

SWOT Analysis of Foreign Direct Investment on Indian Retail Industry

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Abstract

The requirement of space is one of the biggest demands, so the real estate has also grown over the last years. In the years to come Indian economy will also see the real estate sector climbing the steps of organized retail estate sector. Retailing also helps small-scale units to easy access market. They provide a platform for small-scale unit's goods. Retailing provides employment to making 8% workforce in India, because it is highly labor intensive. It has also patented to generate an additional eight million jobs, direct and indirect.

Keywords: *Rethinking Approaches, SWOT Analysis, Global Retail Development Index, FMCG products.*

1. Introduction

Indian retail sector is growing fast and its employment potential is growing fast. The retail scene is changing really fast. Consumers are always hungry for modern ways of shopping. Retailers are rethinking their approaches towards the suppliers so that they can get the best pricing strategies for them. The retail sector in India is also catalyst for the growth of staling tactics of below the line marketing used by major retail players Like Spencer, big bazaar, reliance fresh etc. For tapping customers by creating points of sales displays. So we can say that India is a rising star and going to be one of the fastest growing regions of the future. Allowing healthy FDI in the retail sector would not only lead to a substantial surge in the country's GDP and overall economic development, but would inter alia also help in integrating the Indian retail market with that of the global retail market in addition to providing not just employment but a better paying employment, which the unorganized sector (kirana and other small time retailing shops) have undoubtedly failed to provide to the masses employed in them. Hence a deep SWOT analysis (Strength, Weakness, Opportunity and Threat) of the retail industry in Indian Economy will explore the new facets of retail chain.

2.1 Strength

The following are the strengths of the Retails Industry in Indian Economy:-

1. A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing working women population and emerging opportunities in the service sector are going to be the key growth drivers of the organized retail sector in India.
2. Customers will have access to greater variety of international quality branded goods.
3. Employment opportunities both direct and indirect have been increased. Farmers get better prices for their products though improvement of value added food chain.
4. Increase in disposable income and customer aspirations are important factors.
5. Increase in expenditure for luxury items is also vital.
6. It has also contributed to large scale investments in the real estate sector with major national and global players investing in devolving the infrastructure and construction of the retailing business.
7. Large domestic market with an increasing middle class and potential customers with purchasing power.
8. Ranked second in Global Retail Development Index of 30 developing countries drawn up by AT Kearney.
9. The annual growth of departmental stores is estimated at 24%.
10. The benefits of larger organized retail segments are several. The consumers get a better product at cheaper price. So consumers get value for their money.
11. The governments of states like Delhi and National Capital Region (NCR) are very upbeat about permitting the use of land for commercial

development thus increase the availability of land for retail space.

12. The growth of sachet revolution emerges for reaching to the bottom of the pyramid.
13. The size of Indian organized retail industry reached at Rs.1,30,000 crore in 2006.
14. The trends that are driving the growth of the retail sector in India are low share of organized retailing and falling real estate prices.
15. Typicality of customers in terms of varied tastes and demand for wide range of goods.

2.2 Weakness

The following are the weak aspects of the Retail Industry in India Economy. They are as follows:-

1. Will mainly cater to high-end consumers placed in metros and will not deliver mass consumption goods for customers in villages and small towns.
2. Retail chains are yet to settled down with proper merchandise mix for the mall outlets. Retailing today is not about selling at the shop, but also about researching and surveying the market, offering choice, competitive prices and retailing consumers as well.
3. Small size outlets are also one of the weaknesses in the Indian retailing, 96% of the outlets are lesser than 500 sq.ft. The retail chains are also smaller than those in the developed countries for instance, the superstore food chain, food world is having only 52 outlets where as Carrefour promotes has 8800 stores in 26 countries.
4. The rapid development of retail sector is the sharp improvement in the availability of retail space. But the current rally in property prices, retail real estate rentals have increased remarkably, which may render a few retailing business houses unavailable. Retail companies have to pay high rentals which are blockage in the turn of profits.
5. The volume of sales in Indian retailing is also very low. India has largest population in the world and a fast growing economy.

2.3 Opportunities.

The following are the Opportunities being involved with the retail Industry in India. They are as follows:-

1. Once the concept picks up, due to demonstration effect, there will be an overall up-gradation of domestic retail trade.
2. Global retail giants take India as key market .It is rated fifth most attractive retail market. The organized retail sector is expected to grow stronger than GDP growth in the next five years driven by changing lifestyles, increase in income and favorable demographic outline. Food and apparel retailing are key drivers of growth.
3. Indian retail industry has come forth as one of the most dynamic and fast paced industry with several players entering the market.
4. It can become one of the largest industries in terms of numbers of employees and establishments.
5. Rural retailing is still unexploited Indian market.

2.4 Threats.

The aspects of Threats in the retail Industry in are as follows:-

1. One of the greatest barriers to the growth of modern retail formats are the supply chain management issues. No major changes are needed in the supply chain for FMCG products; these are well developed and efficient. For perishables, the system is too complex. Government regulations, lack of adequate infrastructure and inadequate investment are the possible bottlenecks for retail companies. The supply chain for staples is less complicated than the net groceries. But staples have a unique problem of non standardization.
2. Difficult to target all segments of society.
3. Emergence of hyper and super markets trying to provide customer with –value, variety and volume.
4. Heavy initial investment is required to break even with other companies and compete with them.
5. Labour rules and regulation are also not followed in the organized retails.
6. Lack of uniform tax system for organized retailing is also one of the obstacles. Inadequate infrastructure is likely to be an obstacle in the growth of organized retails.
7. Organized retailing in India is yet to get an industry status.100% Foreign Direct Investment

(FDI) is not permitted in retailing in India. Ownership of retail chain is allowed only to the extent of 49% but without FDI, the sector is deprived of access to foreign technologies and faster growth.

8. Problem of car parking in urban areas is serious concern.
9. Sector is unable to employ retail staff on contract basis.
10. The unorganized sector has dominance over the organized sector in India because of low investment needs.
11. Retail today has changed from selling a product or a service to selling a hope, an aspiration and above all an experience that a consumer would like to repeat.

3.1 Table.

Serial Number	Year	Square feet in beginning of Year (%)	Additions in Square feet (%)
01.	2002	2.2	NIL
02.	2003	4.7	2.2
03.	2004	9.7	6.9
04.	2005	16.1	16.5
05.	2006	21.6	32.6
06.	2007	33.5	54.3

Table 1 Retail Space utilized by Organized Retail Sector in India

3.2 Diagram.

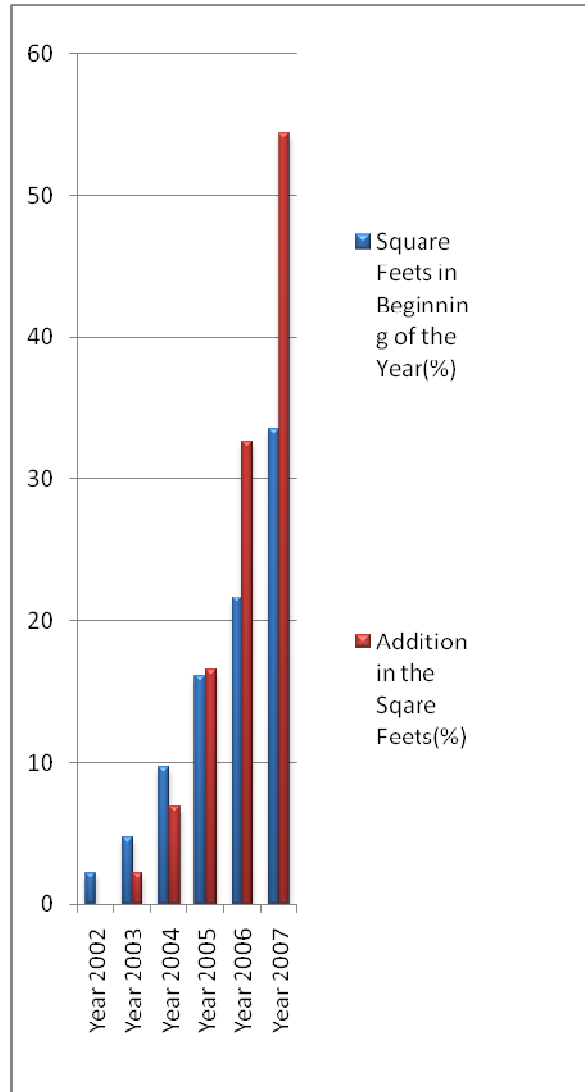


Diagram 1 Representation of the Space utilized by Organized Retail Sector in India (In Percentage)

4. Conclusions

Allowing FDI in multi brand retail can bring about Supply Chain Improvement, Investment in Technology, Manpower and Skill development, Tourism Development, Greater Sourcing from India, up gradation in Agriculture, Efficient Small and Medium Scale Industries. The FDI will definitely empower the Indian economy when it is strategically implemented with evaluation of all pros and cons of every aspect of the economy. Well formulated economy with elimination of the maximum risks and threats will result into swift development of a strong and prosperous facet of Indian economy. Technology, management, expertise, market intelligence are also some of the future opportunities to domestic business.

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