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Assignment Title: A critical analysis of external factors impacting High Street retailers in the UK.

Introduction

The condition of the high street retailers (HSR) in the UK has become challenging in recent times. There are different reasons for these problems. There have been changes in the behaviour among the consumers and their habits. The customers are preferring online shopping more than going to the retail outlets. The changes in technology have occurred in the retail environment, causing complexity. The political changes, as well as economic disruptions, have brought many changes in HSR. Furthermore, there are issues due to customer behaviour, such as shoplifting. The changes are evident in popular companies in the UK such as Tesco, Primark, Marks & Spencer, among others.

The present discussion will examine in detail all the factors, both internal as well as external, that affect the functioning of the HSR in the region of the UK. The impact of these factors will be evaluated by the use of PESTLE along with the SWOT analysis. The learning these factors will show the intensity of the influence and the way these influences can be addressed. The report will further present two recommendations to help the HSR to come out of the complications.

Findings

PESTLE analysis

The use of Pestle analysis helps to examine in detail all the external dynamics that affect a business (CIPD, 2024). In the present case, pestle analysis of the UK has been done and its impact on HSR.

Political: The score of political stability of the UK is at 0.51 (GlobalEconomy, 2023).

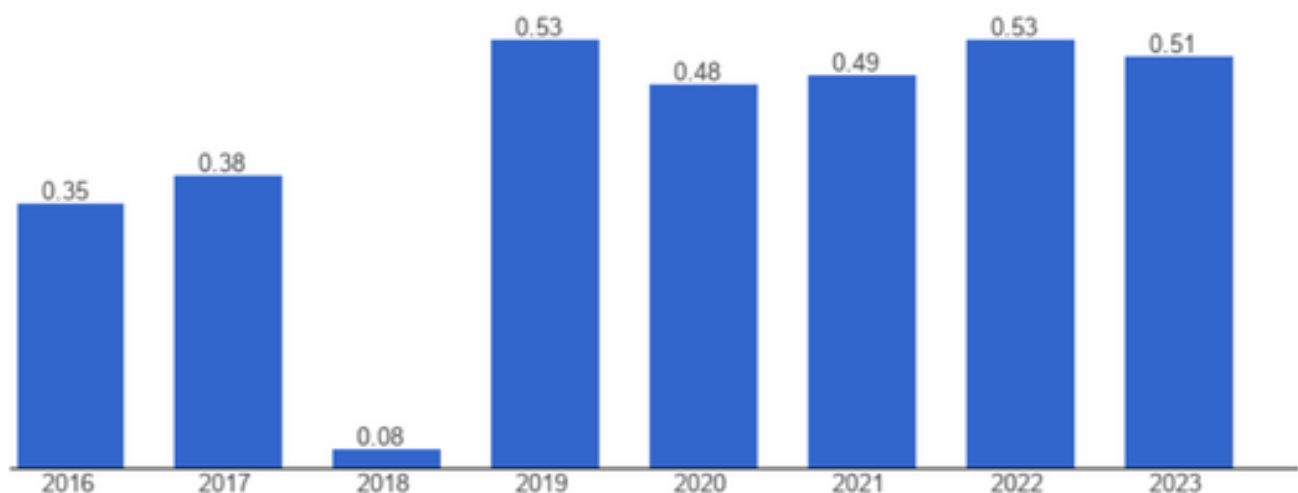


Figure: Political stability of the UK

Source: (GlobalEconomy, 2023)

The said score is moderate and implies that HSR can operate in the country with a moderate level of intervention and stability. However, since the score is not high, it cannot be stated that HSR is free from any uncertainties. At any time, HSR can be subjected to certain government regulations. The companies are affected by the post-Brexit rules in the UK. There has been an increase in the costs of imports for items that are procured from Europe. This means that the HSR, such as M&S, cannot offer products to the customers at a reasonable price.

Economic:

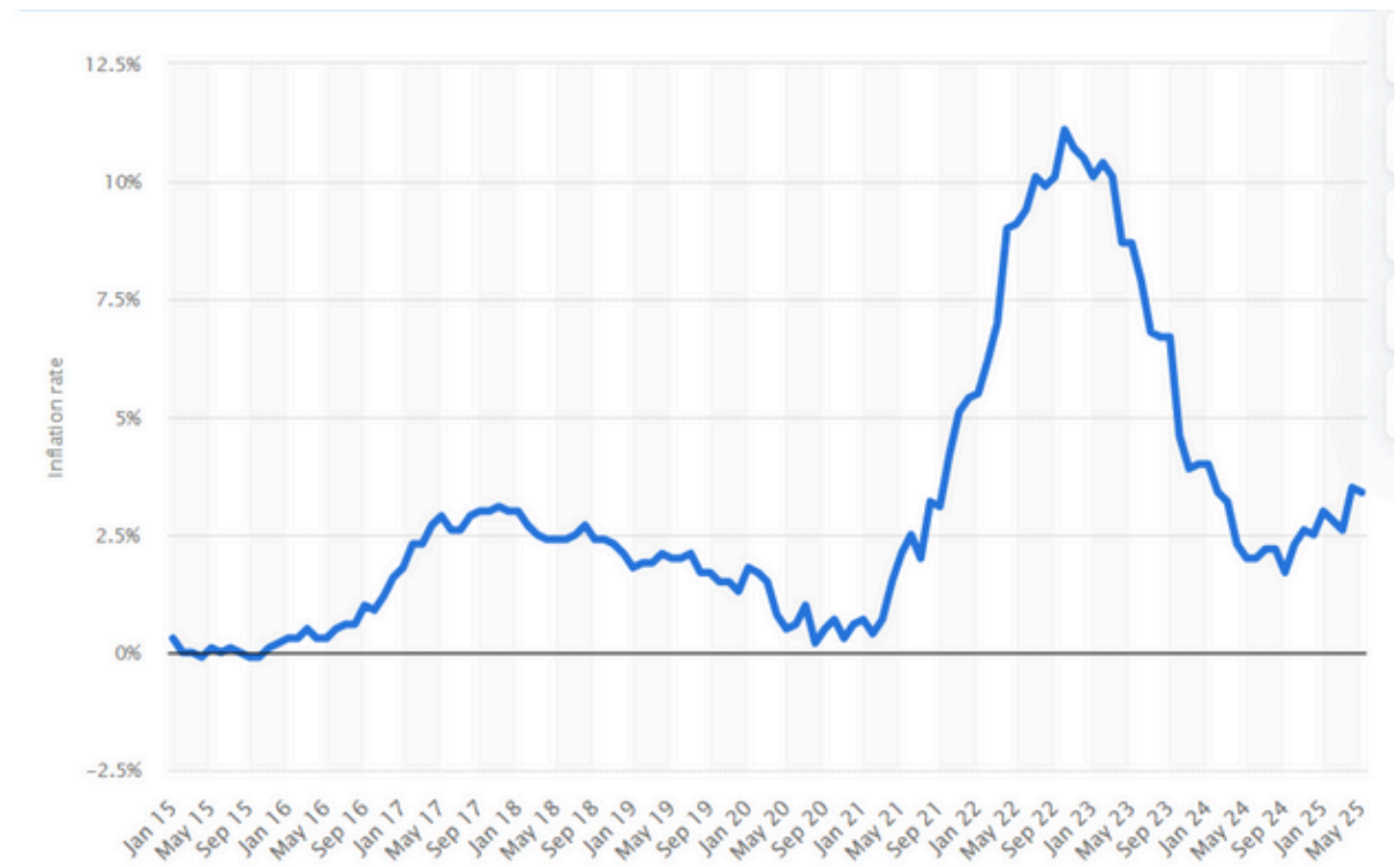


Figure: Changing inflation rate in the UK

Source: (Clark, 2025)

In the UK, inflation has been erratic, with its rate at 3.5% in April 2025 (Reuters, 2025). This has a negative impact on the prices of the raw materials, semi-finished items to the final products. During such situations, both the HSR and the customers are affected. The HSR has to purchase materials at a high price. Similarly, the customers have to pay high prices for the final products. Additionally, the rate of interest in the UK has been accelerating and at present is at 4.25 % (UKGovernment, 2025). The changes in interest rates have increased and changed 13 times within 2022 and 2023 (ONS, 2024). Therefore, the customers will refrain from spending money freely on luxury items and only focus on the essentials.

Social: There has been a consistent growth in the number of online shoppers in the UK. It has been estimated that around 81.5% of the consumers in the UK are making use of e-commerce (Statista, 2025). This is expected to increase by 2029 to 97.2% (Statista, 2025). This means that the HSR, which does not have an effective or sufficient presence online, has to suffer. Tesco, for instance, has upgraded its technological development and its online platform for sales. This has resulted in an 8.2% increase in online sales with an improvement in market share by 37.5% (Fibre2Fashion, 2023).

Technological: Technological developments are consistently seen in the retail sector. These include the use of smartphone applications, websites by retailers. M&S has recently made sufficient investment in its digital transformation, such as the use of mobile shopping (Al-Nabhani *et al.*, 2022). It has been estimated that nearly 44% of the orders of M&S are placed virtually (M&S, 2024). On the other hand, the HSR, having operations solely offline, also includes technological developments. These include the use of digital labels, showing price and the use of machines for self-checkouts. All these lead to a reduction in the cost of human resources and better optimisation of available resources.

Legal: Different legislations are followed in the UK that guide and facilitate retail operations. These legislations include safety acts and the protection of employees and customers. For example, the Act of Consumer Rights, 2015, acts to safeguard the customers (LegislationUK, 2025). Therefore, when the HSR fails to adhere to these legislations, there is an increase in legal complications. In the fashion sector, this is more pronounced. The companies have to mention clearly their supply chain and how it uses resources. Most companies, however, face allegations regarding greenwashing that hampers their goodwill and brand value.

Environmental: The customers in the UK have become more conscious about the environment. Around 86.5% of the UK customers have looked for sustainable changes in their shopping behaviour (ClearChannelUK, 2025). This makes it necessary for the HSR to conform to sustainable and green standards in all its operations. The customers, for instance, prefer products that come with recyclable packaging and packaging that uses biodegradable materials. HSR that is able to market its products following such standards become successful. In contrast, when the brands fail to adhere to such protocols, they encounter backlash.

SWOT analysis

Strengths: HSR has been recognised in the UK for their quality and diverse offerings. This has improved the customer trust in these brands, and these HSRs have goodwill in the market. Despite being HSR, most of the outlets see that they offer an optimum experience to the customers. For example, the customers have the scope to try on clothes, and this is not possible in virtual shopping (Ghodhbani *et al.*, 2022). Additionally, the locations of most of the HSR are near important places such as shopping malls or commercial centres. This improves the brand awareness and the footfall of the HSR in the UK.

Weakness: HSR faces challenges since the functioning of these brands requires high expenses. These expenses include payment of rent and wages paid to the human resources. On the other

hand, these HSRs have their outlets in different places and mostly in cosmopolitan locations. The administration and control of all the operations in all different retail locations uniformly require extensive cost (Ratchford *et al.*, 2022). Moreover, HSR lacks the adaptability in integration of digital technologies.

Opportunities: There is a rise in sustainability in the UK market. This trend has been integrated well by some HSRs. These brands become more popular than the others and create a positive impression on the customers. M&S, for example, has aimed at the use of 100% recycled plastic (HappyEcoNews, 2024). The brands have the scope to adopt the mode of omnichannel retailing. The use of this mode helps to combine the potential of both virtual as well as offline shopping. Finally, there is a rise in the trend of experiential shopping (Dolega *et al.*, 2021). The retailers hold shopping events and strive to give an immersive and personal experience to the customers.

Threats: There is consistent change regarding customers' behaviour. These include changes in technology, changes in customer choices, as well as needs. The absence of adherence to such changes makes the brand go out of popularity. There are economic changes and uncertainties, such as an increase in the cost of living (Breinlich *et al.*, 2022). This makes the customers prefer luxury items over the necessary items. Additionally, companies entirely based on e-commerce are gaining popularity due to convenience and flexibility.

Recommendations

In the face of the challenges in the business environment, it is essential to undertake informed and insightful decisions (Proctor, 2019). The major recommendations are mentioned below:

- **Making an investment in omnichannel**

There is a need for combining the offline as well as the online channels of retailing (Asmare and Zewdie, 2022). This shall include the making use of the potentials of both the offline as well the retail channels. The companies that still want to focus on offline retail have to undertake certain basic steps. These include collecting, along with click and the options of home delivery.

- **Improvement in experientiality**

HSR needs to work on its offerings to its customers that are not seen in the case of virtual shopping. The amenities that can be offered include the arrangement of free events, giving free trials to the products, space for community interaction and personalised shopping (Khare and Kautish, 2023).

Conclusion

It can be concluded from the above academic report that HSR in the region of the UK faces challenges from external factors. There are political implications, economic uncertainties in the face of rising inflation and the cost of living. At the same time, legal and environmental requirements are growing. It creates a demand on the HSR to follow these requirements considerably. It is necessary for the HSR to properly adapt to the necessary changes, such as an emphasis on digital revolution,

offering sustainability and convenience. The insights gained from these external and internal factors help the HSR considerably.

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