



Critical Analysis of External Factors Impacting High Street Retailers in the UK

Module: Problem Solving and Innovation

Module Code: BMSW4014

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**Assignment Title: The Rise of Shoplifting In
Retail**

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1. Introduction

High street retail was once considered to be the heart of the retail industry in the UK. However, with the outbreak of the COVID-19 pandemic, consumer attitudes and perceptions have changed in a manner that the High Street retail market has found itself in unfamiliar market segments. The emerging growth of online sales have significantly hit the UK High Street retail market share (Har *et al.* 2022). These are going to strain the retailers who are not able to introduce its product distribution on the online space.

In the face of the rising challenges for High Street retailers, it has become critical to analyse and identify both the internal and external factors that are impacting the operations of High Street retailers in the country. By using tools such as PESTLE and SWOT analysis, the focus of the report will be to identify how these external and internal factors like changing customer perception and rise of online shopping significantly impact the profitability and sustainability of the UK High Street retailers in the country.

2. Findings

To evaluate the external factors impacting High Street retailers in the country, important tools such as PESTLE and SWOT analysis are conducted.

SWOT analysis

Strength: One of the biggest strengths of the high street retailers in the United Kingdom has been their recognisable brand and well-established image to provide high quality products which resonate with customer trust and familiarity. White *et al.* (2023) highlighted that some of the largest players in the UK High Street retail sector include Primark, Marks & Spencer and John Lewis, who have often been credited for diverse product offerings, potential to attract significant amount of foot traffic, especially in the busy urban areas and strategic store locations in some of the busiest areas in the country (Nanda *et al.* 2021). For instance, Tesco, one of the largest British retailers, has more than 6000 stores in Asia and Europe, whereas nearly 4074 stores are in the United Kingdom alone (Retaileconomics.co.uk, 2025). Retail retail brands like Marks & Spencer and John Lewis also have been successful in establishing their stores in some of the most popular locations in the country. John Lewis has 40 stores across the UK and has a total revenue of £12.3 billion (Retaileconomics.co.uk, 2025). The top 10 UK retailers including Tesco, Sainsbury, Asda, Morrisons, John Lewis and

Marks & Spencer are also the most valuable organisations of the country in terms of market share and market capitalisation.

Weakness: The strategy for establishing stores in some of the most strategic locations of the country had been so successful in the 1990s and the early 2000s that there has been an overreliance on physical stores to grow sales and profitability. According to a Mintel report, the outbreak of the COVID-19 pandemic and the high inflation in 2023 has completely reshaped the way in which customers are purchasing products from the High Street retailers in the country (Mintel.com, 2022). In the same Mintel report, it was highlighted that almost 65% of the UK shoppers have recognised online shopping to be much more convenient than in store retail shopping (Mintel.com, 2022). 60% of the consumers also agree that while a shopping destination is an effective way to socialise with family and friends, 54% of the shoppers believe that the best prices are often found on the online platforms (Mintel.com, 2022). Hence, the ease of online shopping is often responsible for driving the customers away from High Street stores. There are many High Street brands like Primark, who have invested extraordinarily little on creating an online store or distribution platform. Maliene *et al.* (2022) highlighted that the continuous improvement in mobile application and website experiences are also crucial to retain the customers.

Opportunities: The impending weaknesses does not mean that there are no significant opportunities for the physical stores and High Street brands to generate income soon. The pandemic has constantly highlighted the importance of shopping areas and local communities (Foucart and Li, 2021). There is an increased demand for high-class services and leisure experiences that is likely to bring the footfall back to the shopping destinations. Clifford and Madeddu (2022) has highlighted that there is a continuous shift towards online sales, but an integrated multi-channel marketing approach is likely to generate more interest among the customers towards physical High Street shopping.

Threats: The most significant threat is likely to be the economic instability that the United Kingdom has faced in the recent past. The rise of Amazon as one of the top online retailers in the UK with a revenue of more than £24 billion is a significant call to action for the High Street retailers to develop new and unique strategies for online and off-line integration (Retaileconomics.co.uk, 2025). With the outbreak of the pandemic, the UK also experienced an economic downturn in the form of Brexit and high inflation

rate. As a result, this left the UK customers with little disposable income in their hands and they were constantly looking out for best prices on the online platforms.

PESTLE analysis

Political: The period of 2019 and 2020 has been the most eventful for UK businesses as they had not only faced impending challenges of the COVID-19 pandemic, but also Brexit took place near about the same time. Maliene *et al.* (2022) commented that Brexit had imposed significant costs on High Street retailers as it resulted in completely disrupting the supply chain of these brands. For instance, a research by Irishtime.com (2023) has shown that Marks & Spencer, one of the popular High Street retail brands in the United Kingdom witnessed a 7.8% fall in annual profits.

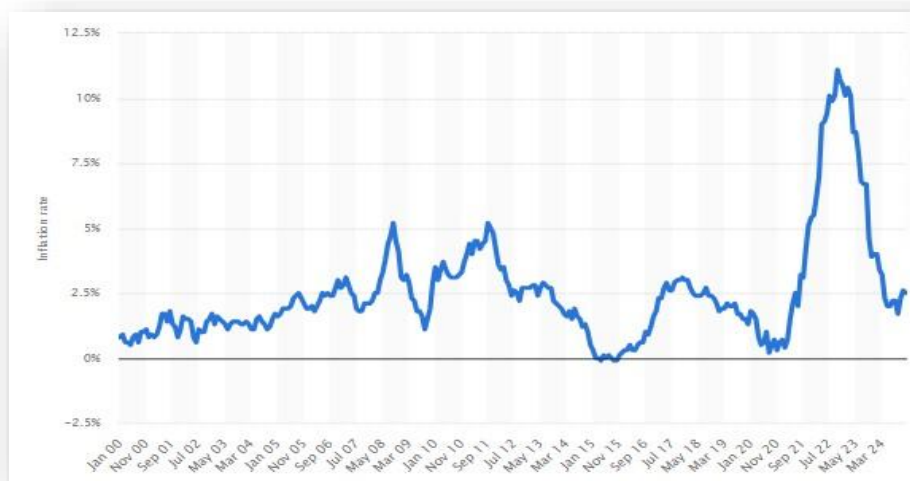


Figure 1: Inflation rate for the Consumer Price Index (CPI) in the United Kingdom from January 2000 to December 2024

(Source: Statista.com, 2025)

Economic: The inflation rate in the United Kingdom reached its highest in October 2022, standing at about 11.1% (Statista.com, 2025). In November 2024, it dropped down to 2.6%. However, according to recent predictions made by the Bank of England, the inflation rate in the Q3 of 2025 is likely to be 3.7% (Bankofengland.co.uk, 2025). The rising cost of products have left the UK customers with little disposable income in their hands, forcing them to look out for best prices on the online platforms.

Social: The retail consumers have significantly shifted their focus towards sustainability. According to a Deloitte survey, 58% of the respondents said that they are focusing on reducing the number of new products that they are purchasing. 51% stated that they are more focused upon purchasing locally produced goods

(Deloitte.com, 2025). As a result, the unsustainable practices of High Street retail brands in the country must be reduced to gain customer support.

Technological: The AI market in the United Kingdom is almost £17 billion and by the end of 2035, the market is likely to increase to £800 billion (Forbes, 2023). AI technology can help understand the specific needs and requirements of the customers to create personalised experiences and offers for the end customers (Işık *et al.* 2024). By creating unique in-store experiences such as personalised consultations and use of virtual reality for one of our kind event experiences, the High Street retail brands can take in-store shopping to a completely new level.

Environmental: The last mile logistics of online shopping has had a significant negative impact on the environment of the country. As a result, High Street retail can play a significant role to evaluate innovative approaches to a much more sustainable and friendly shopping experience (prdweb.co.uk, 2025). These High Street brands can collectively make a major contribution to green the town centres by reducing wastage and pollution caused by last mile delivery.

Legal: High Street brands must investigate employee safety by upholding legal acts such as the equality act of 2010 (EHRC, 2025). The protection of data and information of customers also must be upheld under the provisions of data protection act of 2018.

3. Conclusion

The overall research has concluded that COVID-19 has changed the overall High Street Retail landscape of the United Kingdom. The research has identified its importance within the retail industry as a tool for connecting the customers with the latest trends. Furthermore, with the heightened use of online platforms for almost 2 and 1/2 years, the High Street retail market and its stores might not witness the return of customers in numbers that they would have expected, even after the restrictions are lifted. Yet, high street retail growth is not completely impossible. By catering to changing customer needs these brands can garner attention offering personalised experiences.

4. Recommendations

From the findings of the study, it can be argued that the high street retailers must remain relevant in the age of e-commerce. To achieve this goal, the following recommendations can be implemented:

- First, it is important to offer the customers with an omni channel experience that will help the retailers create a highly cohesive experience in ensuring that all the aspects of the business are interconnected together. This also ensures meaningful communication among the departments, the business goal and the end audience. To create a successful omnichannel experience, it is important to understand the customers and centralise the customer data. The organisations can also map the customer journey and develop customer persona accordingly to understand their specific preferences and needs.
- To compete with e-commerce platforms, high street retailers must access and use the power of data to develop personalised communication with the shoppers. This will help them to understand customer requirements and make targeted marketing efforts.

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