

“Organised Retailing- A SWOC Analysis”

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Abstract : *The Indian retail sector is observing marvellous growth with the changing demographics and an upsurge in the quality of life of urban individuals. Retail Sector is the most thriving sector in the Indian economy. With a rising economy, refining income dynamics, rising awareness, and a youth-dense customer base, India is well on its way to become one of the most potential markets for the domestic and global retailers. The main objective of this paper is to strategically analyse the Indian retail Industry with the help of SWOC analysis. The present study understands the key factors which affect the growth of the Indian retail market, looks at the major factors affecting the retail business and to carry out the SWOC analysis of organized retail in India. The results of the study portray that infrastructure, economic development and altering demographics of consumers are the major driver of organized retail in India.*

Keywords: *Organised Retail, Markets, Demographics, Real estate, SWOC, Economy, regulation, government*

I. Introduction

Retailing in India is one of the supports of its economy and accounts for 14 to 15 percent of its GDP. The Indian retail market is estimated to be US\$ 500 billion and one of the top five retail markets in the world by economic value. India is one of the fastest growing retail markets in the world, with 1.2 billion people. As of 2013, India's retailing industry was essentially owner manned small shops. In 2010, larger format convenience stores and supermarkets accounted for about 4 percent of the industry, and these were present only in large urban centers. India's retail and logistics industry employs about 40 million Indians (3.3% of Indian population). Until 2011, Indian central government denied foreign direct investment (FDI) in multi-brand retail, forbidding foreign groups from any ownership in supermarkets, convenience stores or any retail outlets. Even single-brand retail was limited to 51% ownership and a bureaucratic process. In November 2011, India's central government announced retail reforms for both multi-brand stores and single-brand stores. These market reforms paved the way for retail innovation and competition with multi-brand retailers such as Walmart, Carrefour and Tesco, as well as single brand majors such as IKEA, Nike, and Apple. The announcement sparked intense activism, both in opposition and in support of the reforms. In December 2011, under pressure from the opposition, Indian government placed the retail reforms on hold till it reaches a consensus. In January 2012, India approved reforms for single-brand stores welcoming anyone in the world to innovate in Indian retail market with 100% ownership, but imposed the requirement that the single brand retailer source 30 percent of its goods from India. Indian government continues the hold on retail reforms for multi-brand stores. In June 2012, IKEA announced it had applied for permission to invest \$1.9 billion in India and set up 25 retail stores. An analyst from Fitch Group stated that the 30 percent requirement was likely to significantly delay if not prevent most single brand majors from Europe, USA and Japan from opening stores and creating associated jobs in India.

II. Emergence Of Retail Sector

In early 1990s, many Indian players like Shoppers Stop, Pantaloon Retail India Ltd (PRIL), Spencer Retail ventured into the organized retail sector and have grown by many folds since then. These were the pioneers of the organized Indian retail formats. With the opening up of foreign direct investment in single-brand retail and cash-and-carry formats, a new chapter unfolded in the retail space. Many single-brand retailers like Louis Vuitton and Tommy Hilfiger took advantage of this opportunity. The cash and-carry format has proved to be an entry route for global multichannel retailing giants like Metro, Wal-Mart and Tesco.

The Indian Retail sector has come off age and has gone through major transformation over the last decade with a noticeable shift towards organised retailing. A T Kearney, a US Based global management consulting firm has ranked India as the fourth most attractive nation for retail investment among 30 flourishing markets.

The retail market is expected to reach a whopping Rs. 47 lakh crore by 2016-17, as it expands at a compounded annual growth rate of 15 per cent, accordingly to the ‘Yes Bank - Assocham’ study.

The retail market, (including organised and unorganised retail), was at Rs. 23 lakh crore in 2011-12. According to the study, organised retail, that comprised just seven per cent of the overall retail market in 2011-12, is expected to grow at a CAGR of 24 per cent and attain 10.2 per cent share of the total retail sector by 2016-17.

In terms of sheer space, the organised retail supply in 2013 was about 4.7 million square feet (sqft). This showed a 78 per cent increase over the total mall supply of just 2.5 million sqft in 2012.

“Favourable demographics, increasing urbanisation, nuclear families, rising affluence amid consumers, growing preference for branded products and higher aspirations are other factors which will drive retail consumption in India,” said DS Rawat, Assocham Secretary General.

III. Organised Retail Sector In India

Organized retailing comprises mainly of modern retailing with busy shopping malls, multi stored malls and huge complexes that offer a large variety of products in terms of quality, value for money and makes shopping a memorable experience. The retail sector is presently undergoing a transition in India. Previously, customers used to go to kirana Stores to purchase their necessities. This later changed to bigger shops run by one man with a few employees. Here all the work was done manually. Gradually more sophistication seeped into this sector and department stores came into being. Beginning in the mid- 1990s, however, there was an explosion of shopping malls and plazas where customers interacted with professional and not with just one single person – the owner. An important point here is that customers’ requirements are catered to by trained staff. Today, organized retailing has become an experience characterized by comfort, style and speed. It is something that offers a customer more control, convenience and choice along with an experience. Organized retailing is on continuous increase of its market share from the past. Retailing can be categorized as of different sectors like food and grocery, clothing and textiles, consumer durables, footwear, furniture and furnishing, catering services, jewellery and watches, books, music and gifts, mobile handsets and others. (Dr. Shahid Akhter, IftikharEqubal).

IV. Unorganized Retail Sector In India

Unorganized retailing, refers to traditional format of low cost retailing, for example the corner store (kirana i.e. grocery shops), owner manned general stores, Cigarette shops, convenience store, hand cart, pavement vendor etc. Unorganized retailing is the most prolific and visible form of retailing in India while the organized retailing constitutes only a very small percentage (3- 4%). The reasons as to why Indian retailing is so fragmented or unorganized in nature lies in her entrenched poverty and the fact that a large number of educated unemployed and superfluous labor takes refuge in retailing in the face of joblessness and glaring poverty.

In India, the retail business contributes around 11 percent of GDP. Of this, the organized retail sector accounts only for about 3 percent share, and the remaining share is contributed by the unorganized sector which is mostly a family owned business in India. The main challenge facing the organized sector is the competition from unorganized sector. Unorganized retailing has been there in India for centuries, these are named as mom-pop stores. The main advantage in unorganized retailing is consumer familiarity that runs from generation to generation. It is a low cost structure; they are mostly operated by owners, has very low real estate and Labour costs and has low taxes to pay.

V. Organized Retail Vs Unorganized Retail

The Indian retail sector is highly fragmented, with a major share of its business is being run by unorganized retailers like the traditional family run stores and corner stores. The organized retail however is at a very nascent stage, though attempts are being made to increase its proportion bringing in a huge opportunity for prospective new players. Unorganized Retail Sector Indian retail is dominated by a large number of small retailers consisting of the local kirana shops, owner-manned general stores, chemists, footwear shops, apparel shops, paan and beedi (local betel leaf and tobacco) shops, hand-cart hawkers, pavement vendors, etc. which together make up the so-called "unorganized retail" or traditional retail.

The last few years have witnessed the entry of a number of organized retailers opening stores in various modern formats in metros and other important cities. Unorganized retailers normally do not pay taxes and most of them are not even registered for sales tax, VAT, or income tax. Organized Retail Sector Organized retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses. According to AT Kearney report for the year 2011, Organized retail accounts for 7 per cent of India's roughly US\$ 435 billion retail market and is expected to reach 20 per cent by 2020. Food accounts for 70 per cent of Indian retail, but it remains under-penetrated by organized retail. Organized retail has a 31 per cent share in clothing and apparel and continues to see growth in this sector. The home segment shows promise, growing 20 to 30 per cent per year. India's more urban consumer mindset means this sector is poised for growth.

VI. Literature Review

Gagliano and Hathcote (1994) studied the service quality of apparel retailers and highlighted the importance of employee behavior and store environment in influencing the customer expectations and experiences. Baker et al. (1994) elicited that ambience and social elements in the store influence consumers' inferences about merchandise and service quality of the store. Teas (1994) highlighted that retail store quality composed of four factors namely upscale, merchandise, transaction effectiveness, and responsiveness. Store aesthetics plays an important role in the formation of perceptions of store brand quality and also enhances the evaluation of the quality of store brands (Richardson et al., 1996).

Munoz et al. (2006) studied the role of shopping experience and fatalism in the formation of customers' expectations and perceptions regarding service quality. They found that shoppers with high experience and lower fatalism tend to expect high standard of service quality and perceive that it was delivered.

M. Joseph, S. Nirupama, M. Gupta and S. Sahu (2008) attempted to rigorously analyze the impact of organized retailing on different segments of the economy. The findings of this study are based on the largest ever survey of unorganized retailers (the so-called "mom and pop stores"), consumers, farmers, intermediaries, manufacturers, and organized retailers in addition they reviewed international experience, particularly of emerging countries of relevance to India, has also been carried out as part of the study.

S. P. Thenmozhi and D. Dhanapal (2011) identified the Retail service quality factors and explores the impact of Retail Service Quality on Customer satisfaction and loyalty in unorganized retail outlets and sample of 463 customers at selected kirana stores (unorganized retail format) of Tamilnadu in India were selected for the study on the basis of non-probability convenience sampling. The study also analyzed the association between demographic profile of the customers and their perception on retail service quality

Tazyn Rahman (2012) study revolved around the opportunities and challenges faced by organized retail players in India. It was found that organized retailers see competition from the unorganized sector as their biggest challenge, followed by competition between organized retailers and the inefficiency of distribution channels, internal logistical problem and retail shrinkage.

H. Gupta, N. Dubey and P. Pawan (2012) the broad objective of the study was to understand consumer behavior towards organized and unorganized retail stores and to find out the consumers satisfaction level from organized retail stores as well as unorganized retail stores. The perception of the traditional retailers about the modern retailing. The study uses primary data collected through in depth qualitative analysis to represent organized and unorganized retails sectors respectively.

VII. Statement Of The Problem

With growing Retail industry, India is expected to grow to US\$ 1.3 trillion by 2020, driven by income growth, urbanisation and attitudinal shifts, the overall retail market is expected to grow at 12 per cent per annum. With such a given scenario, customers have become more demanding and expectations have increased. Growth in organised retail sector is gradual but is witnessing steady increase in the urban areas. The ultimate challenge lies in the hands of the store owners and that they must cater to the dynamic nature and expectations of the consumers. Many promotion initiatives must be adopted to retain the customer. Organised retail stores must run several promotion campaigns in order to attract potential customers. The present study proposes to understand the many challenges and opportunities of Retail sector.

VIII. Objectives Of The Study

Keeping the above issue in mind the following objectives are set:

- 1) To explore and understand organized retail sector in Bengaluru City
2. To conduct a SWOC analysis on the same.

IX. Findings And Discussions

1 What is SWOC?

According to Liesha from Pestleanaysis.com SWOC analysis is a strategic planning method used to research external and internal factors which affect company achievement and development. Firms use SWOC analysis to determine the strengths, weaknesses, opportunities, and challenges of their firm, products, and opposition.

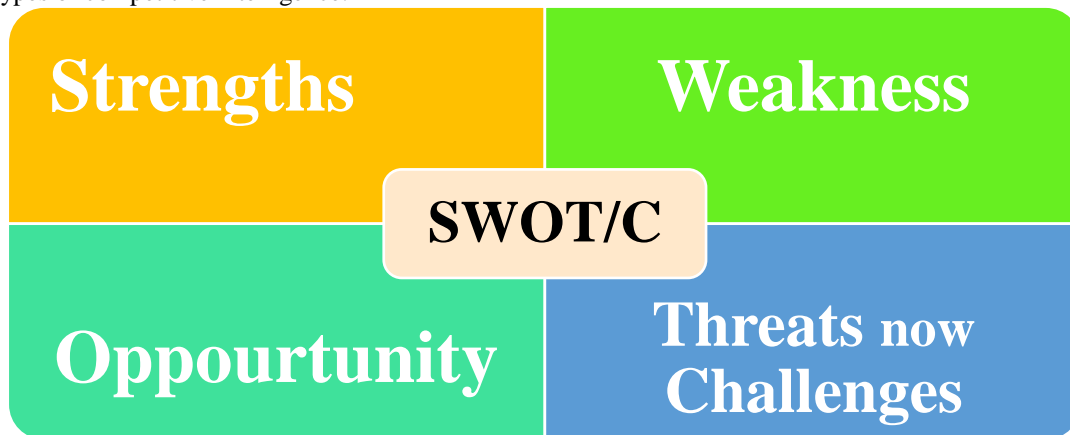
SWOC analysis is pertinent to SWOT analysis. SWOT examines strengths, weaknesses, and opportunities. But it emphasizes on threats rather than challenges. The two are similar but they do have their differences, which is why firms may choose to use SWOC or SWOT.

2 How to use SWOC analysis?

In the business world, warfare concepts and tactical manoeuvres is a commonly used and SWOT analysis technique created to simulate competitive intelligence and test the implementation of strategies to

counter the competition. As Sun Tzu, [Author of The Art of War] said “To know your enemy, you must become your enemy.” i.e: to simulate the mind-set and state of one’s competitor so that strategies to counter the competition can be tested.

Techniques such as a SWOT analysis should be used for competitor benchmarking as some of the top types of competitive intelligence.



3. Background & History of the SWOT Analysis

The origins of the SWOT analysis technique is credited by Albert Humphrey, who led a research project at Stanford University in the 1960s and 1970s using data from many top companies. The goal was to identify why corporate planning failed. The resulting research identified a number of key areas and the tool used to explore each of the critical areas was called SOFT analysis. Humphrey and the original research team used the categories “What is good in the present is Satisfactory, good in the future is an Opportunity; bad in the present is a Fault and bad in the future is a Threat.”

4. Strengths of SWOT/C:

What advantages does your organization have?
What do you do better than anyone else?
What unique or lowest-cost resources can you draw upon that others can't?
What do people in your market see as your strengths?
What factors mean that you "get the sale"?
What is your organization's Unique Selling Proposition (USP)?

5. Weaknesses of SWOT/C:

What could you improve?
What should you avoid?
What are people in your market likely to see as weaknesses?
What factors lose you sales?
Again, consider this from an internal and external perspective: Do other people seem to perceive weaknesses that you don't see? Are your competitors doing any better than you?
It's best to be realistic now, and face any unpleasant truths as soon as possible.

6. Opportunities of SWOT/C:

What good opportunities can you spot?
What interesting trends are you aware of?
Useful opportunities can come from such things as:
Changes in technology and markets on both a broad and narrow scale.
Changes in government policy related to your field.
Changes in social patterns, population profiles, lifestyle changes, and so on.
Local events.

7. Threats of SWOT/C:

What obstacles do you face?
What are your competitors doing?
Are quality standards or specifications for your job, products or services changing?

Is changing technology threatening your position?
Do you have bad debt or cash-flow problems?
Could any of your weaknesses seriously threaten your business?

“T” in SWOT changed to be “C”

Because the term Threat is originated from military strategy, Using “C” as Challenge or Constrains is recommended to create more positive attitude. Challenge is replaced to signify an hindrance that can be achieved and using the motivation mind set to overcome your competitor’s PowerPoint/s .SWOT or, SWOC analysis still serving the same needs, However changing the organization’s mindset while the strategic meeting would be very energetic to create more valuable results

II. SWOC analysis for Organised Retailing

1 Strengths:

(i)Organised retailing for farmers

The study titled “Impact of big retail on neighbourhood stores,” which was submitted to the Department of Industrial Policy and Promotion, says that the farmers are proceeding significantly from direct sales to organised retailers. “Profit realisation for farmers selling directly to organised retailers is about 60 per cent higher than that received from selling in the mandi,” it adds.

(ii)Benefits to Manufacturers.

The Planning Commission has identified four sectors as the major employment generating sectors for the Eleventh Plan period, 2007-12. They are: (i) food processing industry; (ii) textiles and clothing; (iii) tourism; and (iv) construction. Of these sectors, all but tourism are getting a boost with the growth of organized retail. Currently, both the food-processing and textile industries are lagging behind. It is particularly the small and medium industry (SMI) sector which will gain advantages with the emergence of organized retailers by becoming their suppliers. Modern retail will catalyse the development of the SMI sector in the country.

(iii)Population Demographics

India’s employed population is expected to be 117 million over the next 10 years as compared to China’s four million. In the following decade, from 2020, the former will add 98 million to its workforce, while China will contract 51 million. This is a large positive for India.

(iv)Low Retail Penetration

The penetration of organised retail in India is still very little at 6 to 8%, particularly when compared to developed nations such as the US and the UK which have retail penetration of 85% and 80%, respectively. With new policy reforms, swelling purchasing power, and altering expenditure pattern, we are guaranteed to see alteration in the approaching years. As per the Images Retail research, FY15 will witness a jump in the share of organised retail.

(v)Aspiring Middle Class

With a population of 100 million, the tier II and III cities in India are higher than countries such as Germany and the UK. Besides, the untapped rural population gripshuge potential for retailers. It is estimated that by 2021, approximately 67% of Indians will still live in rural areas.

2 Weakness

(i)Political Uncertainty and Regulatory Requirements

The declaration of FDI in retail has stimulated the political pool . The government looks atrigid opposition with its allies threatening to remove support. In case, this policy is finally applied, there is another important aspect for the companies to overcome. The way the policy is presently drafted, a retailer can set up stores only in those states which have agreed or will agree in the future to allow FDI in multi-brand retail.

(ii)Poor Infrastructure and Supply Chain Management

Apart from the political and regulatory scenario, infrastructure will play an vital role in determining how this sector will evolve and retailers will achieve the supply chain. While the FDI regulation states that the retailer will have to invest a substantial amount in building the infrastructure, this will take time. Meanwhile, due to poor infrastructure, multiplicity of taxes, high cost of fuel, dependence largely on the road transportation, etc. logistics still remains a high percentage of the cost of a product, in certain cases going beyond 15 to 20%.

Demographic differences between the regions require a regionally adjusted approach to business.

Competition: Presence of a significant number of strong and well-established players in the sector limits market entry potential.

Relatively **small domestic market** limits growth opportunities.

High real-estate and distribution cost are the obstacles for growth of retail in Indi

3 Opportunity

Retailers in India have been trying to attain at a successful formula, but there is no 'one size fits all' strategy. The market is still undergoing a lot of changes, both from the regulatory as well as demand side. Following are some of the winning factors that players could focus on:

Innovation

During PwC's 15th Annual Global CEO Survey, one of the questions posed to the CEOs in the R&C sector was as follows: To what extent do you anticipate changes at your company in any of the following areas over the next 12 months? Nearly 73% indicated that the following two areas will change in the near-term:

- R&D and innovation capacity
- Technology investments

Digitization

Going digital way is about e-commerce and the way communication will change in a few major areas including changing business models (e-commerce, e-payments and mobile transactions), employee and customer engagement and investment in technology.

Customers are demanding an enhanced experience in terms of how to search, browse products and conduct trades online. Organisations need to engage with customers differently, in terms of using a range of channels. Social media is also becoming a prevalent tool for consumers to teach themselves about offerings, seek information about products and compare brands. For retail companies it is important to define how social media can back sales activities throughout the various channels, especially e-commerce. Social media analytics is the focus area for retailers.

Customer-centric Approach

The retailer is not looking at product revolution at the merchandising level only but the entire store today is a product that needs to appeal to the customer. The following are factors that will make a difference: Experience design, Digital change, and Analytical insights

Changing the Regulatory Scenario

Recently, the Indian government made the following two significant announcements that will go a long way in developing the Indian retail sector: Permitting foreign investment in multi-brand retail trading and simplifying the rules for single brand retail trading to make it more business-friendly

4 Challenges

The retail sector is marred with many issues. The two most important threats are as follows:

Availability of land and real estate

Retail space and rentals are key deliberations in multi-brand retail and getting a feasible rate in the desired location is important. There are retailers who have exited cities because of the high rentals that put more pressure on profitability.

Human Capital

With attrition still very high in the industry, human capital management continues to remain one of the top three agenda points for the retailer. The attrition in the industry can be anywhere between 20 and 25% in non-food and grocery business to as high as 60% in the food and grocery segment.

Thus, the Indian retail sector has its own set of strengths and opportunities. However, the challenge lies in overcoming the weaknesses and providing an environment that is conducive to the business, not only for the national players but also the foreign retailers.

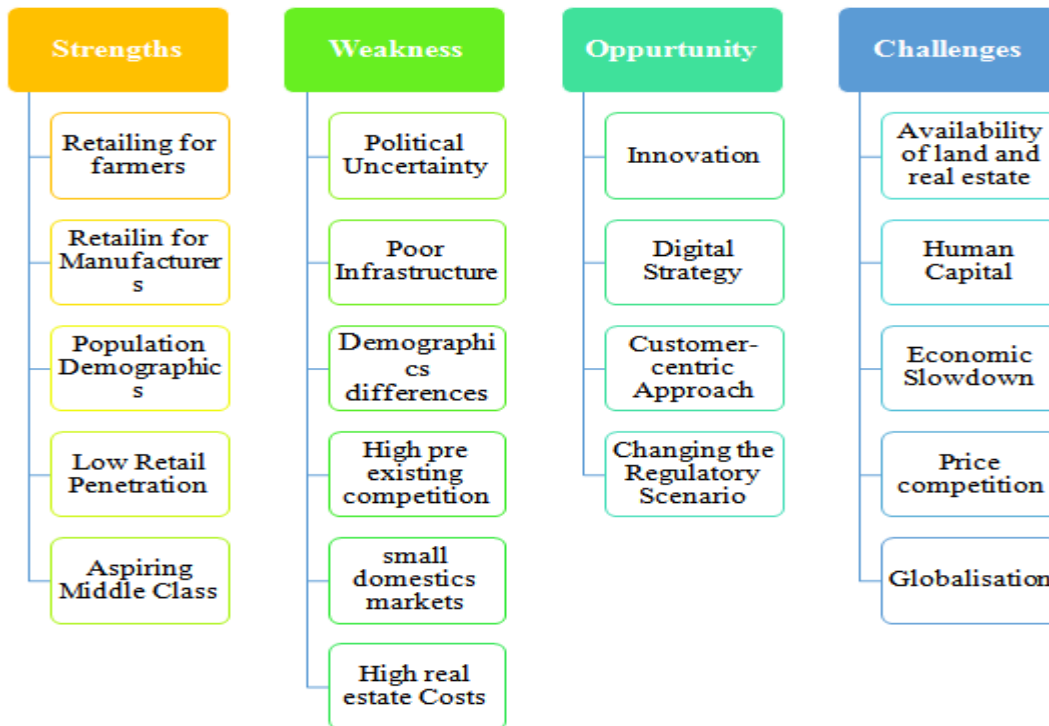
Economic slowdown is having an adverse effect on consumer spending.

Rigid government policies and regulations restrict the entry of new players.

Price competition among retailers puts downwards pressure on margins.

Entry of International players in Indian markets consumes the share of Indian retailers

5 In a Nutshell



X. Conclusion

The evolution of organized retail will have an optimistic multiplier result on the Indian economy. Retail industry is attracting inner investment both at the national and global level in numerous support industries: IT industries, cold chain infrastructure, and logistics and warehouse distribution services in order to support the supply chain. The surge of private labels have generated demand and sourcing tie-ups with manufacturers across product categories. In the case of fruit and vegetables, the direct procurement is bringing quantitative benefits from higher price realization and qualitative benefits in improvements of agro-processing services. The SWOC analysis must also help in understanding the organised retail and it mostly highlights the government regulations and how they play a vital role the retail sector. The SWOC analysis also discusses the various avenues for the organised retail to grow and throws light about out weaknesses and challenges. The challenges may take more than a few years to settle down, however the same can be dealt with on a short term bases it can add bigger value to the overall growth of the organised retail sector.

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