-Fit Statistics

Model	Final Values	Desired Values
GFI	0.883	>.80 sometimes permissible
TLI	0.901	.90 or higher
NFI	0.907	.90 or higher
RFI	0.9	.90 or higher
IFI	0.926	.90 or higher
CFI	0.925	.90 or higher
RMR	0.049	.05 or lower
RMSEA	0.09	.05-.010 moderate
Chi-square/CMIN/DF	4.691	<5.0 permissible

Conclusions

With the intense competition between traditional trade versus modern trade and e-commerce, organized retail established itself as a superior experience provider (Ravi & Prasad 2020). The traditional trade is confronting a knockout situation in competing with organized trade, especially in metro cities. This study explored the reasons in declining of traditional trade in the Indian retail landscape from the perspective of small retailers. From this study, it is concluded that the dominance of organized trade over unorganized is primarily dependent on Hedonic variables. This factor includes attributes like ambience, experience, status, variety, payment modes, single-store distribution and assortment which impact consumers to prefer organized trade over traditional. The second most influencing factor was identified as the Utilitarian variable which includes offers and sales, door delivery, and payment security. The study also confirmed that the location variable (proximity and high no of traditional stores) was the least impacting factor in consumers opting for organized trade over traditional. This research uncovered the small retailer's concerns to strive for market share. With the maximum middle and upper-middle-class families with a high awareness of technology and trends, the danger of rapid decline is relatively high in metros as compared to tier II and tier III cities.

With the unpredicted lockdown in the country organized retail industry took a massive hit and reopened small retailers an opportunity to gain sales (ET Retail, 2020). The local retailers of the necessary goods reported profits with the human relation of the local consumer base. A report by Hindustan Times (May, 2020) confirmed that 8 million small retailers supplied the needs of the households by making resilience. Thus, consumers' trust and dependency on the local small retailers ricocheted with limited slot deliveries and restricted location deliveries of organized sector sales of modern trade. Thus, new opportunities unfolded for the small business from 'Striving for Existence' to 'Thrive for Profits'. The fortune of re-holding the consumer base encountered in the unorganized retail industry during the pandemic times and the future of continuing the trend is on retailers' majorly on focusing on Hedonic and utilitarian factors as elaborated in this research.

Future Study

In the present study, the data was only collected from Bangalore city and therefore may not be generalized for the entire country or other developing nations. The findings of this study were purely based on the traditional retailer's perspective and may be prone to bias. Future studies can be conducted regarding this study with consumer opinions and modern trade retailer's opinions and can also be conducted on the existence of traditional FMCG distribution systems across developing nations. Similar studies can also be conducted in other segments beyond FMCG and simultaneously comparative research also can be performed with timeline analysis.

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Credit Authorship Contribution Statement

Shikha Bhagat: conceived and presented the idea. She also formulated the objectives of the study, identified the sample size, and developed the questionnaire. She also conducted the data analysis and results. All the authors together contributed to the conclusions, limitations, future study, and implications.

Shilpa Sarvani Ravi: developed the theory and performed logical computations. She also formulated the objectives of the study, identified the sample size, and worked on the literature review. All the authors together contributed to the conclusions, limitations, future study, and implications.

Mallika Sankar: developed the theory, performed logical computations, and worked on the introduction. All the authors together contributed to the conclusions, limitations, future study, and implications.

Declaration of Competing Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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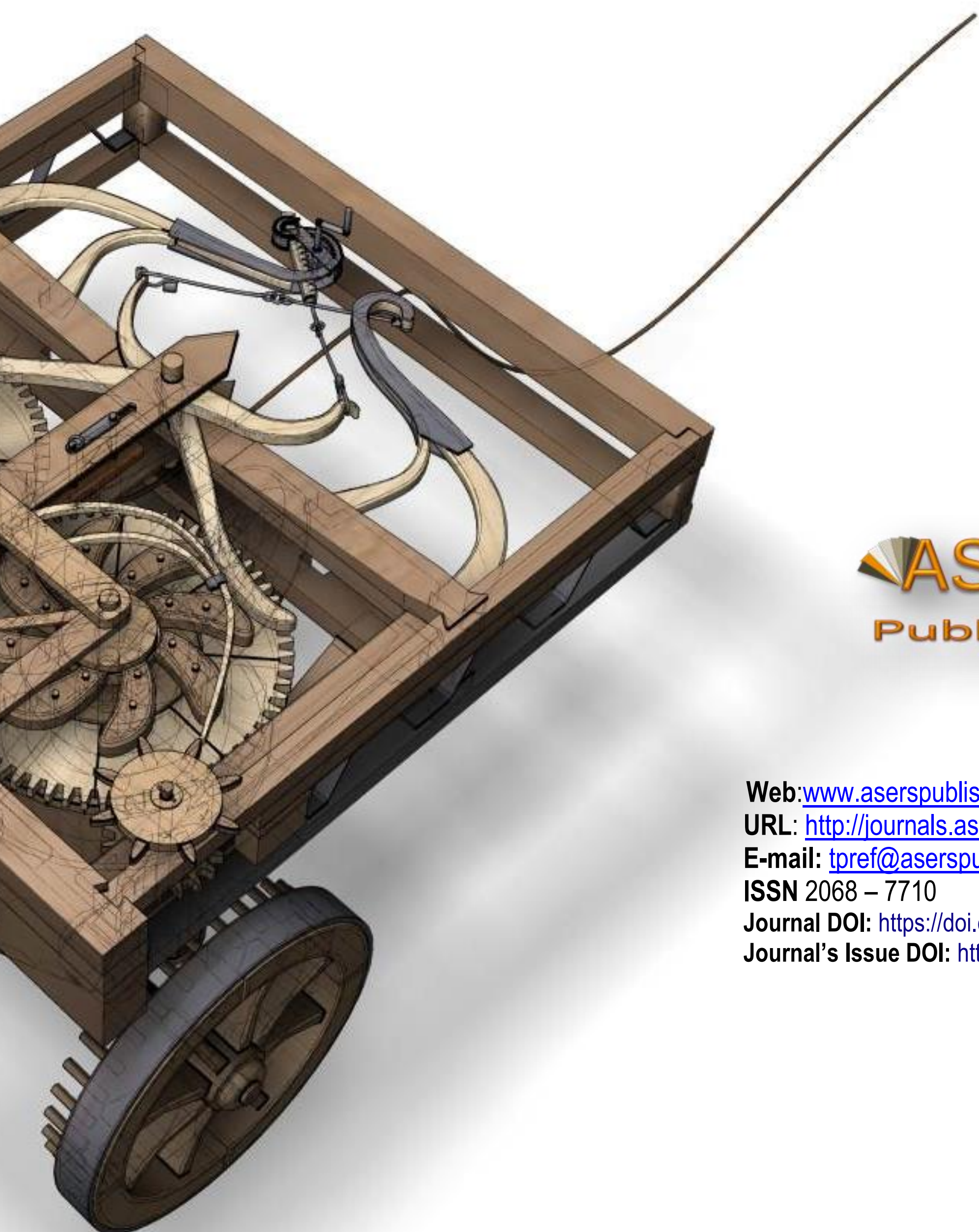

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