Journal of Business and Management Studies (JBMS)
ISSN: 2709-0876
DOI: 10.32996/jbms
Journal Homepage: www.al-kindipublisher.com/index.php/jbms

JBMS
AL-KINDI CENTER FOR RESEARCH AND DEVELOPMENT

| RESEARCH ARTICLE

Decoding U.S. Retail Dynamics: A Holistic Strategic Analysis Using PESTEL and Porter's Five Forces Frameworks

Kazi Obaidur Rahman[1]✉, Achhia Khanam[2], Mehedi Hasan[3], Amir Hamza Akash[4], Rezwanul I Rezvi [5], Farhan Nasrullah[6], Shamina Sharmin Jishan[7] and Nayeema Nusrat[8]

[1]*MBA (Business Analytics), Gannon University, Erie, Pennsylvania, USA*
[2]*MBA (Accounting & Business Analytics), Maharishi International University, Fairfield, Iowa*
[3]*MBA, American International University, Dhaka, Bangladesh.*
[4]*MSc. (Statistics & Analytics), University of Arkansas, Fayetteville, Arkansas, USA.*
[5]*MBA, Devry University, Columbus, Ohio, USA.[1]ICL Graduate Business School, Auckland, New Zealand*
[6]*MBA (Business Analytics), Gannon University, Erie, Pennsylvania, USA*
[7]*MBS (Accounting), National University, Dhaka, Bangladesh.*
[8]*MBA (AIS), Jagannath University, Dhaka, Bangladesh*
Corresponding Author: Kazi Obaidur Rahman, **E-mail**: sohagfinance@gmail.com

| ABSTRACT

The U.S. retail industry is undergoing rapid transformation driven by technological advancements, changing consumer behaviors, consumers preference & choice, regulatory shifts, and competitive pressures. It's important for retailers to understand factors that may affect the business environment, its surroundings, socio-economic trends, competitiveness in the market for gaining strategic advantages. This article portrays a holistic approach analyzing the U.S. retail industry by integrating two recognized frameworks PESTEL analysis and Porter's Five Forces. PESTEL analysis helps retailers to understand the macro-environmental factors like political, economic, social, technological, environmental and legal factors, whereas Porters' Five Forces model enables retailers to assess industry-level competitiveness, competitive intensity, bargaining power, entry barrier, potential disruptions. This research paper is designed to serve as a valuable resource for retailers, investors, policymakers, and industry stakeholders seeking to navigate the evolving U.S. retail market dynamics and maintain competitive advantage. Here, we designed our plan to elaborate and explain the PESTEL analysis and Porter's Five Forces frameworks and then analyze both models to the most relevant extent in the context of U.S. retail domain. In this paper we used relevant secondary (publicly available) data and information for analyzing macro-environment factors and assess U.S. retail industry in terms of Porter's five forces. By synthesizing these perspectives, this study highlights and explains key insights into the challenges and opportunities shaping the retail sector in the United States of America. The findings include the increasing role of digitalization, regulatory compliance, shifting demographics, supply chain constraints, and sustainability trends in influencing strategic decision-making. Retailers can gain strategic advantages over their competitors by leveraging cutting-edge business intelligence tools, machine learning, and artificial intelligence tools in improving their business process.

| KEYWORDS

PESTEL Analysis, Porter's Five Forces, U.S. Retail, Tariff, Macro-Environmental factors, industry-level competitiveness.

| ARTICLE INFORMATION

ACCEPTED: 15 March 2025 **PUBLISHED:** 14 April 2025 **DOI:** 10.32996/jbms.2025.7.2.12

1.0 Introduction

The U.S. retail sector plays a vital role for transforming nation's economy. This domain is constantly evolving with the change of consumer preferences, technological advancements, regulatory changes, and global market forces. From the rise of e-commerce giants to the resilience of brick-and-mortar stores, the retail sector navigates a complex web of challenges and opportunities. Understanding these dynamics requires a comprehensive analytical approach that captures both external macro-environmental influences and industry-specific competitive forces.

In this article, we applied PESTEL analysis to examine the broader political, economic, social, technological, environmental, and legal factors shaping the U.S. retail landscape. Additionally, Porter's Five Forces Framework provides a strategic lens to assess industry competition, supplier and buyer power, the threat of new entrants, and the impact of substitutes. By integrating these two methodologies, we uncover key insights that can help retailers, investors, and policymakers make informed strategic decisions in an increasingly competitive market.

As the retail sector continues to transform through digital disruption, shifting consumer behaviors, and regulatory shifts, this holistic approach will illuminate the critical forces defining its trajectory in 2025 and beyond.

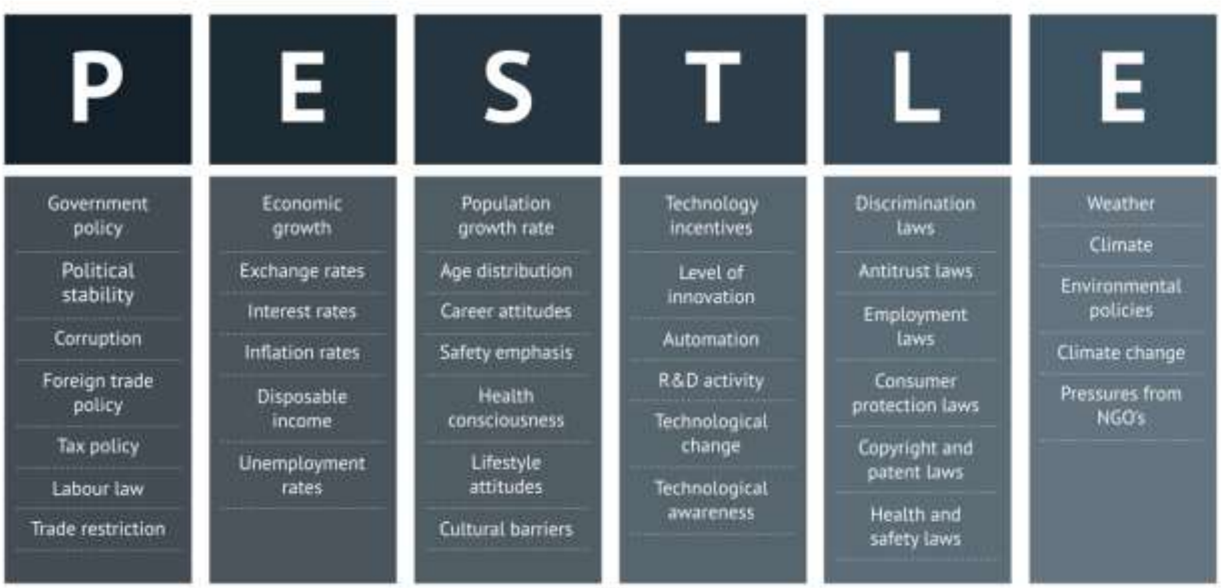
2.0 Literature review

PESTEL analysis and Porter's Five Forces Framework are two widely used strategic tools, but they serve different purposes in understanding market dynamics. While PESTEL focuses on external macro-environmental factors, Porter's Five Forces assesses the competitive landscape within an industry. Both frameworks are often used together for a comprehensive strategic analysis. PESTEL provides the big picture external factors, while Porter's Five Forces dives into industry-level competitiveness. This combined approach enables businesses to make well-rounded strategic decisions by understanding both external pressures and competitive positioning. Therefore, strategic management should employ PESTEL analysis as a precondition analysis (Yüksel, 2012).

2.1 PESTEL Analysis: The Macro-Environmental Analysis (U.S. Retail)

PESTEL analysis was designed and developed a framework to assess the opportunities and risks associated with the business operations within the macro environment, i.e., the external environment of any business industry. Significant events like the Covid-19 pandemic, global economic recession, imposition of tariff and counter tariff may affect any industry adversely and can shrink revenue growth, even a small change in technology, new law or legislation, change in international law can have greater impact on industry with new threat. Business organizations should assess the internal as well as external factors to take strategic advantages than those of market competitors. PESTEL refers to Political, Economic, Social, Technological, Legal, and Environment factors which can pose significant impact on any business entity. We should measure and evaluate each factor individually. However, one factor can affect other factors, for instance, a political scenario may have effects on the economy and society, according to Song (2017). We need to understand the PESTEL framework to assess the U.S. retail industry by applying this model.

Figure_01: Exhibits the macro-economic factors as per PESTEL Analysis.



[source: https://consulterce.com/pestle-analysis/]

2.1.1 Political Factors

Political factors refer to the rules, regulations, and policies imposed by the government that can have a greater impact on any business organization or industry. Business entities must comply with government policies, rules and regulations otherwise they may face penalties, or even threat to suspend or cancel business license.

In U.S. Retail, Political Factors (Impact: High):

U.S. retailers face a complex political landscape with evolving regulations, trade policies, labor laws in operating their businesses. Retailers import a significant portion of retail products (like electronics, apparels, logistics etc.) from Chaina, India, Mexico etc. Recent trade tensions with these countries (for instance, USA imposed total Tariff 145% on China, 25% Tariff on Canada and Mexico etc.) may increase costs for retailers like Walmart, Target that may impact on their sales revenue and profitability. Therefore, importers may now shift sourcing to Vietnam, Bangladesh, and Latin America to diversify their supply chains.

The push for a federal $15 min wage may affect retailers' profit margins, especially for low margin retailers such as grocery stores, and discount chains. Walmart and Amazone complied with labor policies wage regulations to remain competitive. Moreover, Consumer Protection & Data Privacy Laws like the California Consumer Privacy Act (CCPA) impact online and omnichannel retailers. Retailers must ensure secure data management and comply with evolving cybersecurity standards. In response, retailers tend to invest more in AI-driven supply chains and robotic warehouses, to minimize their cost and optimize efficiency. They may prefer using AI tools in managing their workforces, employees to get the best human resources in optimizing supply chains and robotic warehouses (Rezvi et al, 2025).

2.1.2 Economic Factors

Economic factors refer to the macro-economic factors like economic growth, inflation rate, currency exchange rate for internation trade, unemployment level, disposable income etc. Business organizations or industry should consider these macro-economic factors in assessing their competitive advantage, because any change in these economic factors can impact on the profitability and growth of the industry.

In U.S. Retail, Economic Factors (Impact: Very High):

U.S. retail industry experienced a significant raise in the cost of materials, wages, logistics and other costs of doing business due to inflation in the period Y2022-2024. Retailers had to pass these inflated costs to end users through premium pricing and/or shrinkflation strategy. As a result, during the economic downturn consumers most likely prefer discounted or low-cost stores like Aldi, Dollar General, Dollar Tree, eBay, secondhand market etc. However, high-net-worth customers remain unaffected. In response, retail companies prefer using AI-driven dynamic pricing policies to adjust their product pricing following the consumers' demand, competitors list price, and location to stay competitive.

2.1.3 Social Factors

Business organizations should analyze the socio-cultural characteristics, i.e., social factors in assessing their competitive position. Social factors may include existing norms, values, literacy rate, life expectancy rate, consumers behavior, patterns, population demographic etc.

In U.S. Retail, Social Factors (Impact: High):

Consumers' choice and preferences have been evolving with the change of digital platform landscape, generational shifts, sustainable concerns. Generations like Gen-Z and Millennials prefer ecofriendly products; therefore, Nike & H&M designed their products following the consumers' preference. Health concern consumers shifted their preferences to organic, clean label produces. Retailers, including Trader Joe's, Whole Foods, and Farmers Markets have gained business opportunities from this consumers' shift.

In response, retail businesses prefer to integrate AI-driven personalization, for instance, Amazon uses recommendation engines to recommend related products to potential consumers, to enhance more customer engagement by matching their interest and preferences. Retailers prefer affiliate marketing (one of the greatest tools for online retailers) helping them attract more customers and increase sales revenue (Rezvi et al, 2025).

2.1.4 Technological Factors

Technological advancement in Artificial Intelligence (AI), Business Intelligence (BI), and Business Automations play a crucial role in the retail industry. Retailers use technology for Omnichannel Retailing, i.e., integrating online, mobile, and in-store sales experiences. They also use AI, robotics, and blockchain technology to optimize their supply chains (Rahman, et al., 2025, customer insights and personalized marketing. Retailers now-a-days tend to use contactless payment systems, digital wallet, and BNPL (Buy Now Pay Later) services. Therefore, we see a growing trend in the U.S. retail in post-Covid periods because of increasing popularity of online sales across the country (Rahman, et al., 2025). However, there is a growing concern over customer data protection, cybersecurity, and compliance with regulations like CCPA.

In U.S. retail, Technological Factors (Impact: Very High):

U.S. retail is undergoing a massive digital transformation with the help of AI, ML, BI, business automation, blockchain technologies, robotics etc. Retail giants like Walmart and Amazon use artificial intelligence to analyze consumers' buying behaviors, optimize product recommendations following their choice and preferences. They also use virtual shopping assistance, AI-powered chatbots to assist consumers with better customer service.

Retailers like Kroger and Walmart use AI, Machine Learning models to optimize their supply chains. In addition, retailers also invest in cutting-edge technologies like robotics, blockchain, and IoT sensors to improve their logistics support. Other retailers like Sephora and IKEA offer AR-powered experiences like "try-before-you-buy". World renowned retailer Nike offers virtual fitting rooms experience to online buyers for improving their shopping accuracy, decreasing number of return products. In response, retailers should prioritize AI integration and improve digital shopping platforms to stay competitive in an increasingly tech-driven market.

2.1.5 Legal Factors

Legal factors may include consumer protection acts, employment laws, trade policy and tariffs, environmental regulations etc. Retailers must comply with these related laws and regulations to avoid any penalties. Data protection and privacy laws like California Consumer Privacy Act (CCPA) focus on how retailers should protect consumers personal data and maintain consumers privacy.

2.1.6 Environmental Factors

Environmental factors may include sustainability & green retailing. There is a growing demand for eco-friendly products and sustainable business practices. Other factors like climate change, waste management and recycling process may impact retail businesses.

In U.S. retail, Environmental Factors (Impact: high to very high):

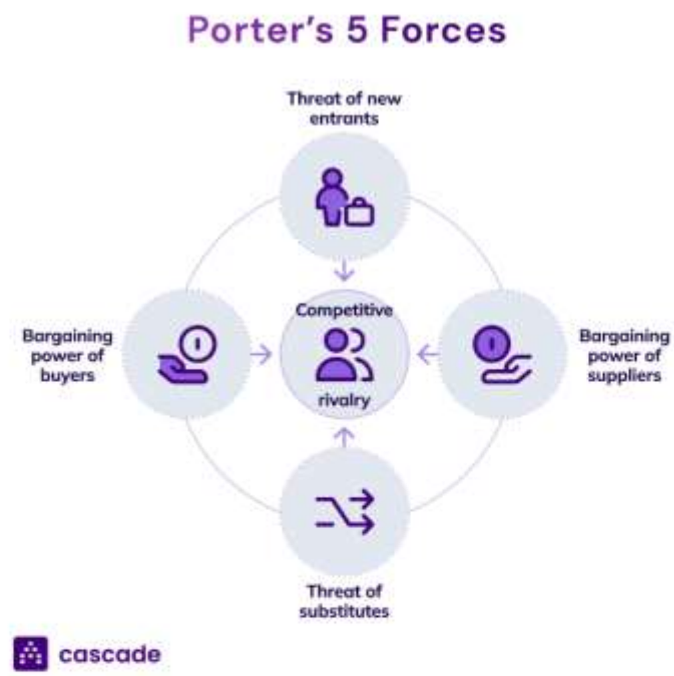
Retailers are more concerned about their waste management process, use of materials, packaging products. They're focusing more on innovative packaging systems and recycling processes to reduce waste and ensure smooth recycling management.

Supply chains of retail industry are liable for approx. 25% of global warming, i.e., greenhouse effects. This environmental issue pushes retailers to go for innovative and sustainable supply chain management process with proper waste management and recycling systems. Besides, the increasing trend of global warning, natural disasters like hurricanes, storms, wildfire (like recent California wildfire) poses threats to retailers' infrastructure and logistics sustainability. Therefore, retailers need to invest in resilient and adaptable supply chain strategies.

2.2 Porter's Five Forces (Industry Analysis - U.S. Retail)

Porter's Five Forces model helps retailers to analyze competitive dynamics within the industry.

Figure_02: Shows Porter's Five Forces Framework.



[Source: https://www.cascade.app/blog/porters-5-forces]

2.2.1 *Competitive Rivalry (Impact: Very High)*

U.S. retail industry looks very competitive among giant retailers like Amazone, Walmart, Costco, Target, etc. So, the competitive rivalry is very high in the market. Major retailers compete each other in terms of competitive prices, discounts that could lower the profit margin. They also focus on brand differentiation and improved/innovative customer service to attract more consumers.

E-commerce giants like Walmart+ and Amazone Prime, are striving to deliver products to the end users with faster delivery service to get strategic advantages. In addition, loyalty programs such as Target Ricard, Costco membership also enable them to retain repeat customers and longer consumers life cycle. In response, retailers must focus on brand differentiation (unique in-store experiences, personalized services) to avoid price wars.

2.2.2*Threat of New Entrants (Impact: Moderate to High)*

The retail industry in the United States looks moderate threat for the physical stores, or trusted brands like Walmart, Amazone, because it requires significant capital investment for the new entrance to setup physical stores and compete with these prominent brands. In addition, retail giants have strong supply chains, economics of scale, and huge customer base, which made it hard for new entrants to penetrate in the retail market. On the other hand, the threat of new entrants is relatively high for the online retail market since e-commerce startups cost is relatively low and e-commerce platforms like Etsy and Shopify allow startups to come and compete in the online market. In response, established retailers invest in private labels (e.g., Amazon Basics, Target's Good & Gather) to compete with newcomers.

2.2.3 *Bargaining Power of Suppliers (Impact: Low to Moderate)*

U.S. retail giants like Walmart, Costco have high negotiation power over key suppliers because of purchasing bulk quantity products on a regular basis. Major retailers prefer to diversify their sourcing options and purchase from different suppliers to reduce dependency on a single supplier. However, any disruption in the supply chain process caused by natural disasters (such as war, global crisis, material shortages) can higher the supplier's power that can affect supplier's list price. In response, retailers are diversifying suppliers and investing in domestic manufacturing to reduce dependency on imports.

2.2.4 *Bargaining Power of Buyers (Impact: High)*

Bargaining power of consumers in retail industry is high, because buyers may have unlimited choices from physical stores, online platforms, subscription systems. Customers can use price comparison tools like Google shopping, various retailer websites to compare price and quality as per their demand. So, consumers bargaining power may force retailers to offer products with promotional, discounted prices. Retailers may retain their customers by offering loyalty programs and personalized customer experiences. In response, retailers use AI-driven pricing models and personalized promotions to retain price-sensitive shoppers.

2.2.5 *Threat of Substitutes (Impact: High)*

Threat of substitute products in retail industry is high because consumers get plenty of alternative products online as well as various offers from direct-to-consumer brands like Glossier, Warby Parker, which eliminate middlemen. Retail buyers also like to search for cheaper substitutes from second-hand markets like eBay, Thrift stores etc. In response, retailers must embrace omnichannel strategies (integrating online, in-store, and mobile shopping) to remain competitive.

3.0 Methodology

This research paper is designed to serve as a valuable resource for retailers, investors, policymakers, and industry stakeholders seeking to navigate the evolving U.S. retail market dynamics and maintain competitive advantage. Here, we designed our plan to elaborate and explain the PESTEL analysis and Porter's Five Forces frameworks and then analyze both models to the most relevant extent in the context of U.S. retail domain. In this paper we used relevant secondary (publicly available) data and information for analyzing macro-environment factors and assess U.S. retail industry in terms of Porter's five forces.

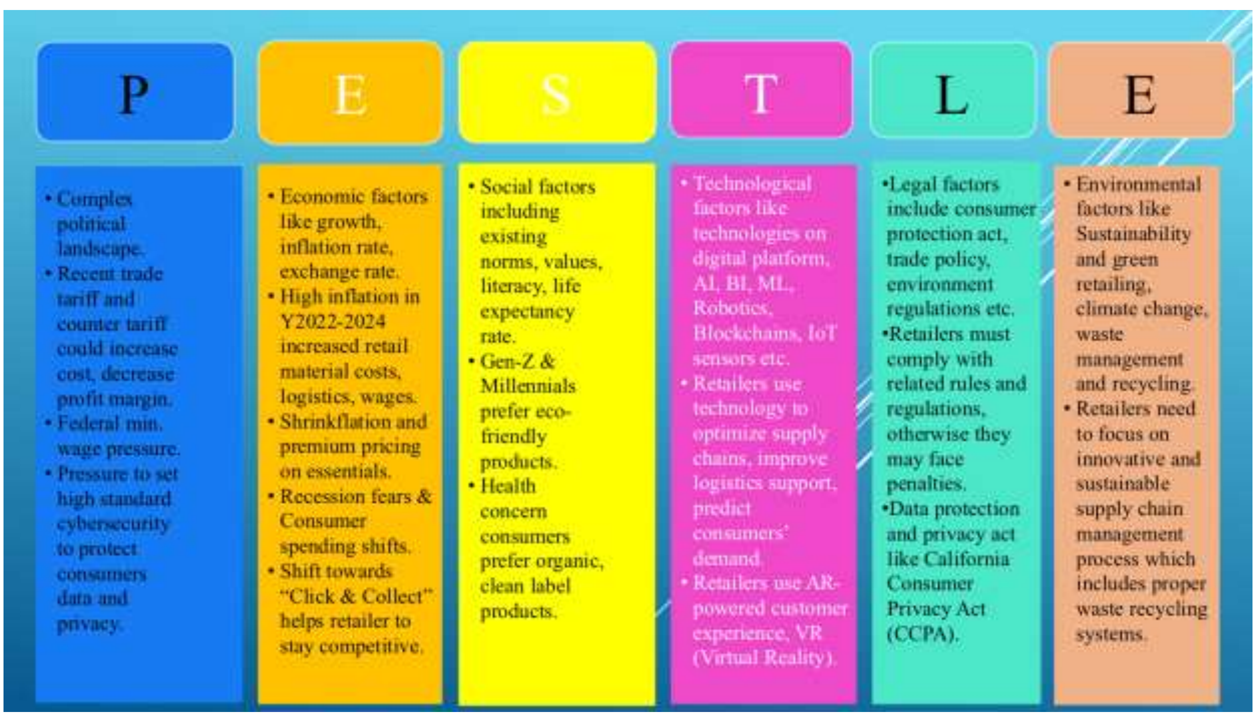
4.0 Research Outcomes

In this part, we have outlined and highlighted the outcomes of our research work with two different frameworks including PESTEL factors and Porters Five forces.

4.1 **PESTEL Analysis** (U.S. Retail Industry)

The PESTEL framework helps analyze the macro-environmental factors affecting the retail industry. Figure_01 showcases a detailed breakdown of the PESTEL analysis for the U.S. retail industry:

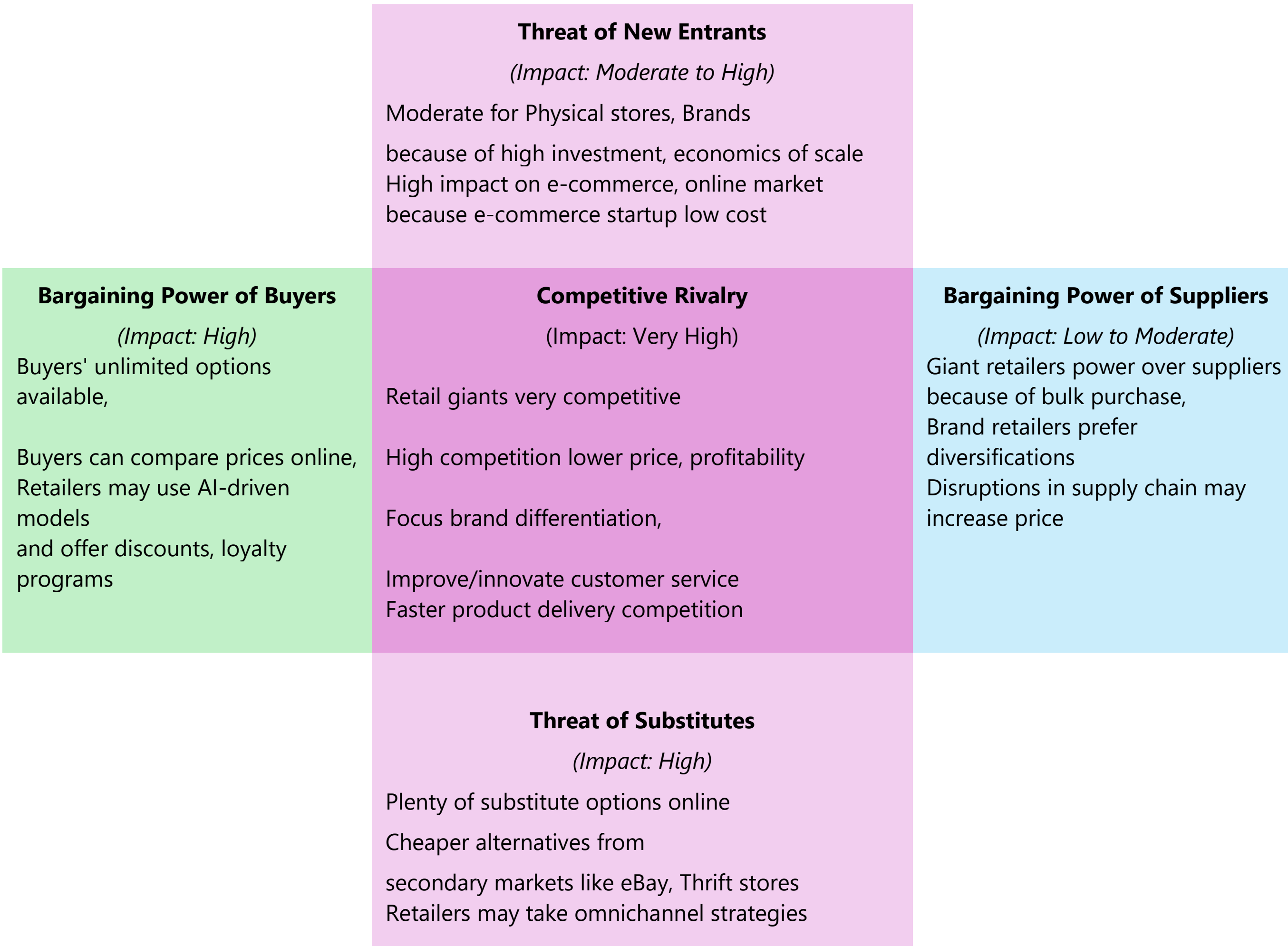
Figure_03: Highlights PESTEL factors in the U.S. Retail Industry



4.2 Porter's Five Forces (U.S. Retail Industry)

Porter's five forces model helps analyze competitive dynamics within the industry. The model is summarized here in the context of U.S. retail domain as follows:

Figure_04: Identifies Porter's Five Forces in the U.S. Retail industry



5.0 Conclusion

Finally, we can conclude that U.S. retail sector operates in a dynamic environment, which is influenced by macroeconomic PESTEL factors and constant competitive pressures as designed in Porter's Five forces model. Throughout our research work, we have identified external macroeconomic factors like economic fluctuations, technological advancements, regulatory shifts, and changing consumer behaviors etc. which can impact on retailers' business strategies and stability. Simultaneously, we also have identified insights into the industry's competitive intensity, highlighting the bargaining power of suppliers and consumers, the threat of new entrants and substitutes, and the level of rivalry among existing players as per the Porter's Five Forces framework.

The integration of these frameworks underscores the necessity for retailers to adopt agile, data-driven strategies that respond to market shifts while fostering innovation and customer-centric approaches. The growing impact of digital transformation, sustainability initiatives, and global supply chain disruptions further amplifies the need for proactive adaptation.

As the retail sector moves forward, businesses that effectively leverage technological advancements, regulatory compliance, and evolving consumer preferences will gain a competitive edge. By continuously monitoring both external macro trends and internal competitive dynamics, industry stakeholders can position themselves for sustained growth in an increasingly complex marketplace.

Funding: This research received no external funding.
Conflicts of Interest: The authors declare no conflict of interest.
ORCID:
Kazi Obaidur Rahman : https://orcid.org/0009-0001-3548-4370
Shamina Sharmin Jishan : https://orcid.org/0009-0001-0264-899X

Reference

[1] Yüksel, I. (2012). Developing a multi-criteria decision-making model for PESTEL analysis. International Journal of Business and Management, 7(24), 52.

[2] Rezvi, R. I., Rahman, K. O., Nasrullah, F., Islam, M. S., Hasan, M., Nusrat, N., Jishan, S. S., & Ahmed, S. (2025). The integration of artificial intelligence in human resource management in the U.S. retail sector. Journal of Business and Management Studies, 7(1), 273–278. https://doi.org/10.32996/jbms.2025.7.1.22

[3] Song, J., Sun, Y., & Jin, L. (2017). PESTEL analysis of the development of the waste-to energy incineration industry in China. Renewable and Sustainable Energy Reviews, 80, 276-289.

[4] Rahman, K. O., Islam, M. S., Rezvi, R. I., Hasan, M., Khanam, A., Nasrullah, F., ... & Akash, A. H. (2025). AI-Driven Next-Gen US Retail: An Empirical Study on Optimizing Supply Chains by leveraging Artificial Intelligence, Business Intelligence, and Machine Learning. Journal of Computer Science and Technology Studies, 7(1), 258-264. https://doi.org/10.32996/jcsts.2025.7.1.19

[5] Rezvi, R. I., Rahman, K. O., Hasan, M. A., Nasrullah, F., Nusrat, N., Jishan, S. S., & Ahmed, S. (2025). How Digital Marketing Affiliates the Digital Stores: A Deep Dive into Shopify, Amazon, Walmart, and Other E-Commerce Giants. *Journal of Computer Science and Technology Studies*, *7*(2), 95-101. https://doi.org/10.32996/jcsts.2025.7.2.8

[6] PESTEL Image: https://consulterce.com/pestle-analysis/

[7] Porter's Five Forces image: https://www.cascade.app/blog/porters-5-forces

[8] Rahman, K. O., Rezvi, R. I., Nasrullah, F., Islam, M. S., Hasan, M., Khanam, A., & Akash, A. H. (2025). Business Model Canvas: Business Analytics on Gas stations with C-stores in United States. Journal of Business and Management Studies, 7(1), 180-185. https://doi.org/10.32996/jbms.2025.7.1.13

[9] Retail Industry Leaders Associations: Top 5 Environmental Sustainability Issues in Retail https://www.rila.org/blog/2017/03/top-5-environmental-sustainability-issues-retail

[10] Deloitte: https://www.deloitte.com/global/en/Industries/consumer/analysis/sustainability-in-retail.html