Module: Problem Solving and Innovation (BMSW4014_CARD)

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 have been declining in first half of 2024 with only 38 stores closing per day with only 25 new outlets being opened each day. The main factor that has been declining is spending. Ever since the pandemic began, consumers have shifted to online shopping as prices increased, leaving many overwhelmed. Many households are currently experiencing significant challenges with their disposable incomes, largely due to the escalating cost of living that has become increasingly prominent in recent years. This financial strain has impacted the ability of families to manage their budgets effectively, leading to a re-evaluation of spending habits and priorities (Parry, 2025).

3. Findings

3.1 This section confidently utilizes PESTLE and SWOT frameworks to analyse Sainsbury's external environment and internal capabilities, clearly identifying strategic implications for the company. It begins with a comprehensive overview of PESTLE, follows with a robust SWOT analysis, and then thoroughly examines three critical factors that are pivotal to Sainsbury's success.

Political

- **Post-Brexit trade**: Leaving the EU has increased import costs and complexity in the supply chain. Sainsbury's faces higher duties and logistical barriers impacting foreign-sourced goods (Research-Methodology, 2025).

- **Tax and regulatory policies**: New Labour's employer tax increases and higher packaging levies are putting pressure on profit margins. Retailers are automating and reducing costs in anticipation (Davey and Sandle, 2025).

Economic

- **Inflation and cost of living:** Growing food and energy costs for UK consumers reduce their purchasing power. The BRC predicts modest growth (~1.2% in 2025), despite Sainsbury's 3.5% sales increase over the 12 weeks leading up to December 2024 (Davey and Milliken, 2025).
- **Price war risks:** Asda is lowering prices aggressively, and Aldi and Lidl are putting pressure on Sainsbury's, which is impacting its profit margins. Nevertheless, Sainsbury's annual profit increased by 7.2% (£1.036bn to March 2025) (Davey, 2025).

Social

- **Shifting consumer values:** Sainsbury's "SO Organic" and speciality product lines have benefited from the growing demand for convenience, sustainability, and health (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:** During the pandemic, online sales increased by about 70% and now make up 20% of total revenue. Through Nectar, Sainsbury's is extending its Click & Collect service, dark stores, and digital loyalty programs (Wikipedia Contributors, 2025).
- **Automation efforts:** The goal of investments in analytics, AI inventory systems, and self-checkouts is to save £1 billion (DCF modelling, 2022).

Legal

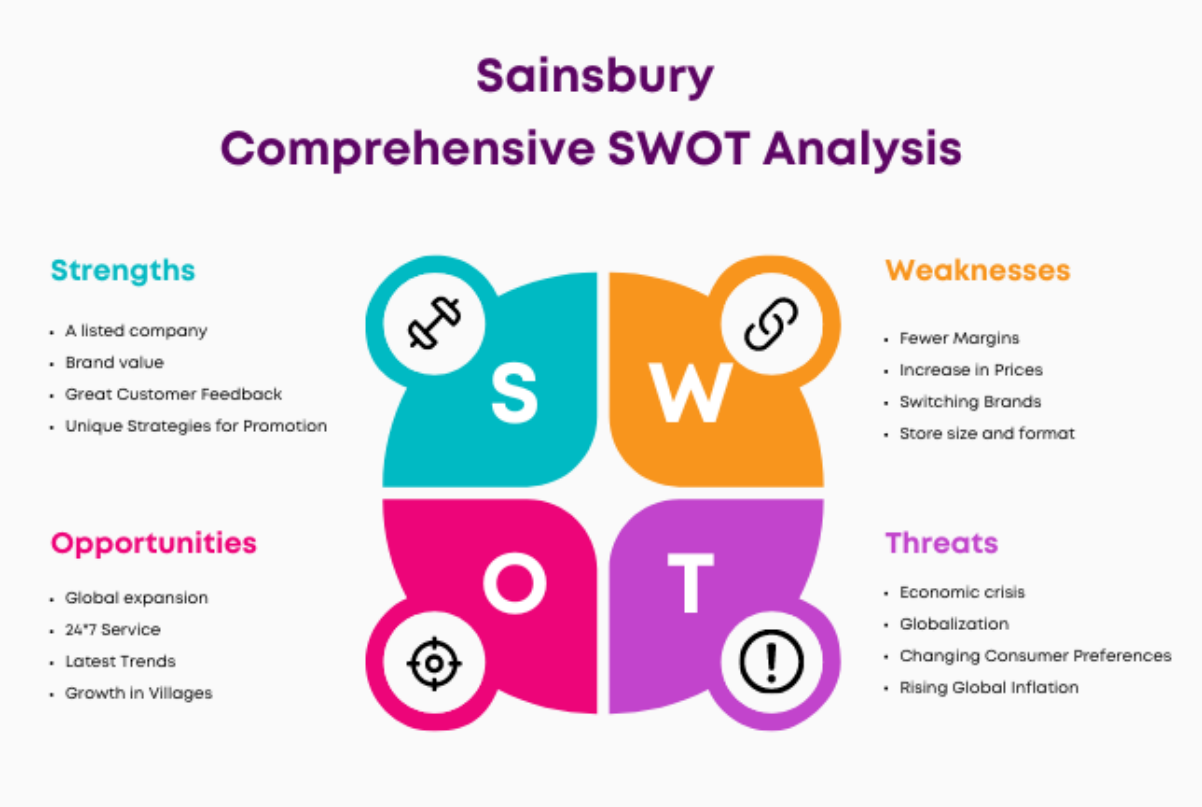
- **Food, packaging & labour regulation:** Regulation of food, packaging, and labour: Complying with stringent laws pertaining to food safety, labelling, and employment adds complexity. Cost and regulatory pressure is increased by new packaging taxes and labour rate policies (Davey and Milliken, 2025).
- **Data protection:** Strong cybersecurity and complete GDPR compliance are essential for Nectar and online systems.

Environmental

- **Plastics and carbon footprint:** There is a lot of pressure to switch to recyclable packaging while lowering emissions and plastic usage. Customers now demand that brands be sustainable.

- **Animal Welfare scrutiny:** Demands for stricter supplier oversight have resulted from reputational damage caused by animal welfare investigations, such as exposés of poultry farms.

3.2 SWOT Analysis



(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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