Chapter Five

SWOT & PEST ANALYSES
CHAPTER-FIVE

SWOT & PEST ANALYSIS

SWOT ANALYSIS

SWOT analysis is alternatively known as SWOT-MATRIX. It is a structured analytical process used to evaluate the strengths, weaknesses, opportunities and threats involved in any industry. SWOT analysis uses 4 elements in a 2x2 matrix as follows:

Figure: 5.1: SWOT Analysis

SWOT analysis is stated in Figure 5.1. This analysis is carried out for –

- Product
- Place
- Industry, or
- Person

Strength and weaknesses are internal helpful and harmful elements while opportunities and weaknesses are external helpful and harmful elements.
Identification of the S-W-O-Ts is useful because they can give information regarding later steps involved to achieve plan-wise objectives.

**Strength:** Strength shows different characteristics which are advantageous over others.

**Weaknesses:** Weaknesses shows the elements which are giving disadvantage relating to other elements.

**Opportunity:** A company or industry must exploit these elements.

**Threats:** These are troublesome elements involved in the industrial or project environment.

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**Figure # 5.2: Elements Involved In SWOT Analysis**

<table>
<thead>
<tr>
<th>STRENGTH</th>
<th>WEAKNESSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technological Incentives</td>
<td>Conversion Level Less</td>
</tr>
<tr>
<td>Super Market Stocks</td>
<td>Loyalty of Consumer</td>
</tr>
<tr>
<td>Rising in Income (Disposable)</td>
<td>Less Developed SCM (Supply Chain)</td>
</tr>
<tr>
<td>Earning Person Increasing in Numbers</td>
<td>Less Developed Utility</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OPPORTUNITY</th>
<th>THREAT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market of Customer is large</td>
<td>Market Share High</td>
</tr>
<tr>
<td>Growth Oriented Organized Sector</td>
<td>Culture for Shopping is Present</td>
</tr>
<tr>
<td>Retailing in Rural Sector Present</td>
<td>Inventory Management are Poor</td>
</tr>
<tr>
<td>Presence of Potential for Investment</td>
<td>Inflationary or Deflationary Trend were Present</td>
</tr>
</tbody>
</table>
On the basis of Figure 5.2, durable goods industry has following strengths, weaknesses, opportunities, and weaknesses:

**Strengths**

1. Durable consumer goods industry is recognized as an industry.
2. In international retail expansion countries India gets 1st position during year 2011-12.
3. Sufficient number of man power is available in this industry.
4. Disposable income is increasing significantly in Indian Consumer Classes.
5. Durable goods industry is technological intensive industry.
6. Indian durable good industry is less saturated as compared to other countries.

**Weaknesses**

1. There is a fast change observed in Indian durable goods demand.
2. Foreign direct investment (FDI’s) norms are strict and characterized as weakness of the durable goods industry.
3. Land and property are also weakness of these industries.
4. There is a huge gap between supply and demand side in real estate sector. Stamp duties are very high in India.
5. Lease alone costs are very high (6 to 10 percent of total sales).
6. Labour laws are also treated as weak factor as par as durable goods industry in India is concern.
7. Restriction in total working hours are also found so hiring of part time workers is so difficult.
8. Corporate taxation is very high.
Opportunities

These are external helpful elements found in durable goods industry. These are as follows:

1. Out of all major countries in terms of penetration of recent retailing formats India is least saturated economy.
2. Major global durable goods players one emerging across formats and different categories of durable goods.
3. Raipur expansion facilities are available for all major durable goods producers in India.
4. The organised sectors (i.e., shopping malls) are fast evolving.
5. Partnership is available for all durable goods brands, retailers, franchisees, organized shops.

Threats

These are known as external harmful elements for any industry. In durable goods industry following elements is known as threats for the industry:

- F.D.I. barriers restrict other players except global players.
- Limitation in exposure to best international practices is found in Indian durable goods industry.
- Infrastructure facilities are poor.
- Retail growth is restricted in this sector.
- Global financial crisis create most of the bad effects on this industry.
- Devaluation of Indian currency also creates problems.
PEST ANALYSIS

PEST analysis is a framework of macro level factors particularly environmental, used in strategic management process.

Compassion of PEST analysis: It is depicted in Figure 5.3.

**Figure # 5.3: PEST Analysis Model**

1. **Political Factors:** These are presented in Figure 5.4 and basically show degree of government intervention in the economy or in the industry. These are structure, legislation, pressure. Legislation, is further divided into environment trade, consumer competition, safety, and employment legislation in an economy.

**Figure # 5.4: Political Factors**
2. **Economic Factors:** These are presented in Figure 5.5. These factors included growth factor, inflation rate, incomes of the family members, taxation interest rates, energy, costs trade cycle, and unemployment.

3. **Social Factors:** Social factor are depicted in Figure 5.6 and includes social values, distribution of income, family norms, demographic factors, population, education, life style, living standard and health status.

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4. **Technological Factors**: These are technological aspects involved in any economy. Automation, research and development, product, transfers (speed and direction both) are same important technological factors. As per Figure 5.7 impact factor is further divided into mobile and internet effect of any industry.

![Technological Factors Diagram](image)

**Figure # 5.7: Technological Factors**

**PEST ANALYSIS IN DURABLE GOODS INDUSTRY**

When analyzing durable consumer goods industry of India impact of political, economical, social, and technological factors on the industry were observed. It is helpful measure to observe changes and trends in the durable goods market. Brand analysis of all the four factors is as follows:

**Political Factors**

- Strong hue a cry with the entry of big organized shops like Aditya Birla & Reliance India groups in to consumer durable goods market. Strong lobbying was done to protect the investment of unorganized retail shop. The purpose of different political parties was to increase their vote banks.
- The permissible entry of the FDI’s was only single brand outlets.
- Restrictions were imposed on the entry on new organized shops.
- Low access to banking facilities had a cause of the worry for small retailers.
• Big international players in organized durable goods have a very strong financial backup, their turnover is more than the G.D.P. of some countries (examples – Walmart & Carrefour).

**Economic Factors**

• Bulk of the total profit will be showed by top three organized retail players.

• A shift in the consumption pattern of durable goods was observed. It was the main course of increase in the exponential growths.

• Geographical mix of consumer spending exponential growth rates will shift away from European countries towards Asian countries. So the organized sector will be more competitive.

• Consumer durable industry as a whole suffering from the commoditization of the durable products and services.

• The rapid expansion of the different formats in Indian retail durable industry has eventually put the consumers in perplexed state, so they do not able to differentiate between the lucrative deals offered by different organized and unorganized shops.

• Retailers want to play safe side. They are not taking interest in investing their cash in the format which is not able to get enough foot falls and a stream of revenues.

**Social Factors**

• Customers all over the globe including India understand the importance of corporate social responsibility activities. Consumers of durable goods feel the gravity and have ready to ask companies about their contribution to the nation as well as society in terms of their environmental friendly approach.

• Consumers of durable goods industry want big retailer to look after the well being of the nation.

• Durable goods consumers are now ready to shell, extra price for their money baskets for the environmental friendly household durable goods.
Technological Factors

- Enhancements of consumers experience and revenue drive by managing all types of costs and improvement in operational efficiency are the major challenges in the retail sector of consumer durable industry. To meet all these challenges durable goods industry is heavily relying on information technology sector.

- Big players of this sector have already increased their budget on information technology spending by almost 25 percent in year 2010.

- Softwares are the most important tool to improve operational efficiency in this industry.

- Artificial intelligence, finance and accounting handled by I.T.

- Implementation of SCM (Supply Chain Management) solution to core business like global sourcing, logistics etc.

- Consumer durable goods retailers are experimenting with KIOSKS (self service devices) and short message service based interactions and self checkout counters.

- Consumer durable goods industry also assumed that merchandize systems and point of sale will trigger off the operational process.

The life cycle of durable consumer good industry seems to be squeezing as the giants are laying of their staff members, particularly the middle and high level executives. They called this process as “rationalization of employees”.

Overall picture of the growth of durable consumer goods industry is not looking very bright in India because the cost of real estate is continuously increasing and a rapid change in customer’s attitude. An increment in competition has forced the companies to think and act rationally.