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Food sales up 2.4% in Europe

McKinsey & EuroCommerce report highlights key trends for 2025

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Food sales in Europe grew by 2.4 percent in real terms in 2024, marking the first increase since 2020 when adjusted for inflation. The data comes from the 2025 edition of the report "The State of Grocery Retail in Europe," published by McKinsey & Company and EuroCommerce. The report highlights key trends expected to shape the food retail sector in 2025 and beyond. The growth slightly exceeded the food inflation rate for the year, which was 2.3 percent.

Despite this rebound, real sales are still down 4.1 percent compared to 2019, while food prices have surged by 31.9 percent over the same period. The report also notes a 4.1 percent increase in the market share of private label brands and a 1.6 percentage point rise in the penetration of online grocery shopping.

European supermarkets faced a difficult year in 2024 due to ongoing economic pressure that led to cautious consumer behavior and restrained spending. Discount retailers and private label products continued gaining market share, although growth slowed compared to 2023. While 25 percent of consumers chose more premium options, the same share opted for more budget-friendly alternatives. This balanced shift brought stabilization to pricing trends after two years of decline.

The findings are based on executive interviews, a survey of over 30 grocery CEOs, and input from more than 14,000 consumers across 13 European countries. The report notes early signs of recovery in certain markets, although overall volume growth is expected to remain low through 2025 and into the next decade. Grocery chains are expected to focus on identifying growth opportunities and building long-term resilience. Despite ongoing cost and margin pressures, industry leaders are more optimistic than in the previous year.

The CEO survey was conducted before new trade tariffs and restrictions introduced further uncertainty into the sector. As a result, the industry is expected to face continued challenges in the coming years. Daniel Läubli, McKinsey's Global Leader of Grocery Retail, commented that volume growth has resumed and some consumers are trading up, but economic pressure remains high. He outlined four key strategic priorities for 2025: targeting high-growth segments, improving efficiency, connecting with future consumers, and leveraging AI to create value.

EuroCommerce Director General Christel Delberghe emphasized that profitability is essential in an uncertain environment shaped by geopolitical pressures, inflation, and rising energy costs. She pointed to the importance of the EU Single Market and highlighted growing demand for health-conscious products and personalized experiences among younger consumers.

Private label products gained further ground in 2024, with 84 percent of consumers stating they would continue buying store brands even if their purchasing power improves. Supermarkets are increasingly positioning their private labels not just as low-cost alternatives, but as distinct options compared to national brands.

Demand for healthy and functional foods is also growing, especially among Generation Z. This group leads in intention to prioritize healthy eating, with 45 percent of respondents focusing on better nutrition, and is the fastest-growing shopper segment. The report also notes that more than half of consumers are likely to become repeat buyers after a personalized experience, with personalization offering the potential to increase revenue and retention by 4 to 6 percent. Supermarkets are using AI more frequently to tailor the shopping experience.

To mark the report's fifth anniversary, the 2025 edition includes a retrospective analysis of top-performing grocery chains over the past five years. Growth leaders achieved revenue per square meter up to five times higher than other retailers. Discount stores made up 41 percent of these high-performing chains, ahead of supermarkets and hypermarkets at 28 percent. Over five years, discount retailers grew by 2.7 percent, online grocery sales by 2.1 percent, while traditional stores declined by 2.4 percent, hypermarkets by 2.2 percent, and supermarkets by 0.1 percent.

Practices most associated with being a growth leader included a high share of private label products, a pleasant in-store experience, strong product quality, and competitive pricing.