

Adapting to Change in Grocery Retail

Key Trends and Strategic Priorities





Introduction

The grocery retail sector in the United States and Europe is undergoing unprecedented transformation. Automation, AI, shifting consumer expectations, and economic pressures are redefining how groceries are bought, sold, and delivered. Leaders who act decisively today will not only protect profitability but also shape tomorrow's competitive landscape.

This whitepaper distills insights from leading industry reports – McKinsey & EuroCommerce The State of Grocery Retail 2025 Europe, FMI Speaks 2025 (US focus), and JLL Grocery Report 2025 (US focus). It identifies the trends driving change and outlines the strategic imperatives executives must embrace to ensure resilience, efficiency, and growth.



1. Economic and Consumer Trends

The consumer landscape is shifting in ways that directly hit the bottom line. Margins are tightening as dining out steals share from groceries, private labels accelerate, and convenience reshapes shopping habits. Health-driven demand is rising but remains underserved.

For leaders, the takeaway is clear: growth depends on winning the value-conscious shopper while investing in convenience and healthier assortments.

1.1 Consumers Prioritize Value

Economic uncertainty and rising costs are shaping a value-focused mindset:

- **U.S. grocery vs dining spend:**
By December 2024, dining out exceeded grocery spending by over \$20B, a six-fold increase from January 2022. Dining out grew 4.4% in 2024; groceries only 1.8%.¹
- **European outlook:**
CEOs expect low volume growth (~0.2% annually through 2030) and sustained pressure on profitability due to inflation and labor shortages.²
- **Profit margins:**
U.S. food retailers' margins fell to 1.7% in 2024, the lowest since 2019.³

Private labels and cost-conscious promotions are essential to capture value-seeking consumers.⁴

¹ JLL Grocery Report 2025, p.2-3; FMI Speaks 2025, p.13

² The State of Grocery Retail Europe 2025, p.12, 14-15

³ FMI Speaks 2025, p.70

⁴ The State of Grocery Retail Europe 2025, p.17; JLL Grocery Report 2025, p.19-20; FMI Speaks 2025, p.12, 36

1.2 Private Labels & Consumer Loyalty

- **U.S. private-label sales ...**
... surpassed \$270B in 2024 (+3.4% YoY), reaching a 20.7% market share.⁵
- **European private labels ...**
... reached 39.1% of total sales; projected 40–42% by 2030.⁶
- **Behavior insight:**
84% of European consumers plan to continue buying private-label products even if purchasing power rises.⁷

Expanding private-label portfolios while maintaining quality to secure loyalty is a great action.

⁵ JLL Grocery Report 2025, p.19-20

⁶ The State of Grocery Retail Europe 2025, p.17

⁷ The State of Grocery Retail Europe 2025, p.17

1.3 Convenience and Health Drive Choice

- **"No-cooking" trend:**
77% of Gen Z and 72% of millennials in Europe purchase food-to-go monthly.⁸
- **Demand for healthy, functional foods is rising ...**
... only 35% of consumers believe their main grocer provides an adequate healthy assortment.⁹

Grocers can capture growth by expanding ready-to-eat and health-focused offerings.

⁸ The State of Grocery Retail Europe 2025, p.19

⁹ The State of Grocery Retail Europe 2025, p.18

2. Operational Resilience & Technology Adoption

Efficiency is now a strategic weapon. Rising labor costs, supply chain disruptions, and shrink demand new levels of operational discipline.

Technology and AI are no longer optional add-ons – they are core drivers of profitability and agility. Leaders who move fastest will set the industry benchmark for efficiency and customer experience.

2.1 Technology & AI Investments

- **U.S. food retailers ...**
... spent ~1% of sales on technology in 2024; budgets are expected to rise.¹
- **AI and data analytics ...**
... are used to optimize pricing, assortment, promotions, and replenishment.²
- **European CEOs ...**
... rank AI and tech adoption as a key differentiator, potentially yielding up to 2.9x higher shareholder returns.³

Predictive analytics, AI-driven personalization, and automation are emerging as key levers to increase efficiency and reduce manual workload.

¹ FMI Speaks 2025, p.55
² FMI Speaks 2025, p.55-57; The State of Grocery Retail Europe 2025, p.23
³ The State of Grocery Retail Europe 2025, p.23

2.2 E-commerce & Omnichannel Evolution

- **U.S.:**
Online grocery sales projected to surpass \$200B in 2024, reaching \$270B by 2028.⁴
- **63% of U.S. retailers ...**
... reported online sales increases; 69% found e-commerce profitable (7.1% of total sales).⁵
- **Retailers ...**
... enhance in-store experience by experimenting with technology (80%), expanding fresh prepared foods (68%), and increasing local SKU allocation (61%).⁶

Omnichannel models are evolving into balanced ecosystems that combine digital scale with efficient, attractive in-store experiences.

⁴ JLL Grocery Report 2025, p.23
⁵ FMI Speaks 2025, p.49-50
⁶ FMI Speaks 2025, p.39-40

2.3 Persistent Operational Challenges

- **Workforce:**
52% of U.S. retailers reported recruitment and retention issues in 2024 (down from 85% in 2022).⁷
- **Supply chain disruptions ...**
... affected 80% of U.S. retailers.⁸
- **Shrink (theft/fraud) ...**
... averaged 3.1%, with self-checkout being a major concern.⁹

Workforce retention, supply chain robustness, and advanced loss-prevention technologies are becoming defining factors for sustainable operations.

⁷ FMI Speaks 2025, p.6, 27
⁸ FMI Speaks 2025, p.6, 10
⁹ FMI Speaks 2025, p.47, 66

3. Competitive Landscape & Growth Vectors

The competitive rules of grocery retail are being rewritten. Discounters are expanding, merger and acquisition (M&A) is reshaping the market, and retail media is creating entirely new profit pools.

Future winners won't just sell groceries – they'll monetize data, capture adjacencies, and build deeper loyalty through personalization.

3.2 Retail Media Networks

- **U.S. retail media ad spend:**
\$52B in 2024, projected \$100B by 2028 (17.1% CAGR).³
- **Europe retail media ad spend:**
projected 20% CAGR through 2028.⁴
- **Gen AI ...**
... can enhance campaign personalization, targeting, and ROI.⁵

Retail media networks are reshaping grocers' business models by creating new revenue streams beyond traditional retail.

3.1 Expansion and M&A

- **U.S.:**
Aldi added 2.3M sq. ft. across 105 new locations in 2024; Grocery Outlet also expanded.¹
- **Europe:**
Discount grocers and private labels gain share; M&A activity rose 31% from 2019–2024.²

Competitive intensity is accelerating, with scale advantages increasingly realized through expansion and consolidation.

3.3 Personalization for Loyalty

- **56% of consumers ...**
... are likely to repeat purchases after personalized experiences.⁶
- **Retailers ...**
... are redesigning loyalty programs and implementing AI chatbots for personalized shopping.⁷

Hyper-personalization is becoming a decisive factor in building loyalty, particularly among younger consumers such as Gen Z.

¹ JLL Grocery Report 2025, p.14-15
² The State of Grocery Retail Europe 2025, p.22

³ JLL Grocery Report 2025, p.25-26
⁴ The State of Grocery Retail Europe 2025, p.24
⁵ The State of Grocery Retail Europe 2025, p.24
⁶ The State of Grocery Retail Europe 2025, p.20
⁷ The State of Grocery Retail Europe 2025, p.20

4. Strategic Imperatives for Growth

Sustained success will depend on a set of interconnected strategic imperatives that align customer focus, technology, and growth initiatives.

By advancing in these areas, **grocers can navigate current challenges, unlock new value, and secure long-term competitiveness.** Summarizing the insights from the studies above, the most critical strategic imperatives are:

1. Customer-Centricity:

Continuously adapt to evolving consumer preferences.

2. Technology & AI:

Leverage advanced analytics, AI, and automation to optimize operations and personalization.

3. Operational Excellence:

Build resilient supply chains, reduce shrink, and enhance workforce engagement.

4. Omnichannel Optimization:

Balance online growth with efficient, compelling in-store experience.

5. Innovation & Growth:

Expand private labels, ready-to-eat, health-focused offerings, and explore M&A or retail media opportunities.

Sources for the paper:

(Click on the link below)

[The Food Retailing Industry Speaks 2025 - FMI](#)

[Grocery Report 2025 - JLL](#)

[The State of Grocery Retail Europe 2025 – McKinsey and EuroCommerce](#)

Are you ready for Change?

From the trends, operational insights, and competitive dynamics highlighted in this paper, one point is clear: automation is no longer optional – it is a strategic lever for growth, resilience, and competitiveness.¹ Done well, it transforms operations, enabling faster throughput, higher accuracy, and more responsive service; done poorly, it locks in inefficiency, hidden costs, and operational rigidity for years.

TGW Logistics turns automation into a strategic advantage by combining deep industry expertise, tailored solutions, and end-to-end support – from requirements definition and simulation to implementation and go-live. By integrating AI, predictive analytics, and flexible material flow, TGW ensures that automation initiatives deliver measurable improvements in efficiency, flexibility, and customer value.

In a market defined by shifting consumer behavior, rising operational complexity, and intensifying competition, partnering with TGW allows grocery retailers to future-proof operations, capture growth opportunities, and maintain a decisive edge in a rapidly evolving landscape. With the right strategy and partner, grocers can turn disruption into opportunity and lead the transformation of the industry.

1

The State of Grocery Retail Europe 2025, p.23; FMI Speaks 2025, p.55

Get in touch!



Interested in learning more about warehouse automation?

Schedule a meeting today with our expert Patrick Teissier!



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