

## **NEW OPPORTUNITIES EMERGE FOR GROCERY RETAILERS WITH SIGNS OF HOPE FOR 2024**

For the European grocery sector, 2023 was again all about inflation. Consumers tightened their purse strings, which led to a drop in volume and significant downtrading. Industry growth (8.6%) was significantly below food price inflation (12.8%). This implies that grocery sales, in real terms (i.e., adjusted for inflation), declined again in 2023 and are now 4.5% below 2019 levels. Margin pressure and downtrading are again top of mind for grocery CEOs this year, but so are talent, food to go, and artificial intelligence. With initial signs of economic recovery and wage increases in many countries, consumer confidence is returning. Still, our consumer research shows a very polarized recovery of consumer behavior for 2024.

***The State of Grocery Retail 2024: Europe – Signs of hope***, launched by McKinsey & Company and EuroCommerce, takes a comprehensive look at the key trends shaping the grocery industry in the coming years. The report is based on interviews with four CEOs, a survey of more than 30 European grocery leaders, and a survey of over 12,000 consumers across 11 European countries.

While market conditions remained challenging in 2023, some evolutions provide cause for hope for 2024. Grocery volume stopped decreasing towards the end of 2023 and even started to increase in some markets. In addition, in the survey, consumers reported that they plan to trade down less than in 2023, and a few customer groups even intend to start trading up again. If this trend holds, McKinsey & Company and EuroCommerce expect overall grocery volume in Europe to return to growth in the second half of 2024. However, looking beyond this trend, there is a growing variation across European countries due to diverging demographics and different recovery rates of purchasing power, which will require a more granular perspective. Some of the key trends for 2024 are:

- **In 2024, grocery retailers will continue to feel margin pressure, which is a top 3 priority for 70 percent of surveyed CEOs.** To continue shielding consumers from price increases, retailers will probably prioritise supplier negotiations, including participation in buying alliances, while consolidation efforts persist in 2024.
- **While over 45 percent of European consumers state they are still looking for ways to save money when shopping in 2024** (compared to 51 percent a year ago), initial signs indicate that high-income households are trading up again in 2023, with a higher net intent to buy more high quality or organic products.
- **As consumers spend more time on the move, the food-to-go market is surging.** Despite the inflationary environment and consumers trading down, the food service industry outpaced the grocery retail industry by ~3 percentage points. Higher growth in away-from-home food (~8%) vs. overall grocery retail (~3%) can be expected over the next five years in Europe.

- **Progress on sustainability has been made, but there is still a long way to go.** Although 29% of the 2025 Scope 1 and 2 emission reduction targets for the top 10 retailers have already been achieved, none of them reports their progress on Scope 3 targets yet.
- **20 out of the top 30 European grocers already have an established retail media (RM) business.** 2024 will be marked by a bold expansion of retailers' RM footprint. Standardization, impact measurement, and ad diversification will be critical to make it successful, given the sizable, high-margin opportunity.
- **Across Europe, grocers are faced with a higher-than-ever number of vacancies, while the average tenure of employee retention shortens.** Attractive grocery employers offer careers, not just jobs, in combination with the right work-life balance.

**Daniel Läubli, Global Head of Grocery Retail at McKinsey, said:** *“The State of Grocery continues to present challenges, but consumer sentiment is brightening, and new opportunities for grocers emerge. We see three strategic priorities for grocery retailers: balancing affordability with value-adding products such as healthy options and ready-to-eat offerings, achieving further cost savings, and building and scaling their retail media business.”*

**Christel Delberghe, Director General of EuroCommerce, said:** *“Grocery retailers and wholesalers serve consumers every day and ensure food availability and affordability. They worked hard in 2023 to shield consumers from the worst of inflation, while under immense pressure from higher costs, consumers trading down and additional government pressure to deliver lower prices. A well-functioning Single Market, which ensures the competitiveness of our businesses in the years ahead, is now even more essential. The high number of vacancies and turnover is also a worrying trend that we aim to counter by increasing awareness of career opportunities, skills development and sector attractiveness.”*

This report is the fourth in a series of reports aimed at shedding light on the state of grocery retail in Europe, now and in the years to come. Details of the report's findings on these issues and country data on developments in the industry are set out in the attached annex.

**The full report will be available on April 10 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 such as Carrefour, Ikea, Metro and Tesco, 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 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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