

RETAIL AND WHOLESALE TRANSFORMATION MAY REQUIRE UP TO 600 BILLION IN INVESTMENTS TO FUTURE-PROOF THE SECTOR

Embargoed until 25 October 2022: Joint research launched today by EuroCommerce and McKinsey & Company estimates that to achieve the **triple transformation of sustainability, digitalization, and skills and talent by 2030**, the EU retail and wholesale sector looks likely to face the need to invest up to **€600 billion**.

It is an additional **amount of up to 1.6 percent of their revenue every year** and would help to meet evolving consumer demands, decarbonize, and respond to the growth of eCommerce according to the *Transforming the EU retail & wholesale sector* report.

Currently, EU retailers and wholesalers invest half of the amount invested by players in other regions. Skyrocketing energy prices and record inflation, the COVID-19 pandemic, supply chain disruptions, and the war in Ukraine have caused many players to defer investment to protect their future economic viability. The report points to retailers and wholesalers needing to find ways to transform the sector in a way that balances short-term and long-term goals.

The report sets out in detail the investments that retailers and wholesalers would make in the triple transformation of sustainability, digitalization, and skills and talent until 2030.

- **In its sustainability transformation, the sector would profit by investing up to €335 billion** to lessen the impact of energy price volatility, promote and advance sustainability in their value chains, both to ensure compliance with regulation, and to differentiate themselves as first movers who satisfy the growing demand from consumers for sustainable choices.
- The **digital transformation would gain from an investment of up to €230 billion** to enable the sector to evolve into a truly omnichannel industry providing a seamless experience for customers, boosting automation across the value chain, scaling advanced analytics to drive growth and operational efficiency, and modernizes IT.
- **Regarding skills and talent, an additional investment of up to €35 billion** to help expand apprenticeship programs and support the evolution of skills and roles that would enable the other two transformations.

With these investments, retailers and wholesalers would be able to increase their resilience, support European decarbonization efforts, and unlock new business opportunities beyond traditional retail. But to achieve this, the sector will need support.

Juan Manuel Morales, EuroCommerce President

"In the current crisis, the overall challenge for the retail and wholesale sector is to be recognised by policymakers as a sector providing an essential service to all citizens, significant employment and underpinning local communities. To continue doing so, retailers and wholesalers of all sizes will need support to achieve the major investments the report has identified."

Jacques Creysse, EuroCommerce Vice-President and Director General of FCD

"The retail and wholesale sector is in the midst of transformative change. This timely study by EuroCommerce and McKinsey identifies a significant investment gap within the sector that is required to keep pace with a dynamic, competitive and innovative global market. We need dedicated support and policy framework for our sector to transform."

Christel Delberghe, EuroCommerce Director General:

"The scale of change is immense. EuroCommerce has identified five key projects and additional policy measures that will be required to support the sector's transformation. We need a strong and ambitious policy

framework that will support resilience and the investment needed to achieve this and keep the sector competitive in the future."

Franck Laizet, Senior Partner at McKinsey:

"Retail and wholesale is a key economic sector in the European Union, and it's now in the midst of an accelerated "Triple Transformation". Embracing this challenge will require significant resources and investments, but it will help retailers to move towards more robust and sustainable business models."

Bartosz Jesse, Partner at McKinsey:

"This report presents analyses and potential paths that are meant to address the needs of 5 million enterprises registered in the EU, spanning all business models, most of the industry's subsectors, and companies of all sizes, with required actions that differ between large corporations and SMEs".

Daniel Läubli, Senior Partner at McKinsey:

"The triple transformation is a huge challenge for the sector, but also a massive opportunity for everyone - the retailers and wholesalers, the EU and the customers. It can create a faster growing, greener and more productive sector that has a broader and more convenient offering for the customers."

As part of the joint research *Transforming the EU retail & wholesale sector*, **McKinsey and EuroCommerce surveyed 24 companies, including some of the largest retailers and wholesalers across the various subsectors in the EU, national trade associations and over 100 SMEs.** The survey gathered insights on the maturity level of companies across the three transformation areas – sustainability, digitalization and skills and talent – as well as ambitions and future needs by 2030. This research collaboration aimed at providing a neutral view of the market through research-based insights that bring investment options to EU retailers and wholesalers.

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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 27 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.

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