



Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

**A critical analysis of external factors impacting
High Street retailers in the UK
Employability Skills
Problem Solving and Innovation
(BMSW4014)
Scott James
Mircea L. Coroian (2421526)
Certificate of Higher Education**

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1. Introduction

High Street retailers in the UK face a dynamic and challenging situation. This shows consumer preferences, economic pressures, and regulatory changes. The decline in physical stores, even more by the rise of e-commerce and external disruptions like Brexit and Inflation, has led to increased financial distress, with over 2 100 retailers reported in critical condition in Q4 2024 (Begbies Traynor, 2024). This report examines the external factors impacting UK High Street retailers using PESTLE and SWOT analysis. This is supported by strategic theory in management. Researching reliable sources like academic texts, industry reports, and reputable news providers helps me identify key challenges and opportunities. In conclusion, I will provide actionable recommendations to help stores stay stronger during tough times.

2. Findings

The analysis uses PESTLE and SWOT frameworks to assess external influences and strategic positioning, as proved by Johnson et al. (2017). These tools provide a structured approach to understanding macroeconomic factors and organizational strengths, weaknesses, opportunities, and threats.

2.1 PESTLE Analysis

The PESTLE framework evaluates political, economic, social, technological, legal and environmental factors affecting an industry (Kotler and Keller, 2016). Below is a detailed analysis of UK High Street retailers.

2.1.1 Political Factors

Brexit has disrupted retail operations, increased import costs and caused supply chain delays, especially for retailers relying on EU goods, which account for 80% of UK food imports (Walker and Mugudubi, 2021). High business rates, around £25 000 annually for medium size stores, and restrictive urban planning policies, such as low emission zones, challenges even more profitability (British Retail Consortium, 2024). US tariffs of 10-20% proposed in 2024 disrupt the global supply chain, raising costs for imported non-EU goods (Financial Times, 2024).

2.1.2 Economic factors

The UK cost-of-living crisis, driven by inflation at 11.1% in 2022 and remaining at high rates, has reduced consumer spending power (Office for National Statistics, 2024a). Retail sales fell by 0.7% in 2024, reflecting cautious consumer behavior (Retail Economics, 2024). High cost of operations, commercial rents and energy prices, which rose by around 20% since 2022, decreased profit margins significantly (Deloitte, 2024).

Currency situations post Brexit have increased import costs, forcing retailers to raise prices or accepting losses that may occur, especially impacting smaller retailers (Walker and Mugubudi, 2021).

2.1.3 Social Factors

Consumer preferences are changing now. They are looking for more convenience, sustainability, and digital engagement. Smart consumers have increased their organic product sales by 10% since 2020, reaching £2.4 billion in 2023 (Soil Association, 2024). “Millennials” and “Gen Z”, who prioritize ethical consumption and online shopping, count for around 60% of e-commerce transactions, reducing in-store customer frequency (Retail Gazette, 2023). The stats show that population is expected to increase around 8% by 2030, therefore creating demand for accessible stores formats and products that are related to the older demographics (Office for National Statistics, 2024b).

2.1.4 Technological Factors

Consumer expectations change dramatically, due to the high number of online sales, more specifically around 27% in UK retail in 2024 (Retail Economics, 2024). Retailers are investing in alternative strategies like click-and-collect, which some sources are reporting around 15% higher customer retention (Deloitte, 2024). Even though there are more powerful tech-options like AI Inventory Sistem, smaller retailers are struggling due to the significant investment that is required, therefore not too many choices (McKinsey and Company, 2023). Cybersecurity threats are growing, with data breaches in retail, costing approximately £3 million per incident, has been reported (Financial Times, 2024).

2.1.5 Legal Factors

Food Standards Agency (FSA) regulations create an urgency to comply with standards and requirements, which in most cases increase the number of violations, as we seen in a £7 million penalty for a big player in retail in 2023 (Retail Gazette, 2023). Another important factor is the minimum wage, which increased last year (2024) to £11.44 per hour, is affecting directly the retail sector due to labour costs increasing also (Gov.uk, 2024). After Brexit, the regulations about trade start to feel more complex than before, creating obstacles in administrations while importing goods as a retailer (Walker and Mugudubi, 2021).

2.1.6 Environmental Factors

Retailers need to be sustainable, as 70% of UK consumers prefer brands and products that are ecofriendly and fallows “green” practices (Deloitte, 2024). They also face pressure to reduce carbon emissions and need to adopt sustainable packing, following regulations like UK Plastic Packaging Tax, which cost around £200 per ton of non-recyclable plastics (Gov.uk, 2024). Major retailers like Mark & Spencer have committed to zero emissions by 2040, but smaller retailers struggle with the cost of compliance (Retail Gazette, 2024).

2.2 SWOT Analysis

The SWOT framework come in addition to PESTLE by assessing internal and external strategic factors (Johnson et al., 2017)

2.2.1 Strengths

High Street retailers benefit from strong brand recognition and physical store networks, which help to increase customer loyalty in any community. Large retailers like Tesco take advantage of economies by scaling and using multiple suppliers, diversifying the choice, which reduces the need for a single market (Retail Economics, 2024). Investments in alternative solutions or platforms like John Lewis mobile app help increase sales, in some cases around 12% in 2024, as reported (Deloitte, 2024).

2.2.2 Weakness

High fixed costs, like rents around £40 per square foot in prime locations decreases profitability (British Retail Consortium, 2024). Many retailers are lacking in digital solutions, with around 40% lacking in integration of e-commerce systems (Mckinsey and Company, 2023). With Shop frequency decreasing, around 10% since 2019, most of the consumers prefer or shifts to online platform alternatives (Retail Gazette, 2023).

2.2.3 Opportunity

Increasing demand for sustainable products offers opportunities to attract eco-friendly consumers, with around 65% of them willing to pay premium rates for green products (Deloitte, 2024). Expanding digital channels like social media marketplaces can capture younger demographics who spend around 30% more online than the others (Retail Economics, 2024). Finding a local source as a partner can mitigate Brexit related risks in connection with the source and supply, and can improve brand appearance (Walker and Mugudubi, 2021).

2.2.4 Threats

There is huge competition as we can see, with giants like Amazon capturing around 20% of the retail sales in the UK, through the online environment (Retail Economics, 2024). Uncertainty with GDP growth future projections creates fear and limits consumers spending (Office for National Statistics, 2024a). Regulatory changes and pressures like environmental taxes and labour laws increase operational costs, while Brexit related matters threaten supply chain stability. (Financial Times, 2024).

3. Conclusion

The PESTLE and SWOT analysis presented multiple challenges for UK High Street retailers. Political factors like Brexit and high business rates have increased costs and disrupted supply chains. Economic pressures like inflation and consumer confidence decrease spending overall, while social trends towards sustainability and online environment create huge demand for adoption. Tech advancements offer opportunities for innovation but require significant investment, and “green” regulations add compliance

barriers. Retailer strengths like Brand loyalty and online alternatives provide a good foundation for resilience, while high costs and economic uncertainty present risks in the form of threats. As a retailer in the UK, strategic adaptation and a structured approach are essential for survival.

4. Recommendations

4.1 Enhance Alternative Integration

Retailers should invest in both online and offline experiences, like click-and-collect, mobile apps, or online solutions to meet consumer demand for convenience. For example, adopting the John Lewis model of digital platform can increase retention significantly (Deloitte, 2024). Data analytics should be used to personalize offers, targeting younger consumers who dominate online spending (Retail Economics, 2024).

4.2 Prioritize Green Initiative Solutions

Retailers should adopt green practices like recycling packaging and local sourcing to align with consumers' preferences and regulatory requirements. Adopting Mark & Spencer net zero commitment can help enhance your brand reputation and can attract eco-friendly customers who are willing to spend extra (Deloitte, 2024). Being transparent and communicating your efforts to improve online and offline can build trust and reputation.

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