

EUROPEAN GROCERY RETAIL MODELS ARE IN MOTION WHILE MARGINS REMAIN UNDER PRESSURE

Consumer spending finds its feet, but it's fragile and vulnerable to further inflationary pressures hitting their purse.

Cost and margin pressure remains high, while IT and AI investments continue to accelerate.

Overall resilience of grocery retail is being tested and there is renewed momentum.

The State of Grocery Retail 2026: Europe – Margins under pressure, models in motion, published by McKinsey & Company and EuroCommerce, takes a comprehensive look at the key trends shaping the grocery sector in 2026 and beyond.

2025 was characterized by low-growth stabilization under sustained profitability pressure. Grocery sales grew by 3.4 percent in Europe, up from 2.4 percent in 2024. Sales increased in real terms (adjusted for inflation) for the second year in a row.

For 2026, the grocery consumer environment is expected to be relatively stable on average. While we expect a slight increase in volumes and potentially the first occurrence of uptrading in many years, there are substantial shifts between income groups and countries that indicate changing consumer needs. Consumer confidence may however evolve amidst geopolitical tensions and pressure on their purchasing power.

Grocers are expected to keep strengthening their private label propositions, pursuing selected growth opportunities beyond the core, building scale, and improving AI implementation. Taken together, these moves signal that while grocery remains under pressure, renewed momentum is visible. And while overall executive sentiment has improved since 2024, cost and margin pressure remains the top concern for CEOs.

The next few years are expected to remain challenging. We see the following **clusters of trends for 2026**:

Meeting evolving customer needs

- A polarized consumer recovery: –9 pp decline in shoppers actively seeking ways to save money since 2023
- Convenience over cooking: 2 pp faster growth in foodservice (vs grocery) brings growth opportunities in convenience and ready-to-(h)eat
- Online diverges, loyalty fragments: 6.8% online sales growth in 2025, decelerating from 7.8% in 2024

Addressing the growth and productivity challenge

- Fighting persistent structural costs: #1 concern: 77% of CEOs surveyed name cost and margin pressure as their “top of mind” focus area
- Growth beyond the basket: 0.2% volume CAGR through 2030 has grocers looking for top-line growth beyond the core
- Making scale an advantage: +47% increase in M&A activity from 2022, with pan-European synergies becoming a reality

Building differentiation

- From labels to brands: 40% private label share, with ~90% of consumers planning to continue buying private labels at the same or even above the level from the past
- Resetting the CPG–retailer relationship: 46% net intent of European customers to save money when shopping, reinforcing margin pressure.

2026 is also the year in which pioneering grocery retailers will start turning AI into a tangible advantage. In our 2026 Grocery CEO Survey, 47 percent of respondents name adopting AI and automation as their top two priority, up four ranks from 2024, signaling that AI has moved from experimentation to strategic relevance. Yet, despite the recognition of the importance of AI, tangible value creation remains limited so far. Only 3 percent of CEOs report an EBIT increase of more than 5 percent from AI, as many retailers are still piloting. In recognition of this gap between perceived importance and realized value, our report explores four AI-related opportunities for grocers: agentic commerce, AI-enabled process rewiring, physical AI, and tech ROI.

Daniel Läubli, Global Head of Grocery Retail at McKinsey, said: *“For the first time in several years, we see a majority of consumers trading up again to higher-quality products. At the same time, cost pressure remains high. The cost ratios of grocers are at the highest levels ever. The good news is that there is a wealth of opportunities for grocers to build competitive advantages – for example, through truly unique own-brands products or through AI.”*

Christel Delberghe, Director General of EuroCommerce, said: *“For grocery CEOs, stabilization does not mean relief. Consumer behavior remains cautious and highly vulnerable to price developments. This keeps pressure firmly on margins and makes the case for pan-European synergies and strengthening private brands stronger. At the same time, leadership teams are prioritizing investment: capital intensity is edging up, and spending on digital and AI outpaces industry growth. The imperative for 2026 is clear - ensure that rising investments in AI and technology translate into concrete improvements and resilience.”*

Background

This report is the sixth 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 report is based on a survey of more than 35 European CEOs and a survey of over 15,000 consumers across 14 European countries conducted in early 2026.

The full report will be available on April 21 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

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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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