



Ten key trends

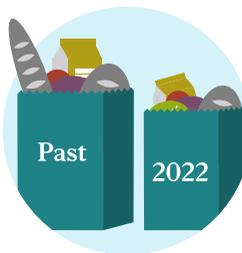
shaping the grocery industry in 2022 and beyond

Economic headwinds

1. Decreasing volumes

Sales volumes are likely to decline in 2022 as the impact of COVID-19 wanes.

Volume fell by 2.1 percent in 2021 compared with 2020. In particular, the last three quarters saw declining volumes, though they were still 5.7 percent higher than those of 2019, leaving room for a further decline. Going forward, we expect volumes to stabilize slightly above 2019 values and revenues to stay clearly above 2019 values, given the high inflation rates.



-2.1%

Fact: Volumes were 2.1 percent lower in 2021 than in 2020 (KPI table, Europanel).

2. Inflation

In January 2022, overall inflation in Europe reached 5.6 percent, with food prices increasing by 3.5 percent. The Ukraine crisis increases the inflationary pressure even more. General inflation reduces available consumer income in the short term (and their confidence for the future), while rising food prices and high energy costs can directly affect margins.

Consumers are expected to trade down and shift their spend to retailers with strong private-label offerings in the entry-price range.



63%

Fact: Sixty-three percent of CEOs see inflation as the top trend in 2022 (State of Grocery Europe CEO Survey, January 2022).

Online

3. Slower online growth with more differentiated offers

Online growth might take a yearlong pause in 2022 in many markets. Still, we expect growth to continue in the midterm. By 2030, e-grocery will make up more than 20 percent of the market, depending on the country and scenario (see "[The next S-curve of growth: Online grocery to 2030](#)").

At the same time, online offerings will become more differentiated (such as instant delivery versus scheduled delivery), serving the specific needs of additional consumer segments and shopping missions. Consumers will increasingly split their basket across more than one online food player.



1/3

Fact: One-third of consumers who shop online weekly get their groceries at three or more e-commerce players (State of Grocery Europe Consumer Survey, November 2021; McKinsey analysis). See "[The next S-curve of growth: Online grocery to 2030](#)" and "[Instant grocery: Will it stay or will it go?](#)".



Widening polarization

4. Increasing price sensitivity

Price sensitivity is expected to increase further in 2022—especially among lower-income consumers, who will be focusing more on saving money compared with last year (an increase of 12 percentage points). This is strongly driven by the rising inflationary pressure that reduces the income the consumers have available to spend on groceries.



52%

Fact: More than half of low-income consumers (and 42 percent of consumers on average) plan to look for ways to save money while shopping grocery in 2022 (State of Grocery Europe Consumer Survey, November 2021).

5. High-quality entry-price tier

Consumers who shop at entry-price levels are less willing to make trade-offs on the quality of these products. By now, the entry-price tier matches the quality of the main national brands in several markets and categories. This makes differentiating between the entry-price tier and main-price tier increasingly difficult.

To meet these higher expectations, retailers may need to raise the quality of the private label in the entry-price tier or merge it with the main tier.



30%

Fact: Thirty percent of CEOs see increased quality in the entry-price tier and reinvention of private labels as important trends for 2022 (State of Grocery Europe CEO Survey, January 2022).

6. Intensified sustainability and health focus

Consumers are planning to focus even more on a healthy diet in 2022 and to shift their spend to more sustainable products. The trend is primarily driven by high-income groups and younger generations (for example, Gen Z and millennials). Thirty-nine percent of high-income consumers plan to focus more on healthy eating in 2022.

For retailers, this means further widening their assortment of healthy and sustainable products and increasing its visibility.



+15 p.p.

Fact: The sales growth of the ten brands most bought by eco-friendly customers was 15 percentage points higher than market growth (Europanel). See [“Grocers’ sustainability opportunity from transforming the food system”](#).

7. Growth in premium

High-income groups are fueling demand for higher-quality, fresher products, whereas low-income groups show a negative net intent for 2022.

Consumers are also shifting to other formats to get the level of freshness they are looking for, as more than 50 percent of consumers already shop at farmers and fresh-food markets or at independent bakeries and delis. We anticipate that those two formats could experience the highest increase in net intent among all formats in 2022.



20%

Fact: Twenty percent of high-income consumers plan to buy more premium products in 2022 (State of Grocery Europe Consumer Survey, November 2021).



Ten key trends shaping the grocery industry in 2022 and beyond (continued)

New profit pools

8. New revenue streams

With their core business under pressure, many retailers are looking for new profit pools. Retail media networks—in which grocers sell advertising space to consumer-packaged-goods companies using the retailer’s loyalty card data for improved targeting—are among the most promising new revenue sources. Leading US players have built dedicated units to run their retail media network, achieving substantial contributions to their EBIT. The first European grocers have also embarked on this journey, and we expect this to become a must-have element of a grocer’s online business to make it profitable.



Up to 8%

Fact: Up to 8 percent of online sales from leading US players are achieved through retail media networks, with margins of more than 50 percent (McKinsey analysis). See [“Growing beyond groceries: The ecosystem expansion”](#).

9. AA: Personalized and localized

To achieve the next level in personalized promotions, grocers could take a true “customer lifetime value” approach: customers are notified of the right offer at the right time, with the right message and the right discount, through the right channel. The result could be gains of 2 to 3 percent in EBITDA. Furthermore, store-specific assortment could help boost sales by 2 to 4 percent.



23%

Fact: Twenty-three percent of CEOs see the adoption of advanced-analytics applications as a key priority (State of Grocery Europe CEO Survey, January 2022). See [“Pushing granular decisions through analytics”](#).

Talent

10. Shift in the people model

Grocery retailers face two key challenges: high demand for new skills and roles that are difficult to cover because of the shortage of available talent, and high attrition of existing employees. Some companies are reimagining and redesigning roles, with technological and social skills rising in importance—along with a premium on adaptability and the ability to master various tasks—as physical and manual tasks decline in importance.

To navigate the transition to a new people model, companies can anticipate future talent demand and invest accordingly (“strategic workforce planning”), leveraging reskilling and upskilling as key sources of value creation. They can also address attraction and retention by focusing not only on financial incentives but also on employee experience.



39%

Fact: Thirty-nine percent of CEOs cite hiring the right talent as a top trend for 2022 and see an increasing need for reskilling (State of Grocery Europe CEO Survey, January 2022). See [“Crisis or opportunity? How grocers can build stronger people models”](#).