

SECTOR BRIEF

Wholesale & Retail Trade Sector in Pakistan

By ICMA Research and Publications Department

The Wholesale & Retail Trade [WRT] Sector is one of the important sub-sectors of the 'Services Sector'. Its share in the Services sector is almost 30.5 percent and its share in the country's GDP is 18.82 percent as per the Pakistan Economic Survey 2021-21. During FY2021, the WRT sector recorded a growth of 8.4 percent.

The Wholesale & Retail Trade is dependent upon the output of agriculture, manufacturing, and imports. According to the Punjab Board of Investment and Trade, the retail sector is the third largest sector in Pakistan [after agriculture and industry] and the second-largest employer, providing jobs to more than 16 percent of the total labor force. The current value of Pakistan's retail sector is estimated to be \$152 billion with an 8% yearly growth rate, as per the Report of Planet Retail (a global retail consultancy firm).

Pakistan has around 2 million retailers, of which 0.8 million represent the FMCG modern trade and general trade channels, including kiryanas, general stores, medical stores, supermarkets, hypermarkets, etc.

The Food and Fashion retail sector has witnessed phenomenal growth with many big departmental stores contributing to FMCG businesses and facilitating buyers to shop all consumer products under one roof. Due to COVID-19, a major segment of the retail sector has adopted e-commerce by receiving online orders to make deliveries to customers. Many local brands have expanded and adopted modern trends. As per an estimate, the value of the food and groceries market grew by 11.3% in 2020 due mainly to the pandemic.

SWOT Analysis of Wholesale & Retail Trade Sector



STRENGTHS

- Fastest growing market
- Employment generating sector
- Market presence of Global brands & outlets
- Local brands and retailers opting for expansion
- Buying Power of consumers
- Growing middle-class consumers
- Increasing Brand awareness
- Changing consumer habits and lifestyles
- Traditional retailers opting for technology

WEAKNESSES



- Largely undocumented and unorganized
- Regular stockouts due to lack of supply predictability
- Lack of adequate inventory or point of sale (POS) system
- Poor supply chain management
- Higher effort and greater time spent in procurement
- Working capital limitations
- Lack of communication skills with customers
- Lack of economies due to small scale operations
- Lower level of functional expertise
- Lack of financial strength



OPPORTUNITIES

- Large population and customer base
- Expansion of brand through technology
- Profitable sector for foreign brands
- Alliances and joint ventures with other brands
- Potential for generating employment
- Emerging trend in e-commerce
- Growing online retailing and shopping
- Prospects of growth in new markets – national and international

THREATS



- Managing cost of operations in post-COVID era
- Strong price competition between brands
- Rapidly changing customer behavior
- Regulatory pressures
- Higher inflation & economic slowdown
- Increase in fuel prices
- Increase in transportation cost