

Module: Problem Solving and Innovation (BMSW4014 CARD)

**(RCA) Report: A critical analysis of external factors impacting High Street retailers
in the UK**

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2. Introduction

2.1 The high street retailers in the UK have been experiencing a notable decline during the first half of 2024, with an average of only 38 stores closing per day while merely 25 new outlets are being opened daily. This trend highlights a clear contraction in the physical retail sector. One of the main factors contributing to this decline is consumer spending. Ever since the pandemic, there has been a significant shift towards online shopping, as prices have increased and shoppers have been overwhelmed by the sheer volume of choices and economic pressures.

Many households are currently grappling with serious challenges concerning their disposable incomes. The escalating cost of living, which has become a significant issue in recent years, has directly impacted families' ability to budget effectively. Rising energy bills, increased food prices, and higher living costs have led consumers to reconsider their spending habits and prioritise essential purchases over discretionary spending. As a result, traditional high street stores are struggling to maintain footfall and sales (Parry, 2025).

3. Findings

3.1 This section utilises PESTLE and SWOT frameworks to analyse Sainsbury's external environment and internal capabilities, clearly identifying strategic implications for the company. It begins with a detailed PESTLE overview, followed by a robust SWOT analysis, and concludes with the examination of three critical factors that are pivotal to Sainsbury's ongoing success.

Political

- Post-Brexit trade: Leaving the EU has significantly increased import costs and added complexity to the supply chain. Sainsbury's now faces higher duties and logistical barriers, affecting the sourcing of foreign goods (Research-Methodology, 2025).
- Tax and regulatory policies: New Labour tax increases for employers, alongside higher packaging levies, have put additional pressure on profit margins. Retailers, including Sainsbury's, are responding by automating processes and reducing operational costs in anticipation of further regulatory changes (Davey and Sandle, 2025).

Economic

- Inflation and cost of living: The continued rise in food and energy costs has reduced UK consumers' purchasing power. Despite Sainsbury's 3.5% sales increase over the 12 weeks leading up to December 2024, the BRC predicts only modest retail growth of approximately 1.2% in 2025 (Davey and Milliken, 2025).
- Price war risks: Competitors such as Asda, Aldi, and Lidl are engaging in aggressive price strategies, creating pressure on Sainsbury's profit margins. However, Sainsbury's has managed an annual profit increase of 7.2%, reaching £1.036bn as of March 2025 (Davey, 2025).

Social

- Shifting consumer values: There is growing consumer demand for convenience, sustainability, and healthier products. Sainsbury's "SO Organic" and speciality product lines have benefited from this trend, allowing the company to strengthen its brand reputation (Wikipedia Contributors, 2025).
- Changing shopping habits: Consumers are now seeking one-stop retail experiences that blend grocery, general merchandise (through Argos), and pickup options, necessitating seamless omnichannel integration.

Technological

- E-commerce growth: Online sales surged by approximately 70% during the pandemic and now represent around 20% of total revenue. Through initiatives like Nectar, Sainsbury's has expanded its Click & Collect service, implemented dark stores, and enhanced digital loyalty programmes (Wikipedia Contributors, 2025).
- Automation efforts: Investments in AI-powered inventory systems, analytics, and self-checkout technologies aim to save the company around £1 billion, increasing efficiency and reducing operational costs (DCF Modelling, 2022).

Legal

- Food, packaging, and labour regulations: Sainsbury's must comply with stringent laws regarding food safety, labelling, and employment. The introduction of new packaging taxes and changes in labour rates further adds to cost and regulatory pressures (Davey and Milliken, 2025).
- Data protection: Strong cybersecurity measures and GDPR compliance remain essential for protecting customer data within Nectar and online platforms.

Environmental

- Plastics and carbon footprint: Consumers and regulatory bodies increasingly demand sustainable practices. Sainsbury's faces pressure to adopt recyclable packaging and reduce emissions.
- Animal welfare scrutiny: Reputational risks from animal welfare exposés, particularly in poultry farming, have prompted stricter supplier oversight and higher accountability standards.

3.2 SWOT Analysis

Sainsbury

Comprehensive SWOT Analysis

Strengths

- A listed company
- Brand value
- Great Customer Feedback
- Unique Strategies for Promotion

Opportunities

- Global expansion
- 24*7 Service
- Latest Trends
- Growth in Villages



Weaknesses

- Fewer Margins
- Increase in Prices
- Switching Brands
- Store size and format

Threats

- Economic crisis
- Globalization
- Changing Consumer Preferences
- Rising Global Inflation

(Bhasin, 2017)

3.3 Deep Dive: Key Strategic Areas

A. Economic Pressure and Price Competition Discounters are putting a lot of pressure on Sainsbury's prices as they continue to increase their market share. Although programs like Aldi price matching aid in customer retention, they also lower profit margins (Reuters, 2025b).

It will be crucial to strike a balance between affordability and high-end branding. These price pressures may also be mitigated by cost reductions driven by technology (Reuters, 2025a).

B. Transformation to Digital The retailer is well-positioned to satisfy consumer demands for speed and convenience thanks to its investments in AI, self-checkouts, and online infrastructure. Sainsbury's will be able to reinvest in customer experience and operate more efficiently thanks to the anticipated £1 billion in cost savings from these innovations (DCF Modelling, 2023).

C. Environmental and Ethical Approach Customers are calling for more ethical responsibility and transparency.

4 Conclusion

Sainsbury's is embracing the exciting challenge presented by a dynamic retail landscape! A recent SWOT analysis reveals notable strengths, such as strong brand loyalty and an ability to adopt technology. In contrast, a PESTLE analysis identifies several challenges, including shifts in the political environment and fluctuations in the economy. To truly shine, Sainsbury's can focus on a few key areas:

1. Accelerating its digital transformation will delight customers and enhance efficiency (Reuters, 2025; DCF Modelling, 2023).
2. Balancing sustainability and quality while keeping prices competitive will set it apart. (The Strategy Story, 2023; Reuters, 2025).
3. Enhancing transparency in its ethical supply chain will build trust with consumers. (Sainsbury's, 2023; The Strategy Story, 2023).

By prioritising these strategies, Sainsbury's is well-positioned to succeed in the constantly changing landscape of the UK retail market!

5. Recommendations

To adapt to the changing retail environment and meet consumer expectations, High Street retailers must take bold and practical steps. The following two recommendations

are innovative, cost-effective strategies that can enhance operational performance and foster customer loyalty.

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