Primark is the largest retailer of clothes in the UK, with a market share of almost 18%. This means that for every £5 spent on clothes in the UK, almost £1 of that total is spent in Primark.

Primark’s success has resulted from its ‘low cost’ strategy. This is where cheap clothes are made, usually in low cost locations such as China and India, and then imported to the UK. Despite European Union (EU) import protection controls, Primark can still sell the clothes at very low prices. With consumer confidence low there has been an increased demand for clothes which offer ‘good value for money’. This has allowed Primark to increase its profits.

However, despite Primark’s success, the business has been criticised for its very low prices. Critics of Primark’s ethics have repeatedly stated that if a T-shirt is priced at £2, questions have to be asked about why it can be produced so cheaply. Primark says it has a strict ethical policy. In the last year it has doubled inspections at its overseas factories. Despite these worries, by the end of 2010 Primark’s profits had risen by 26% to £825 million.

Using your knowledge of business, assess the importance of a strict ethical policy in helping Primark to increase its profits. (10 marks)

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