

Uk retail industry



**ASSIGN
BUSTER**

Introduction The grocery industry in the United Kingdom has been dominated in the last ten years by large chain Supermarkets.

There has been a fight for supremacy between the likes of J. Sainsbury, Tesco, Marks and Spencer, Asda, and further south, Waitrose. Around ten years ago, Sainsbury's used to have the top spot but their loyal shoppers started turning their heads towards Tesco and better value for money later on in the nineties. I will analyse the United Kingdom's grocery industry, involving a P. E. S.

T. nalysis, which is a way of evaluating different parts of a business.

(Political, Economical, Social, and Technological.) Political The government can basically decide how a business is run; by all the laws and safety acts it can impose.

Nowadays there is so much legislation, businesses don't have much say in what happens and there is not much leeway between similar companies. Supermarkets are told more or less everything; from what they stock, to how they stock it, how it is sold, who is allowed to sell it etc. The Government has to regulate prices too, because it has been known in the past for companies to price fix, which means that they have a monopoly on the market, but they share it with another company, charging the exact same price, so they get an equal profit share. This prevents any new companies from entering the market and taking a percentage of their market share. The supermarkets dominating the British market would be classed as an oligopoly because there are four or five major players, dominating the market.

But this is the way that the government prefers; they will not allow any merging or taking over. We know this because Tesco has tried to buy out Asda in the past. This would give Tesco too much of the market and the business would rapidly overtake all of the contenders. Officially, a firm has to have more than twenty five percent of the market to be classed as a monopoly, but even if by taking over Asda, Tesco still didn't have twenty five percent, the Government felt it would give them too much of the share. Massive companies like Tesco can then start dropping the price of their goods, because if they sell enough, they will still make a profit because they will be stealing the market from rival stores that can't afford to drop the price. This happened in November of 2000, and the Government had to tell them to put the price back up to keep the market going consistently.

A good example is the price of meat. Just six years ago, in 1996, the farmer was happy with the price meat sold to supermarkets was fetching, but now, in 2003, the Government is facing pressure from declining agriculture industry to increase prices to save the British farming industry, otherwise, it faces a total collapse, with the British public buying their meat from abroad. We seem to be the only country in the world that don't support our own industries, by buying British. Some of the acts implemented by the Government include: Sale of goods act (1979) • Food safety act (1990) • Health and Safety at work act (1974) • The minimum wage

Economical

There are many factors that affect the business and sales of the United Kingdom's grocery industry, such as the exchange rate, inflation, interest rates and unemployment. Over the last five years, more than 650 new grocery stores have opened, across the country.

They vastly range in size, the smallest being just three hundred square feet and the larger, getting up to twenty five thousand square feet. There have been five major new companies that have entered the UK's market in the last ten years. These include Wal-Mart, the world's largest retailer, and Aldi, the sixth largest in Europe. This makes the competition incredibly strong, with stores in constant battles over price. Stores have recently started to expand overseas, with Sainsbury's opening stores in Egypt; and Asda bought out sixty Gateway stores in 1994. One of the latest crazes to hit UK supermarkets is the loyalty scheme, boasting features such as reward cards and points of future purchases.

This makes shoppers think they are getting good value, as they get ten pence off per litre of fuel they buy after their weekly shop. The larger companies have been forced to do this because there is an increasing threat from European discount stores such as Lidl opening all over the country. Tesco have been closely working with the Government to try and combat the UK's ever increasing unemployment. They are doing this by opening vast stores capable of generating 200 new jobs in renowned low employment areas. This is beneficial for everyone.

The government gets better statistics •The unemployed are now employed
•Tesco have new staff who can't command much more than the minimum wage Interest rates can climb by a reduction in the spending of the general public; this has a knock on affect, reducing inflation hence increasing the unemployment levels. But if the exchange rate is high, this will attract more foreign investment into the UK. Also, if interest rates go down, increased customer spending will lead to an increased demand for goods and services.

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Although this will decrease unemployment, inflation will rise. This is known as a demand-pull. Social (socio-cultural) Over the last decade, a massive change in lifestyle has happened to most of us.

From women working more to the breakdown of sit-down meals, everything has an effect on how we live our lives. Because everyone seems to be working more, there has been a huge increase in demand for fast food and convenience foods such as microwave meals that can be cooked and eaten in minutes. People feel that they haven't got time to take a break anymore, because they have too much work to do. This is a contributing factor to the recent high rise in stress levels in the workplace.

To accommodate for these changes, supermarkets have managed to adapt, for example Tesco have opened " Metro" stores, designed for the businessman/woman or anyone with a lifestyle on the move. There has also been an increase in everybody's environmental awareness, which has brought on the need for biodegradable packaging for foodstuffs. This has been a popular tactic used by most supermarkets. Every aspect of the ever-changing lifestyle has been thought of, from healthy eating products to kids packed lunch products! It is intelligent of store managers to think of products such as " cheese dunkers," that have been marketed to fit into a lunch box. Everyone will want one to increase their status at school and supermarkets can charge a lot because mothers will be forced to buy them. This might not have been possible a couple of years ago, but recently the amount of disposable income per household has dramatically risen.

The need for Indian and other foreign foods has grown due to the increasing amount of ethnic minorities entering into Britain, so the shops have also had to realise this. Technological As with the social part, the technological change over the last decade has been massive. From the advance in computers to new research methods it has had a large change on the industry. The first thing that springs to mind is the opening of “ home shopping. Different companies call it different things, but the main idea is to take orders over the Internet, pick them from the store, then distribute them the next day, this has taken off due to business people not having time to shop, and only having to pay five pounds for the privilege. New research methods such as more advanced, computerised market research has taken off in the street.

People didn't want to get involved with people asking time-consuming questions in the middle of the street. Instead they can now fill in leaflets that they receive through the post. The check-out in a supermarket is another important technological change, prior to it's invention, people would have to add up and do stock taking by sight and hand, now everything is totally computerised, so when a product is sold, the file maintenance department automatically orders another one to make sure they never run out.

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