

Pestel pestle analysis of the retail industry

Business



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The retail industry is everywhere. Literally. You don't have to walk down the street to your favorite shop anymore. Just turn on your smartphone and start shopping online.

With the help of technology, retail is one of those industries that can survive post-economic destruction. It's always there, even when buyers don't have the funds to buy their products.

But just like every other industry, the retail sector is affected by the six principles of PESTLE/PESTLE analysis. Here's what you need to know.

Political factors: Anti-trust issues

The revenue and profitability of any retail store are affected by government policies. These regulations impact the economy, consumer buying habits, and international trade laws. The only thing left for the company to do about these changes is abide by them.

Each country must abide by their political regulations. The regulations affect which products can be imported, exported, and sold in stores. Stores offering food products must comply with health guidelines proposed by the government. If they don't, not only will the food be pulled from the shelves, but it could also lead to legal troubles for the company.

It's not only physical retail stores under scrutiny. We've seen shifts in how e-commerce retail leaders operate over the last few years. Antitrust issues and data breaches are causing the government to look into how data is stored, used, and shared. This affects the retail industry, particularly big names like Wal-Mart and Amazon, who provide products online.

When retail stores branch into other countries, they need to abide by the policies in that country too. In some cases, this can be beneficial. But if the country's political parties are fickle, it can easily turn into a problem.

Economic factors: Nearly \$30 trillion dollars in a couple more years

A stronger economy allows consumers to buy products they want. Rather than just buying products they only need. It also means more investors are becoming interested in the profitability offered by retail stores. This is only possible when the economy is on the rise.

When it's on the decline, the opposite is true. People save their money for products of necessity. They'll spend the bare minimum on food while the rest goes towards unpaid bills. This can happen when unemployment rates spike. Or when a certain industry is hit harder than others.

The retail industry was able to hold itself up even during the recession. It's one of the few industries who managed to scrape through. By 2020, the industry may see global sales nearing \$30 trillion. Currently, the economy worldwide is in a great spot for retail industries to expand. Customers have more disposable income to spend on friverous products.

However, if the economy is poor, it doesn't matter how many products are offered. Because no one can afford or justify the purchases. Unless the retail corporations react accordingly (cutting prices), they'll suffer profit loss.

Social factors: Buying in bulk and collecting endless data

Consumer preferences are the main social factors affecting the retail industry. For instance, people enjoy buying products in bulk. This is the exact premise behind Costco, a Canadian retailer. Here you can find food products, clothing, and electronics, in large quantities. Stores other than Costco now mass stock various products to avoid running out quickly.

These products aren't bought by retailers on a whim. They use market research to identify buying trends and shifts in consumer behavior.

Understanding these two things helps to find items more likely to boost profits.

Retailers who offer products online can collect data provided by their customers. They can easily see which products people are buying, leaning towards, or completely ignoring. Then, they shape their offerings based on this data. It's a never-ending process.

Companies set targeted ads to customers most likely to visit their stores and buy from them. Larger retailers can achieve this easier than mom and pop shops. But even smaller shops can benefit from offering discounts and sales on products. All consumers love a good deal.

Technological factors: A digital catalogue for easy browsing

Retail stores use a variety of technology everyday. Like a point of sales system. As well as cash registers to manage money after a sale. It's standard for any store. As technology advances, stores are adopting new systems, software, and hardware. For instance, smaller stores are making the shift to computers or iPads at the register. It's fast and easy to use.

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The retail industry has greatly benefited because of the internet. Not only to streamline services, but also to reach audiences worldwide. Most companies have a business website. It's basically a digital catalogue for their products. Big name companies are able to offer a selection online. The products are either shipped to the customers' home or the closest store for pickup.

Amazon and Walmart are going head-to-head. Each company offers retail products online, to be sold and shipped. Other small name companies can't compete on the same scale. That doesn't mean they should avoid having a business website or showcase their products online. It just means they don't have the means to meet the same demands as the bigger retailers.

Environmental factors: Contamination and blockchain technology

More retail shops are offering food products. The state of the environment affects the quality of the product and the selection. It also means having to abide by more economic and political factors. For instance, corporations fear a "soda" tax; it's an increased tax for selling soda in stores. Likewise, some shops in other countries have to pay a tax for offering fatty foods.

And what about food contamination?

Once a food, like lettuce, has E. coli, every store needs to toss out their lettuce. This is costly for the companies. But now some stores like Walmart are looking to use blockchain technology. It would allow farmers and manufacturers to input information about food products in real-time. And should a problem arise, Walmart could find the source immediately. Rather than spending weeks trying to locate where the contamination started.

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If other companies used this, they would know whether their lettuce is truly contaminated. Because when contamination happens, every store in the chain has to get rid of the product. Whether their food is actually contaminated or not. Because we just don't know.

We also can't forget about environmental issues inside of the stores either. All retail stores need to meet the environmental requirements for consumer and employee safety. This is set by the government. It's non-negotiable.

Legal factors:

A retail store needs to meet legislative conditions before opening the shop. These conditions are often standard. It includes abiding by taxation laws, labor laws, and more. Legal factors become trickier once the company expands overseas or offers products online. Then the international laws come into play. As does data and copyright laws.

Not following these laws exactly as outlined will lead to legal troubles like bankruptcy and foreclosure. It's important to understand the laws long before the store is open for business. And as the retailer grows, new legislative laws come into effect.

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