

## EUROPEAN GROCERY RETAIL SEARCHING FOR GROWTH IN A CHALLENGING ENVIRONMENT IN 2025

In 2024, grocery sales increased for the first time since 2020 in real terms (adjusted for inflation). Grocery sales grew by 2.4 percent in Europe, slightly above the food price inflation rate of 2.3 percent. Nevertheless, 2024 was a challenging year for European grocers. Economic pressure persisted, leading to cautious consumer behavior and restrained spending. Discounters and private labels continued to gain market share, although at a much slower pace than in 2023. 25 percent of consumers traded up to more expensive options in 2024 and there is a growing appetite for healthy options. At the same time, a similar number of consumers traded down, resulting in a stabilization after two years of strong downtrading.

***The State of Grocery Retail 2025: Europe***, published by McKinsey & Company and EuroCommerce, takes a comprehensive look at the key trends shaping the grocery sector in 2025 and beyond. The report is based on interviews with four grocery CEOs, a survey of more than 30 European CEOs, and a survey of over 14,000 consumers across 13 European countries.

Although overall volume growth is expected to remain low in 2025 and through 2030, there are signs of recovery in some markets. Grocers are expected to shift their focus to capturing growth opportunities and laying the groundwork for future advancements. Despite continued cost and margin pressure, grocery retail CEOs are slightly more optimistic than they were in 2024.

Like all research for the report, the CEO survey was conducted before imminent new tariffs and trade restrictions increased uncertainty for the sector. The next few years are expected to remain challenging. Some of the key trends for 2025 are:

- **Private label differentiation.** Private labels gained an additional share in 2024, and 84 percent of consumers say they will continue buying private label products even if their purchasing power grows. Grocers increasingly position their own brands not just as cheaper alternatives, but as differentiated alternatives to A-brands.
- **Growing appetite for healthy food.** The demand for healthy options and functional food is increasing, especially among members of Generation Z. Generation Z not only has the highest intent (45 percent) to focus on healthy nutrition among all cohorts, but it also has the highest growth as a group of shoppers.
- **Personalization as the new standard for engagement.** More than half of all shoppers say they will likely become repeat buyers after a personalized experience, and personalization has the potential to drive an uplift of 4 to 6 percent in revenue and retention. Increasingly, grocers use AI to personalize the shopping experience.

To mark the fifth anniversary of the publication, the 2025 edition of the State of Grocery Retail includes a data-driven analysis of Europe's top-performing grocers in the past five years. Growth champions typically achieve five times faster growth in revenue per square meter than other grocers. In the past five years, there were more growth champions among discounters

(41 percent of all discounters) than among supermarkets and hypermarkets (28 percent). The practices that had the biggest impact on the likelihood of being a growth champion are a high share of private labels (2.8 times higher likelihood), a pleasant in-store experience (2.4), excellent product quality (1.6), and the lowest prices (1.5).

**Daniel Läubli, Global Head of Grocery Retail at McKinsey, said:** *“Volume is growing again, and some consumers are willing to trade up. Meanwhile, cost pressure remains high, and many shoppers are still cautious as economic pressure persists. We see four strategic priorities for grocery retailers in 2025: double down on pockets of growth, increase efficiency, engage the consumer of the future, and take advantage of AI as a value driver.”*

**Christel Delberghe, Director General of EuroCommerce, said:** *“In an uncertain environment shaped by geopolitical pressures, inflation, and rising energy costs, cost efficiency is paramount. Being able to leverage the Single Market for scale and embracing new opportunities from health-conscious, or the quest for more personalised experiences sought by the next generation of consumers, are some of the key levers to navigate these challenges and thrive.”*

## **Background**

This report is the fifth in a series of reports aimed at shedding light on the state of grocery retail in Europe, now and in the years to come.

The full report will be available on April 8 here: <https://www.mckinsey.com/industries/retail/our-insights/state-of-grocery-europe> and here <https://www.eurocommerce.eu/the-state-of-grocery-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, both leading global players and many small businesses. Retail and wholesale is the link between producers

and consumers. Over a billion times a day, retailers and wholesalers distribute goods and provide an essential service to millions of businesses 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.

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