



An evaluation of Management Accounting Practices at Primark

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Introduction

Primark is a fashion retailer operating internationally and is one of the largest clothing retailers in Europe. The company was established in Ireland in 1969 and is now owned by Associated British Foods (ABF). Primark has many stores across Europe and the USA, selling affordable clothing, footwear, beauty products, accessories, and homeware. The company uses a business model of offering fashionable products at affordable prices while selling in high volumes (Primark, 2025). The retail sector is highly competitive and consumer needs change regularly, making effective financial planning essential for business success.

Management accounting helps organisations make informed business decisions by providing both financial and non-financial information. It supports activities such as budgeting, cost control, pricing decisions, and performance measurement (Atrill and McLaney, 2021). These management accounting tools enable businesses to use resources efficiently and respond to changes in the business environment (Weetman, 2013). This report analyses how Primark uses management accounting tools and techniques to support financial decision-making and improve organisational performance.

Cost Analysis and Business Model

Revenue Model

Primark belongs to the international fashion retail industry and receives the majority of income from selling clothing, footwear, accessories, beauty products, and homeware. Primark has a business model where it tries to produce as much as possible at affordable prices. Unlike other companies who try to get high-profit per unit, Primark wants to attract a lot of customers to get more money via volume of sold products. The main sources of the operation of the business are physical shops in Europe and the USA, but now Primark is trying to develop its online services in selected countries (Associated British Foods, 2024). Such an approach helps the company to spend relatively little money while having a strong demand for its products.

The revenue model of Primark involves making fashionable products available at reasonable prices. The company cooperates with its suppliers and buys the goods in bulk and gets the benefits from economies of scale and lower costs of production. Because of these advantages, Primark is able to offer lower prices to keep competitive despite the times when there is a high rate of inflation and less consumption by consumers (Associated British Foods, 2024a). According to Harvard

Business School Institute for Strategy and Competitiveness (2025), businesses that implement cost leadership strategy properly can gain competitive advantage because of lower prices and acceptable profit margins. Primark is using this strategy all the time.

Cost Structure (Fixed and Variable Costs)

The cost structure of the company includes fixed and variable costs. Fixed costs are those expenses which do not depend much on the volume of sales. It includes shop lease, salaries of permanent employees, insurance, depreciation of buildings and machinery, and IT system in the whole business (Drury, 2021). These costs are to be paid regardless of the number of sold products.

Variable costs increase and decrease depending on the volume of sales. They consist of such expenses as inventory, costs of delivery, packaging, and wages of hourly paid workers in trading periods (Atrill and McLaney, 2021). As the demand of clients grows, the costs also increase since more products have to be made, delivered, and sold. Controlling the variable costs plays a great role in the implementation of the low price policy and maintaining profitability.

Role of Management Accounting in Cost of Analysis

Managerial accounting gives managers information needed for planning, budgeting, and controlling costs. Cost analysis gives Primark the opportunity to track costs, evaluate suppliers' performance and look for ways of improvement without lowering the quality of the product or customer satisfaction (Horngren, Datar and Rajan, 2021). These management accounting methods are helpful when making decisions about pricing, inventory, and opening new shops in the future. Efficient control of both fixed and variable costs helps Primark to provide affordable products and good results financially and competitively (Associated British Foods, 2024a).

Budgeting and Financial Planning

The Role of Budgeting

Budgeting is among the most important techniques of management accounting that the company uses for planning, controlling costs and making decisions regarding finances. Every year, budget is prepared in relation to sales, inventory, employees, marketing, operating costs and capital expenditures. With budgeting, management is able to forecast income and expenditure in the future in order to allocate resources effectively. In the course of the financial year, actual performance is compared with budget in order to identify any differences. In case any unexpected costs arise or sales become less than projected, managers will be able to understand the causes and take steps to rectify the situation (Atrill and McLaney, 2021).

Budgeting facilitates the company's growth strategy by helping managers plan future spending, allocate resources efficiently, and support long-term business objectives (CIMA, 2024). Before entering into a new market or investing in new technologies, budgeted financial forecasts are made in order to assess the potential costs, revenues and profitability. Budget information helps managers to decide how to distribute resources, control inventory, plan employees' needs and ensure sufficient cash flow. Thanks to the information from management accounting, the company makes informed decisions in terms of business development (Drury, 2021).

Changes in Operating Expenses

According to Google Finance, the parent company of Primark – Associated British Foods (ABF) – reported the rise in operating costs compared to the previous year. The year-on-year rise indicates further investments into business activities and rising costs of operations in the retail sector (Google Finance, 2026). However, despite the rise in operating costs, the company reported the improvement in operating profit, which shows that the increase in revenues and gross margin exceeded the costs.

Internal Decisions Made by Management

Internal management decisions have led to the rise in operating costs. In 2024, Primark kept on expanding its stores in Europe and the US, remodeled existing

stores, developed digital systems, invested into the upgrades of distribution centers, and introduced more self-service checkouts. The company also increased the expenses on marketing and sustainability initiatives and continued its investments in staff training and customer experience. Though these decisions resulted in increasing operating costs in the short run, management expects that these expenses will lead to greater efficiency, higher level of customer satisfaction and long-term profitability (Associated British Foods, 2024).

External Factors Affecting Costs

The increase in operating costs has been also affected by the macroeconomic external factors. Inflation continued to increase labor costs, utility costs, rents, transportation costs and other operating costs in the retail sector. Under the pressure of the cost-of-living crisis, Primark had to keep up with its value pricing strategy, while absorbing some of the cost increases. However, decreasing freight rates, recovery of global logistics and lower costs of raw materials in comparison with previous years helped to ease the effect of inflation and to increase the margin of profit (Associated British Foods, 2024).

Overall, budgeting allows the company to control financial performance and to make informed decisions. With the use of budgeting technique, managers can react to changes in internal and external environment of the business in order to ensure sustainable development and profitability (Horngren, Datar and Rajan, 2021).

Performance Measurement and Decision-Making

Financial KPIs

Through performance measurement, Primark can evaluate its ability to meet its organizational objectives and make management decisions. Measuring key performances indicators also helps managers identify strenghts, weaknesses and areas for improvement (CFI,2025). It uses financial and non-financial key performance indicators (KPIs) to assess the performance of the business, become more efficient, and remain competitive in the retail market.

Revenue growth is one of the financial KPIs used to measure income from selling products. As Yahoo Finance (2026) reports, Associated British Foods (ABF), Primark's parent company, continues to generate more revenue because of the demand of their customers and international expansion. Operating income is another

financial indicator that reveals the level of profitability of the core operations of the company without considering operating expenses. As it is shown by Google Finance (2026), operating income became better despite the increase of operating costs. Finally, operating margin is another financial indicator showing how well the company generates income from its sales. The company became more efficient and reduced its freight costs, and, as a result, it was possible to increase its operating margin (Google Finance, 2026).

Non-Financial KPIs

Primark also measures non-financial KPIs. Store expansion is an example of a non-financial KPI: the company continues to open new stores in Europe and the USA in order to increase its market share and reach out to more customers (Primark, 2025). Customer satisfaction is another non-financial indicator that is measured due to investment in the development of the product, wider range of products, more convenient in-store experience, and introduction of such service as Click & Collect. Moreover, the company uses sustainability performance as another non-financial KPI: the company increases the usage of recyclable materials, and, thus, increases supply chain transparency as a part of its Primark Cares strategy (Primark, 2025a).

Strategic Decisions Based on Performance

Primark uses financial and non-financial performance to make its strategic decisions. For instance, the growth of revenue and positive sales performance were the factors that made the management make a decision about further international expansion of the business. At the same time, financial performance made the company make its decision about the improvement of efficiency of its operation due to investing in digital technologies and automation (Primark, 2025).

The maintenance of Primark's value-pricing strategy is another crucial decision of the company. Even though the increase of inflation led to the growth of operating costs, the company decided to keep prices low. This decision is based on financial analysis and information about customer demand. Management understands that pricing will help maintain the volume of sales and customer loyalty (Google Finance, 2026).

Sustainability and Ethics

Sustainability and Financial Decisions

Sustainability is an integral part of the business strategy of Primark and the financial decision-making process. The company invests in a number of projects aimed at the reduction of the company's negative impact on the environment and fostering sustainable development of the organization. In particular, the investments relate to the increased usage of recyclable and sustainable materials, improving energy efficiency in stores, decreasing the carbon footprint and increasing product longevity. Although the investment is costly for the company, it represents a long-term project aimed at improving the company's reputation, increasing efficiency and responding to the needs of customers (Primark, 2025a).

In addition, Primark makes the process of purchasing goods sustainable by cooperating with suppliers. Thus, the company works with suppliers and encourages them to improve their environmental performance and practice responsible sourcing. Such activities decrease business risks and foster the sustainability of the supply chain and financial performance (Primark, 2025b).

Ethics in Cost Management and Pricing

In addition, ethical considerations play an important role in the cost management and pricing strategy of the company. Primark is famous for affordable fashion, but, at the same time, the company recognizes the importance of protecting the rights of workers within its supply chain. The Supplier Code of Conduct includes provisions for safe working conditions and respect for labour standards of suppliers.

Rather than reducing product quality or compromising ethical standards to lower costs, Primark focuses on improving operational efficiency, purchasing products in large volumes, and building long-term relationships with suppliers. This approach allows the company to maintain competitive prices while supporting responsible business practices. Overall, integrating sustainability and ethical considerations into financial decision-making helps Primark create long-term value for customers, suppliers, employees, and shareholders.

Conclusion

This report showed that management accounting is very important for Primark's business. It helps the company control costs, prepare budgets, measure performance, and make better business decisions. Primark uses both financial and non-financial information to support its low-price strategy while continuing to grow in

different countries. The report also showed that sustainability and ethical business practices are becoming more important for the company's future success. It is recommended that Primark continues investing in digital technology to improve efficiency, increases its focus on sustainable products and responsible sourcing, and regularly reviews customer feedback and financial performance to support future growth and remain competitive. Continuous improvement and regular performance reviews can help businesses remain competitive in a changing retail environment (Deloitte, 2024).

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