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Business News England

Welcome to our round up of the latest business news for our clients. Please contact us if you want to talk about how these updates affect your business. We are here to support you!

Navigating pricing strategies amid rising wage costs: Insights from Next

Tax measures taking effect in April mean that businesses are facing rising wage costs in 2025. As a result, many businesses are looking at whether price increases could help them manage the financial impact without losing customers.

High Street retailer Next recently announced a price increase of 1% on some clothing items to help offset an anticipated £73 million rise in staff wages and taxes. Their strategy and decisions provide some useful lessons.

Why wages costs will increase

Wages are increasing due to changes announced in the 2024 Autumn Budget, that start in April 2025, including:

- An increase in employers' National Insurance contributions from 13.8% to 15%.
- A rise in the National Living Wage from £11.44 to £12.21 per hour.

Next's 1% price increase, despite being below the rate of inflation, reflects a broader trend among businesses. The British Chambers of Commerce business group recently said that over half of companies plan to raise prices in the coming months to cope with higher costs.

A pricing strategy based on a shift in behaviour

For businesses like Next, keeping the price increase modest allows them to avoid alienating their price-sensitive customers. Their decision to target specific product lines – rather than implementing a blanket rise – may help to retain customer loyalty while addressing the immediate financial strain.

Next acknowledged that the price increase is "unwelcome", however they feel their analysis supports their strategy. They have observed a trend in shoppers choosing mid to higher priced items instead of buying cheaper items. They are not necessarily spending more overall but are buying fewer, slightly more expensive items. This is a trend Next expects to continue in the short term.

This shift in behaviour has influenced Next's decision on pricing strategy. By targeting price increases on product lines where customers may be less sensitive to paying more, they can maintain value for their customers while managing their margins.

Lessons for businesses

Next's approach offers valuable lessons for businesses developing pricing strategies in response to rising wage costs.

1. Incremental adjustments: Small, targeted price increases can help mitigate your cost pressures without overwhelming customers.

2. Focus on value perception: Shopper trends suggest that emphasising mid-to-higher priced items could help maintain your profitability.

3. Monitor your customer's behaviour: Next have undertaken a strategy based on what they've observed in their customer's behaviour. Likewise, if you can understand any shifts in the spending patterns of your customers, this may help you to see where price increases are less likely to alienate them.

There is no doubt that rising wages costs will present challenges to businesses over the coming months. However, if Next have got their sums right, they are expecting to be able to increase their profits by 3.6%. This demonstrates that a carefully planned pricing strategy may also help you to adapt to the rising costs while maintaining competitiveness in these challenging times.

If you need help with an analysis of how changing your pricing strategy could help your business, why not give us a call? We would be happy to help you!

See: https://www.bbc.co.uk/news/articles/cgkxlnlne0po

Tax return filing deadline looms

With the 31 January Self-Assessment tax return filing deadline fast approaching, HM Revenue and Customs issued a press release last week noting that 5.4 million taxpayers are yet to complete their return.

Apparently more than 24,800 people filed their return on New Year's Day, while a further 38,000 had filed theirs on 31 December. 310 filed their returns between 11pm and midnight.

Missing the 31 January deadline can lead to an initial late filing penalty of £100.

If you need help with your tax return or are not sure whether you need to complete one, please give us a call and we will be happy to help you.

See: https://www.gov.uk/government/news/54-million-yet-to-file-their-tax-return

New digital markets competition regime now in force

Last week, the Competition and Markets Authority (CMA) set out its initial plans for the new digital markets competition regime. The regime is designed to support the UK's tech sector and has its legal footing in the Digital Markets, Competition and Consumers Act. The Act received royal assent in May 2024 but came into force on 1 January 2025.

The regime is intended to prevent very large, generally global, tech firms using unfair advantages to shut out smaller businesses. Following an investigation, which can take up to a maximum 9 months, the CMA has the power to designate a business as having “Strategic Market Status” (SMS) in relation to a particular digital activity.

Once a business has been designated in this way, the CMA can impose certain conduct requirements on the business, or it can introduce pro-competition interventions for the benefit of UK consumers and businesses.

The CMA have said that they expect to launch investigations in relation to 2 areas of digital activity in January. The next investigation into a third area is likely to begin towards the end of June.

It has not yet been revealed which areas of digital activity are going to be investigated. The CMA have said more detailed announcements on this will be released later in January.

As it launches its investigations, the CMA also plan to provide more detail on how a particular designation is likely to help affected businesses and consumers.

It’s early days for seeing what practical benefits the regime will bring, however it could provide UK tech businesses with opportunities to innovate and grow in a fairer business environment.

To review the CMA’s guide on how the UK’s digital markets competition regime works, see: https://www.gov.uk/guidance/how-the-uks-digital-markets-competition-regime-works

Balancing AI's promise and pitfalls

Artificial intelligence (AI) continues to bring benefits across many industries, including healthcare diagnostics and consumer technology. However, as its applications expand, so do concerns about its accuracy and potential for misuse. Two recent examples—the use of AI in detecting ovarian cancer and its controversial implementation in summarising news—illustrate both the transformative potential and the risks of AI.

AI in early cancer detection

Ovarian cancer is notoriously difficult to detect in its early stages. Early intervention is critical for improving survival rates. However, current methods rarely identify the disease before it spreads.

A breakthrough by Dr Daniel Heller and his team at Memorial Sloan Kettering Cancer Center offers hope. They have developed an AI-powered blood test that uses nanotube technology—tiny tubes of carbon that react to molecules in the blood. These nanotubes emit fluorescent light based on what binds to them, creating a molecular "fingerprint."

The challenge lies in interpreting this data. While the molecular patterns are too subtle for humans to discern, machine-learning algorithms excel at recognizing such complexities. By training AI systems with blood samples from patients with and without ovarian cancer, the team can identify the disease far earlier than conventional methods.

This innovation could revolutionise diagnostics, not just for ovarian cancer but for other diseases, including infections like pneumonia. However, as with any AI system, its effectiveness depends on the quality of the data and algorithms used, which brings us to a story that highlights the risks involved with AI.

The risks of misapplied AI

Apple's AI-driven news summarising feature on its latest iPhones has drawn criticism for generating inaccurate headlines. This feature is designed to help reduce the number of notifications smartphone users receive, however the BBC said that "these AI summarisations by Apple do not reflect – and in some cases completely contradict – the original BBC content."

The BBC, as well as the journalism body Reporters Without Borders, have called for Apple to withdraw the feature, citing the dangers of misinformation.

Apple has now announced that a software update in the coming weeks will make it clearer that the summary has been AI-generated, but critics argue this is insufficient. They argue that the responsibility to verify accuracy will remain with users, which complicates their being able to get accurate information and lessens trust in the news.

Lessons for businesses

These two contrasting examples of AI in use offer some valuable lessons to businesses that are looking to integrate AI.

Firstly, ensuring accuracy is paramount. This is especially clear in a high stake healthcare application where a false positive or negative in diagnostics can have life-altering consequences. However, in any application the use of AI needs to be subject to robust testing and validation checks.

There is a need to communicate clearly about your use of AI as miscommunication about AI's role and limitations can damage trust. Apple's failure to initially acknowledge the AI-generated nature of its summaries contributed to public confusion and backlash.

AI systems have the potential to disseminate false information. Therefore, they need to be designed with safeguards and checks to prevent this from happening.

Balancing promise with caution

AI has the potential to bring many benefits, however, as the above two examples illustrate, this technology is not without risks.

In the rush to innovate, the lesson is clear. AI is best approached with caution, ensuring its use is rigorously tested and clearly communicated so you can fully harness its benefits without any downsides.

See: https://www.bbc.co.uk/news/articles/cq8v1ww51vno; https://www.bbc.co.uk/news/articles/cge93de21n0o

New Steel Council launched to rebuild the UK's steel industry

Business Secretary Jonathan Reynolds co-chaired the first meeting of a new Steel Council last week. The Steel Council's purpose is to help secure the long-term future of steelmaking in the UK.

The new Council will feature regular meetings with trade union leaders, industry experts, devolved government representatives, trade associations and steel sector leaders such as CEOs from Tata Steel and British Steel.

The government plans to launch their Steel Strategy in the Spring and the Council will help with this both before the launch and afterwards.

Gareth Stace, Director-General of UK Steel said: "This [steel] strategy is a once-in-a-generation opportunity to foster a competitive business environment that encourages long-term investment and ensures steelmaking remains at the heart of the UK economy."

See: https://www.gov.uk/government/news/government-sets-out-plan-to-secure-the-long-term-future-of-steelmaking-and-safeguard-steel-communities

Two business rates agents suspended by VOA

The Valuation Office Agency (VOA) have announced the suspension of two business rates agents. These are Rateable Value Experts and Re-Rates UK. The VOA have not specified the exact reasons for the suspension and have simply said that they are investigating a potentially serious breach of their agent standards.

While the suspension is in force, the VOA won't work with or accept any information from the two agents. This is likely to cause difficulties for any customers that they are representing, and so the VOA have written to customers that are affected.

As part of the announcement, the VOA have reminded businesses of the need to be cautious of agents who:

- try to pressure you to make a decision or sign a contract.
- say they are acting on behalf of the VOA or forward emails to you that they claim are from the VOA.
- demand large sums of money up front.
- make claims about 'unclaimed credits' or similar.

It is worth noting that there is no need to use an agent to handle your business rates related matters. The VOA provides a free online service where you can challenge your rateable value for yourself.

The VOA also provides a checklist of agents that you can use to select an agent. They point out that using this is safer than allowing an agent to select you.

See: https://www.gov.uk/government/news/temporary-suspension-of-business-rates-agents

Government announces £289 million investment to deliver faster broadband to remote areas

The UK government has announced contracts worth over £289 million to provide gigabit-capable broadband to 131,000 homes and businesses in some of the country's most remote locations. The initiative is part of the government's Project Gigabit program, which aims to modernise broadband infrastructure across the country.

The contracts will focus on regions such as the Dee Valley, Isle of Anglesey, and Shropshire Hills, as well as parts of North and Southwest Wales, Herefordshire, Devon, Somerset, Essex, North East England, and Worcestershire.

Project Gigabit: An overview

Project Gigabit seeks to bring high-speed internet to hard-to-reach areas, where commercial providers have traditionally found it challenging to operate.

As of now, over 85% of the UK can access gigabit-capable connections, and more than 1 million premises in rural and remote areas already have access to upgrades. The ultimate goal is full gigabit coverage across the UK by 2030.

Benefits for rural areas

There are many advantages to faster broadband, including improved access to remote healthcare services, online education, and remote working opportunities. High-speed connections can also benefit businesses by enhancing their ability to operate and serve customers online.

Openreach CEO Clive Selley noted that the expansion of full-fibre broadband could boost UK productivity by £73 billion and bring significant social benefits.

See: https://www.gov.uk/government/news/hundreds-of-thousands-of-brits-in-rural-villages-and-towns-to-benefit-from-uk-government-broadband-boost

HSE turns 50

The Health and Safety Executive (HSE) is celebrating its 50th anniversary this month. The HSE was created by the Health and Safety at Work etc Act 1974 and officially launched on 1 January 1975.

In 1974, 651 employees were killed at work. HSE's statistics for 2023/24 show 138 employees were killed at work and indicates the work that has been done to reduce workplace death and injury in England, Scotland and Wales over the last 50 years.

Marking the occasion, Sarah Albon, chief executive of HSE, said: "Over the past half century, the Health and Safety Executive has led the way in establishing Great Britain as a safe place to work. As we look ahead to the next 50 years, we recognise there is still much for HSE to take on."

See: https://press.hse.gov.uk/2025/01/01/hse-story-50/