

An environmental analysis of russia economics essay



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In Russia by 2010 Despite a projected decline in population of 10 million. Middle class is rising and it reached 4 million adult and children. . this population influenced by western taste therefore their demand is premium, higher quality and increased convenience from the retail sector. therefore food industry has strong need to fulfill this demand by introducing variety of higher quality innovative products(such as healthy snacks and healthy juice drinks)

Market

It is estimated that Russian grocery market will reach \$186 Billion USD by 2010 which will be good for WBD's future in the juice and dairy market . In city centres especially, supermarkets are also selling foods. So that by 2010, 45% of it will be sold there as compared to 28% in 2006 . According to these figures the future of totally depends upon supermarkets and strategic customers

Globalisation

Now a day's whole world is globe village. With an increase in globalisation, there is decrease in unemployment and resultly increases in disposable income; the Russian consumer market is very attractive for global players. In recent years, Wal-Mart, Marks and Spencer, and other Global retail chains have started their businesses in Russia, however, only 6 are International food retailers and 25 are currently.

Dangers

If we look at future there are a number of areas of concern for WBD.

Politically, Russia continues to be uncertain, volatile and governmentally restrictive . Corruption is also an ongoing limitation for organisations .

According to SWOT analysis present threat for WBD is that if it expend widely, then it will be more chances to corruption and political influence.

External Factors

Political

In recent years, Russia has been undergoing a substantial political transformation from communist party rule and a centrally controlled economy to a pluralist democracy and a market oriented economy.

The Russian political system is vulnerable to the population's dissatisfaction with reform, as well as to social and ethnic unrest.

Russian politics will see increasing authoritarianism and statism in economic policy.

Corruption at all levels of society will present considerable constraints to economic development.

Increasing statism in economic policy is hindering growth.

The slow pace of institutional change (and other factors) will lead to decreasing of growth economy.

Over regulation, uncertainty and corruption remain serious problems.

War with Chechnya; bomb attacks from Chechen militants in Moscow and other cities

Economic

Despite the political influences the Russian economy will continue to stabilise, and the GDP is expected to rise annually.

Steady growth in house hold income and the increase in spending power of middle class will have a positive impact on the economy.

Western companies are investing in the markets like Russia will boost the economic conditions.

Russian consumer market continues to grow, helped by decreasing inflation and consistent growth in GDP, as well as rising personal and disposable income levels, declining unemployment and developing western life-styles.

Russia has experienced acute financial and economic distress.

The Russian economy has been characterized by declining industrial production, significant inflation, rising unemployment, and an unstable currency,

Economic factors also include high government debt relative to gross domestic product, high levels of inter-company debt and high levels of corporate insolvency.

Driving away from resource-driven export economy towards domestic demand for goods and services.

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Social

The population of the Russia is decreasing day – by – day due to the increase in number of diseases and act of violence's in the country.

The government has set strict the rules & regulations for the immigration.

The political and economic changes in Russia in recent years have resulted in substantial social issues, including crime, labour and social unrest, and claims of official corruption.

This segment has a taste for westernised affluence, so is demanding higher quality, premium, healthy products and increased convenience from the retail sector.

There is a strong need for organisations to address this demand by supplying more innovative products of higher quality to the market (such as premium-range yogurts and healthy snacks).

Russia is a huge consumer market with a population of 142 million. Urban Russia accounts for 73% of the total population, containing 85% of all purchasing power.

The Russian grocery market is highly fragmented and there is no retailer covering or dominating the whole country. The top 25 retailers, out of which there are currently only 6 international players reached a combined market share in a population that is becoming more affluent and a middle class that is growing steadily, consumers will increasingly equate high prices with high quality

Legal

The Russian legal system is characterized by

Inconsistencies between and among laws, Presidential decrees, and Russian governmental, ministerial and local orders, decisions, and resolutions and other acts;

Conflicting local, regional and federal rules and regulations.

The lack of judicial and administrative guidance on interpreting legislation.

The relative inexperience of judges and courts in interpreting legislation.

A high degree of discretion.

Land in Russia is also taxed by the local authorities, and prices have risen dramatically over the last few years.

Technological

Main communications across Russia are by air and rail. Road system not well developed.

Nearly 1Mn km of roadways.

Retail market has developed faster than the infrastructure needed to support it, meaning that delivery reliability is poor.

Low level of technology and time-worn operational methods.

Environmental

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Wide natural resource base – oil, gas, coal

Agricultural pollution, soil contamination from chemicals, radioactive contamination, groundwater contamination from toxic waste, abandoned stocks of obsolete pesticides.

Much of country lacks proper soils and climates (either too cold or too dry) for agriculture.

Government has illicit crop eradication programme.

Growth in Bio-fuel crops is placing pressure on arable land for food production.