

## THE TRANSFORMATION IMPERATIVE FOR NONGROCERY RETAILERS

*New report by McKinsey & Company and EuroCommerce  
explores the current state of the nongrocery retail industry and  
highlights key value themes*

### The first comprehensive report of the nongrocery retail market in Europe

Building on the success of the State of Grocery report series, McKinsey & Company and EuroCommerce have published a new report, ***State of Retail 2024—Europe: Transition and transformation in nongrocery retail***. As the first report looking at the key trends shaping the nongrocery retail landscape in 2025 and beyond, it combines market data with surveys of 30 European executives and more than 15,000 consumers across six European countries (France, Germany, Italy, Poland, Spain and the United Kingdom). The report focuses on six industry categories—furniture and furnishings, DIY and hardware, consumer electronics, sporting goods, beauty and personal care, and pet care.

It also features exclusive insights from ten CEOs of leading organizations in Europe: Arcaplanet, BUT Conforama, Claire's, Decathlon, Douglas, HEMA, Kingfisher, OBI, Thalia, and Worten.

### With 2025 on the horizon, industry leaders need to hone their differentiation strategies

Non grocery retailers have faced various challenges, including fierce macroeconomic headwinds, more competition and increasingly selective consumers. Inflation adjusted sales remain below the 2019 levels in all top European markets. Consumers have been trading down and looking to save money, while at the same time, favoring travel and entertainment. They also demand seamless omnichannel experiences and higher sustainability standards, raising the bar for retailers striving to capture their attention and loyalty.

Franck Laizet, senior partner at McKinsey & Company and a global co-leader of its Retail practice, noted, “With the Christmas holidays around the corner and inflation easing, nongrocery retailers have a prime opportunity to capture seasonal demand. But to ensure long-term success, they must focus on effective execution. Our conversations with CEOs of leading nongrocery retail companies revealed leaders are committed to building a truly omnichannel commerce through integrating processes and teams for assortment planning, pricing or commercial activities. Additionally, leaders are focused on expanding beyond their core offerings by developing ecosystems of complementary services, while pursuing their efforts to improve profitability.”

Christel Delberghe, director general, EuroCommerce, remarked: “Nongrocery retailers are going through a significant transformation and navigating a complex and challenging geopolitical environment. The report shows the sizable investments under way to offer consumers a seamless omnichannel experience, adapt services and assortments in a highly

competitive environment and invest in sustainability. The sector is up to the challenge but needs more than ever a level playing field to compete and a regulatory framework that enables transformation.”

### Key findings of the report:

- **Macroeconomic headwinds are moderating future growth projections.** The industry’s growth has slowed: while nominal turnover is up 2.3 percent annually from 2019 to 2023, growth is down 1.8 percent when adjusted for inflation, below 2019 levels. Looking ahead, growth is projected to be 0.6 percent a year through 2028 (adjusted for inflation)—though the dynamics vary by country and category. Markets in Poland, Spain, and the United Kingdom are expected to grow 1.5 to 2.0 percent a year, while France, Germany, and Italy are projected to stagnate or decline slightly.
- **Pockets of growth exist within specific categories and markets.** Retailers with robust online presence, convenience, lower prices, or circular offerings thrived in 2023. Online was the fastest-growing channel in nongrocery retail in 2023 compared with 2022, at 3.3 percent. Discounters gained ground, especially in pet care and beauty and personal care. Circular offerings saw notable traction, particularly in consumer electronics and sporting goods.
- **Retail sales of discretionary items hinge on purchasing power, which varies across Europe.** In Germany and the United Kingdom, nongrocery items account for more than half of retail sales, while French consumers allocate nearly 60 percent of their budget to groceries. France has the smallest share of GDP spent on nongrocery items among the six countries analyzed (for example, 5.5 percent versus 7 percent in the UK despite similar GDPs).
- **Omnichannel journeys are prevalent.** Omnichannel journeys are becoming the norm, with more than 50 percent of consumers using both online and in-store options to research and purchase nongrocery items. This share exceeds 60 percent in categories such as sporting goods, consumer electronics, and furniture. More than 70 percent of surveyed CEOs believe that by 2030, delivering a seamless omnichannel shopping experience will be the cornerstone for success.

The report’s consumer survey identified five characteristics of European nongrocery retail consumers:

- **Consumer optimism is returning, yet European households remain cautious about future spending.** In the short term, spending cuts are expected in furniture, DIY, electronics, and sporting goods items, while travel is favored. Looking ahead, one in five consumers plan to increase nongrocery spending, with pet care being the only category showing positive purchasing intent<sup>1</sup> two years from now.
- **More than 60 percent of consumers actively seek opportunities to trade down,** with many opting for lower-priced retailers and discounters, especially for sporting goods, furniture and electronics.

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<sup>1</sup> Net intent is defined as the difference between consumers who intend to spend more and those who plan to spend less

- **Consumers display low levels of loyalty:** Each quarter, approximately 20 percent of consumers switch retailers or brands for their nongrocery purchases.
- **Consumers' approach to sustainability is characterized by an apparent contradiction:** 30 percent of survey respondents cited sustainability as their second-greatest concern, yet it is near the bottom in factors that affect purchasing decisions.
- **Consumers favor convenience**—it's the top factor in purchasing decisions, whether online or in-store.

In this challenging context, retailers must excel on all fronts. The report identified six themes that could help retailers capture value, featuring examples of players that have deployed such strategies to make progress.

**The full report will be available on November 28 here:**

[www.mckinsey.com/industries/retail/our-insights/state-of-retail-europe](http://www.mckinsey.com/industries/retail/our-insights/state-of-retail-europe) and [www.eurocommerce.eu/state-of-retail/](http://www.eurocommerce.eu/state-of-retail/)

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## **NOTES TO EDITORS**

### **About McKinsey & Company**

McKinsey is a global management consulting firm committed to helping organizations accelerate sustainable and inclusive growth. We work with clients across the private, public, and social sectors to solve complex problems and create positive change for all their stakeholders. We combine bold strategies and transformative technologies to help organizations innovate more sustainably, achieve lasting gains in performance, and build workforces that will thrive for this generation and the next.

### **About EuroCommerce**

EuroCommerce is the principal European organisation representing the retail and wholesale sector. It embraces national associations in 28 countries and 5 million companies, including leading global players and many small businesses. Over a billion times a day, retailers and wholesalers distribute goods and provide an essential service to millions of business and individual customers. The sector generates 1 in 7 jobs, offering a varied career to 26 million Europeans, many of them young people. It also supports millions of further jobs throughout the supply chain, from small local suppliers to international businesses. EuroCommerce is the recognised European social partner for the retail and wholesale sector.

### **For press inquiries, please contact:**

Magdalena Balcerzak [Magdalena\\_Balcerzak@mckinsey.com](mailto:Magdalena_Balcerzak@mckinsey.com) +45 2384 1545

Daniela Haiduc [Haiduc@EuroCommerce.eu](mailto:Haiduc@EuroCommerce.eu) +32 473 562 936