

# Europe's Leading Grocers and Their Buying Alliances

*First Look Insights*

*March 2024*

Retail  
**CITIES**



# Introducing Today's Presenters

Sebastian, Boris, and Me (Ray)

**Sebastian**  
Rennack



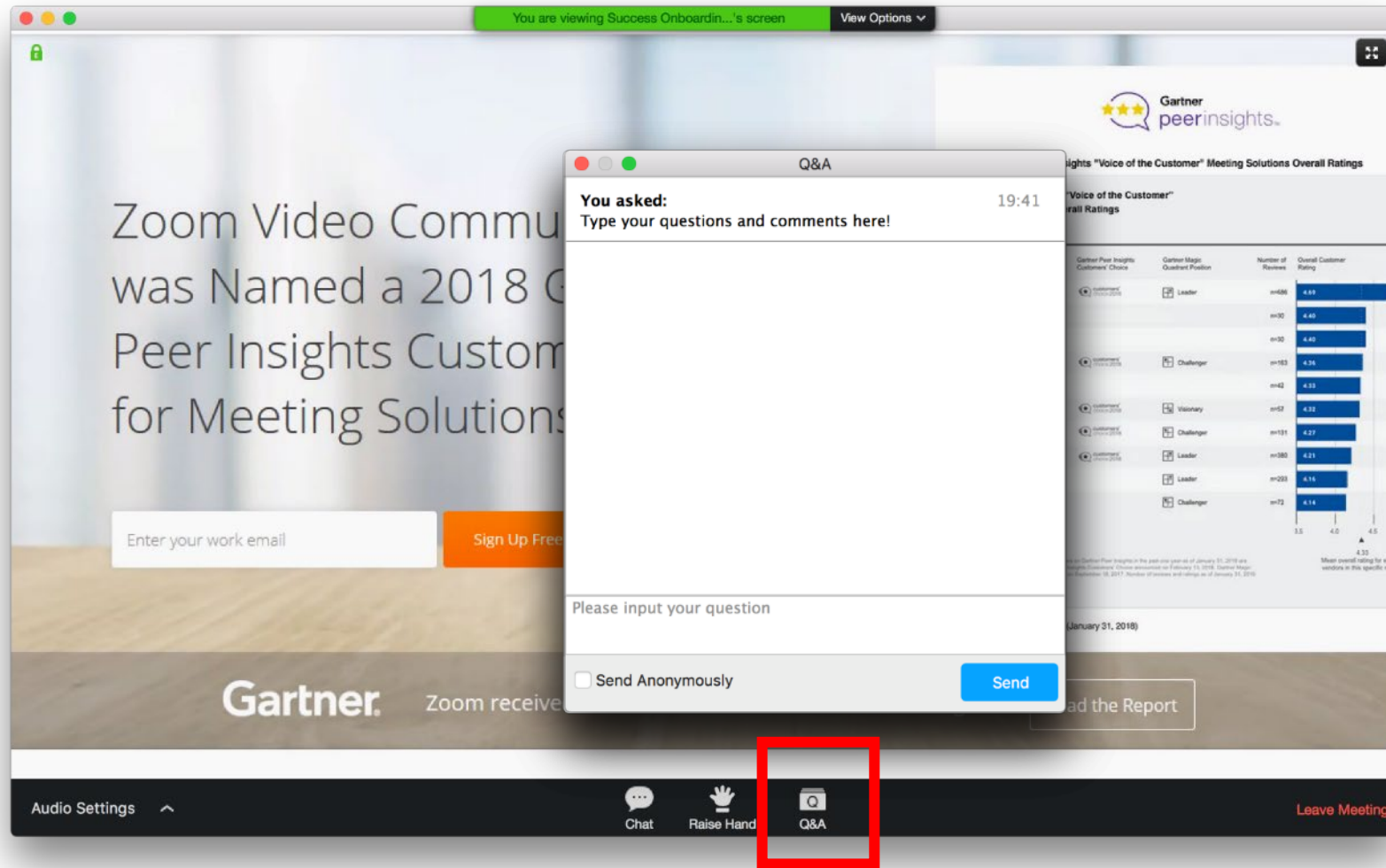
**Boris**  
Planer



**Ray**  
Gaul



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Tech support: email "info@RetailCities.com"

## Today's Agenda

Will we see a warmer consumer sentiment in Europe or more of the same?

About Retail Cities

Part 1:

**Europe's Top 25** – by Ray

Part 2:

**2024/25 Macro Outlook** – by Boris

Part 3:

**CEE** – by Sebastian

Part 4:

**Buying Groups** – by Ray

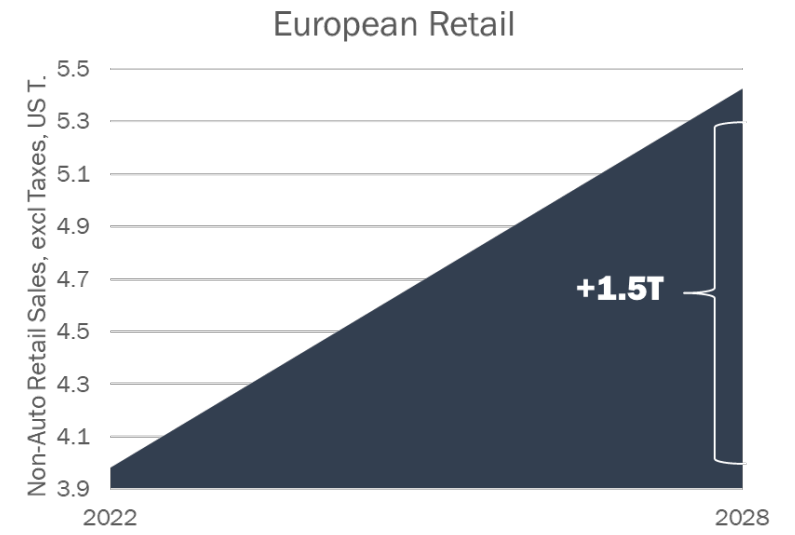
Team Q&A



# About Retail Cities

## Predict, Map and Capture The Next \$10 Trillion In Global Retail Growth

- **Fact-based**
- **Global**
- **Practical**
- **Provocative**



# Ways We Connect With Clients

## Workshops, Reports, & Requests

**Retail CITIES**  
The **Retail Cities** European Commercial **Leadership** Series  
Managing the complexities of retailer alliances and new platforms

Europe's leading grocery retailers are decentralizing when it comes to retail execution, but centralizing when it comes to annual purchasing, promotion, and media investments.

In partnership with the Retail Negotiation Group, the European Commercial Leadership series will help commercial leaders make sense of buying alliances, retail media networks, best practices in RGM, and key customer planning.

**Europe's Leading Grocers & Buying Alliances - 2024/2025 Outlook**  
Retail Cities has built a Top 25 report on Europe's largest buying alliances and multinational retail groups. We will review their financial health, key investments, and approaches to suppliers as of Q1-2024.

**France's Multinationals - Times of Dramatic Change**  
Cora & Casino, two of France's iconic grocers, restructured in 2023, providing opportunities and new approaches for Intermarche, Carrefour, and Auchan. How will these French Internationals manage growth in 2024/2025?

**Retail Media Networks - Resourcing for 2025/26**  
Leading drug and grocery retailers in Europe are building Retail Media Networks with the hope that revenues will significantly change the financial fundamentals of their P&L. How will this evolve? How do you build a Retail Media team for 2025?

**RGM 2025/2026**  
Revenue Growth Management (RGM) has become an essential function in European Commercial Leadership, but it is rapidly changing and poorly understood. We will unveil our annual best practice survey results and case studies on aligning RGM and Go-to-Market strategies.

**US Dollar Stores - A Return to Growth?**  
2023 was one of the worst years for both Dollar General and Family Dollar/Dollar Tree. We explore how 2024 will be different and what that means for suppliers.

**Turkish Discounters on the Move**  
Turkey's 3 discounters - Bim, A101, and Sok - control the bulk of modern trade and still have room to grow, both in Turkey and in expansion markets. We explore what comes next.

**The Next 10 Years with Europe's Leading Discounters**  
Aldi & Lidl spent the past decade building scale in fresh groceries (bakery, fresh produce, meat, fish, and dairy). New priorities are emerging for the next decade. We list these and explain the short- and long-term opportunities and challenges.

**Europe's Fast Growth Variety Discounters**  
Non-food / variety discounters, Action, Peppo-Poundland, and Tedi, have quietly internationalized their business models. We explore ways to leverage this fast growth while building channel presence with national variety discounters.

## Custom Research & Advisory



**Membership:** Clients that choose to purchase in advance, or in bundles, are given exclusive extra content, discounts, and rewards. We have three tiers of membership that accumulate throughout 12 month membership cycles.

# Part 1

The Top 25  
Current Situation, March 2024

# European Retail 2023 Growth Summary March 2024 First Look

- European consumers spent an additional EUR138 billion in 2023, resulting in a growth rate of 3.5% in 2023\*
- Most of this growth was inflationary, with only three major Western European markets seeing volume expansion in 2023 (Spain, Portugal, and Ireland)
- Europe's 25 largest grocery retailers managed to grow 8.0%, an expansion of EUR89bn, 64% of all cash growth\*\*
- The European Top 25 grocers now represent 29.6% of all consumer spending in retail – expanding from 28.3% in 2022\*\*
- The Top 10 market share gainers largely grew via discounting (ie, strong private label assortment)





# Reviewing 2023: All Retail

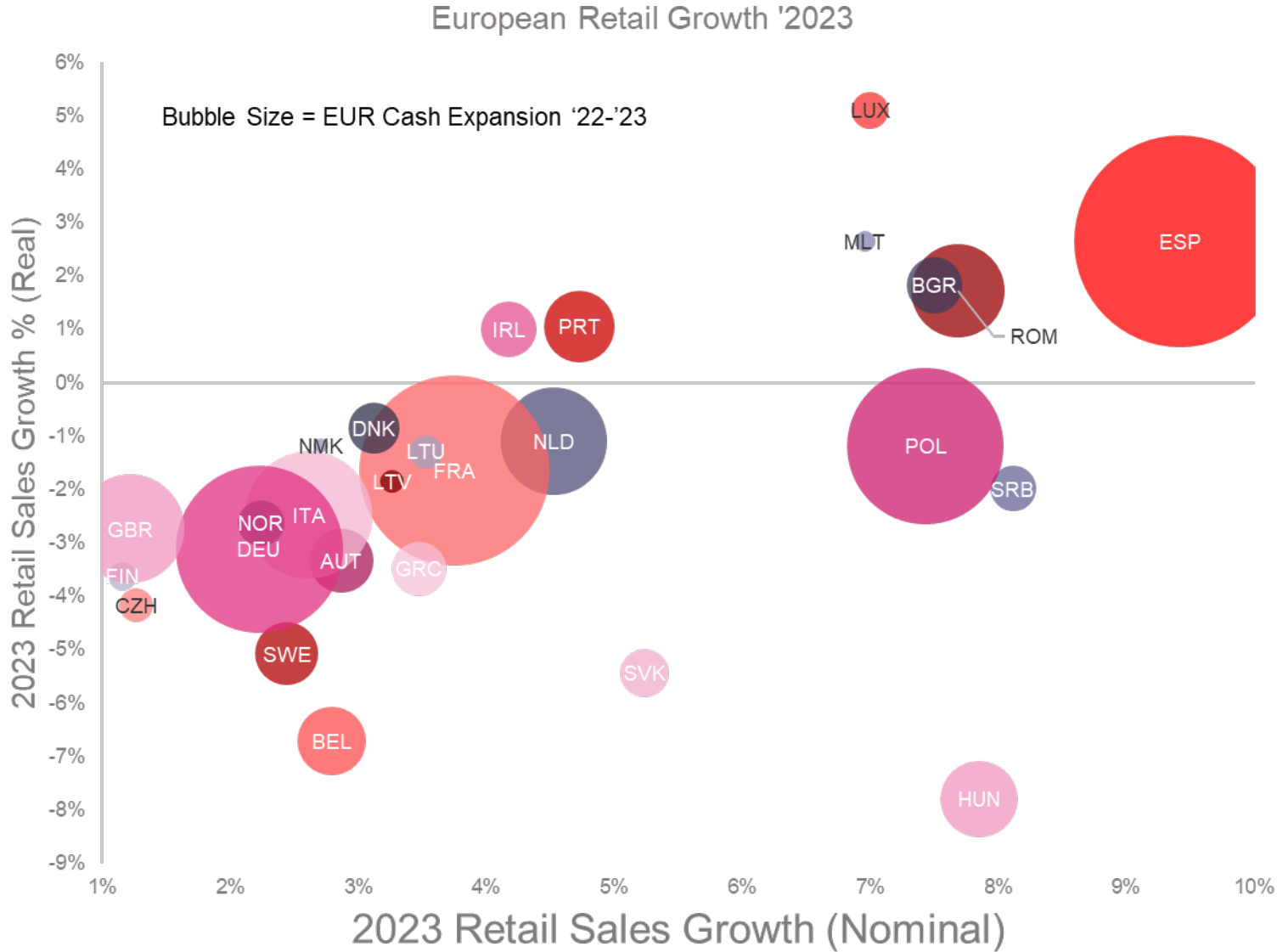
Nominal growth in retail was inline with historical growth rates, largely as a result of high levels of inflation in the first half of 2023.

Volume growth was one of the worst years in modern history.

Just three 'large scale' Western European markets saw volume expansion:

- Spain +2.6%
- Portugal +1.0%
- Ireland +1.0%

In each of the three, a robust tourist market is one of the contributing factors.

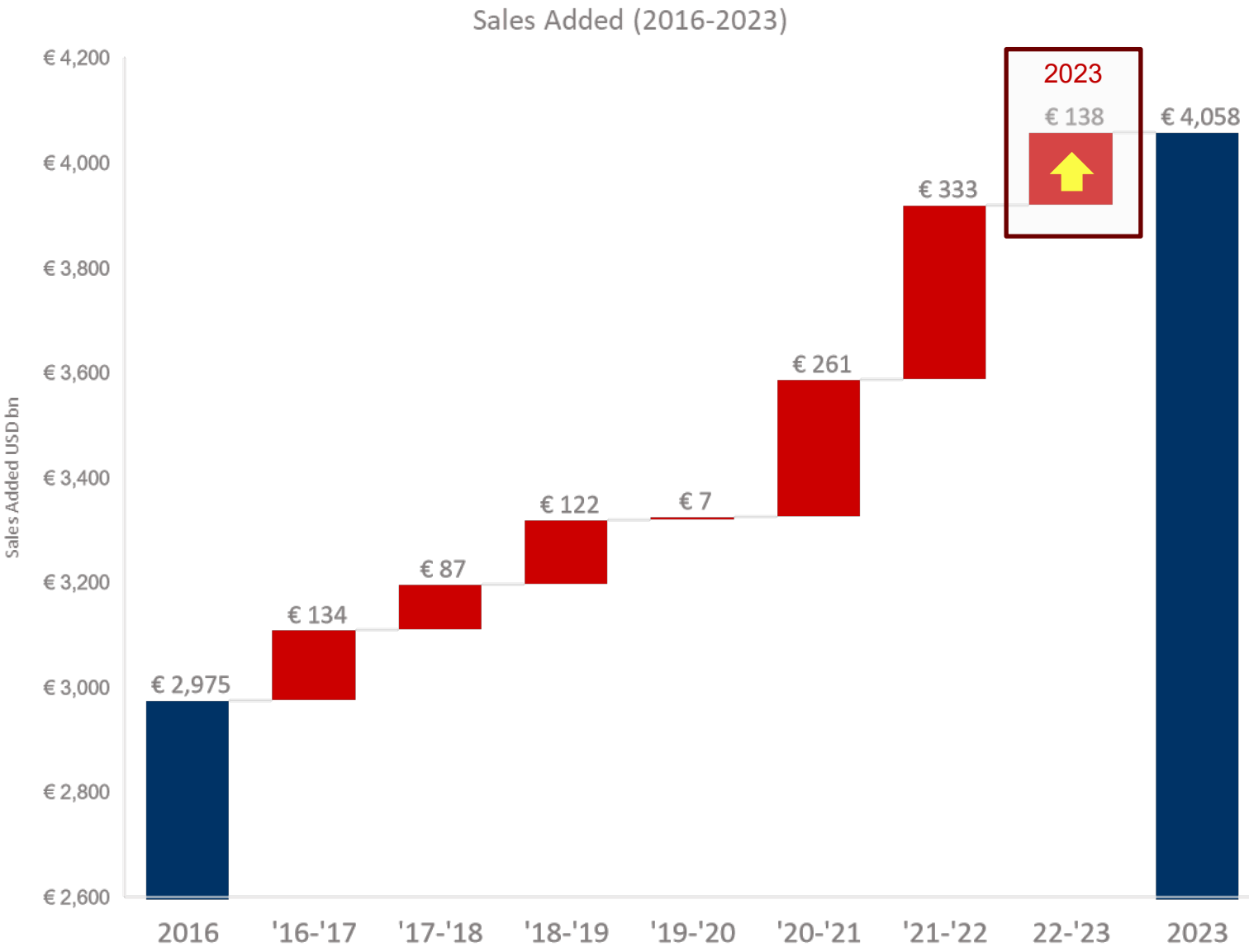


# How Did 2023 Compare?

2023's consumer spending expansion was larger than the pre-Covid historical period BUT much smaller than the last two years of inflation driven growth.

While retailers are still selling the same volume of goods as they did back in 2016, the way they think about cash and inventory has changed dramatically.

- **Cash:** Europe's major retailers are managing more than EUR1Trillion more in cash today than they did back in 2016.
- **Inventory:** The longer inventory sits in a medium-inflation environment, the higher the eventual selling price.



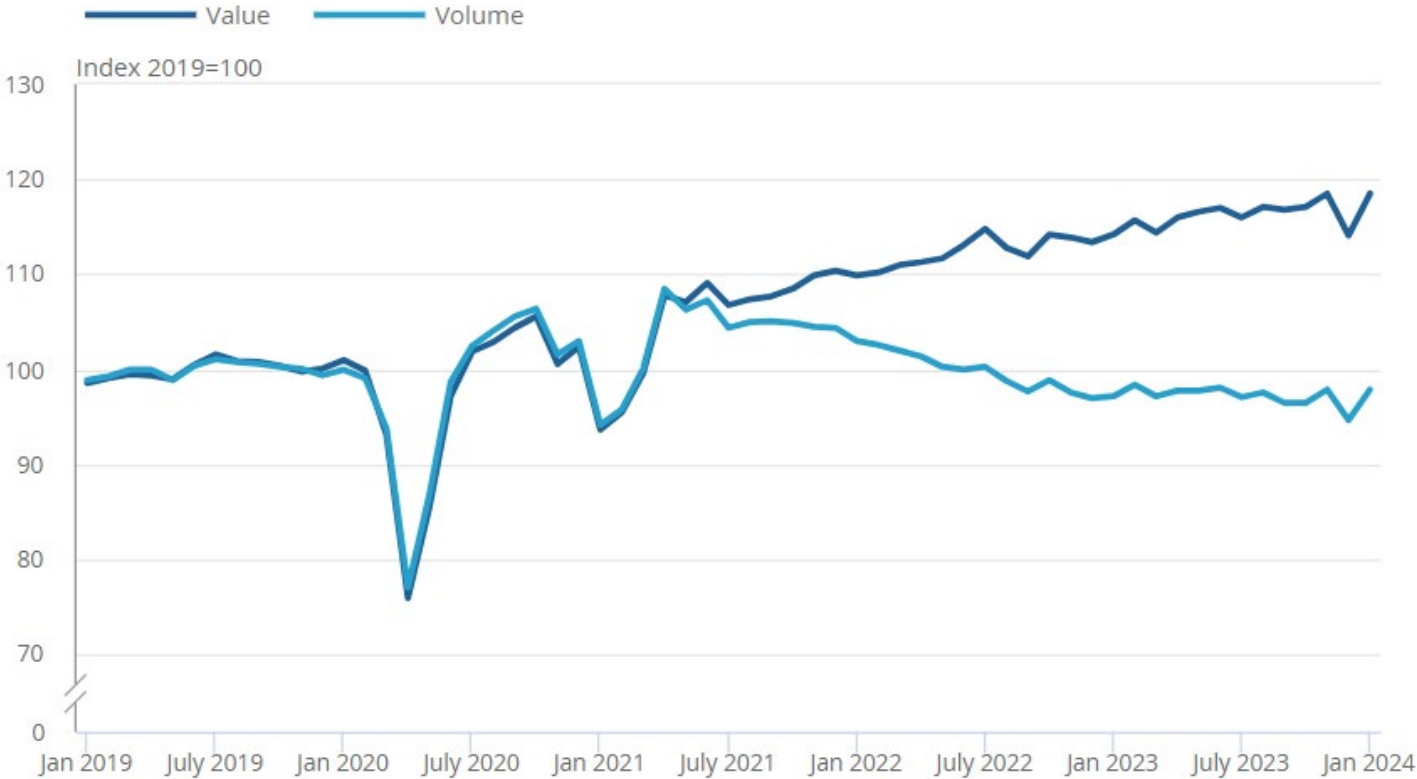
# How Long Can Value & Volume Move in Opposite Directions?

One question on all economists minds is, “How long can we see a decoupling of value & volume?”

Britain’s ONS, in February, indicated that they feel the end is in sight.

However, its important to remember that Europe is made up of over 30 major economies and that some economies are experiencing different overall conditions than those in the UK.

UK Retail Sales, Value and Volume, Source: ONS



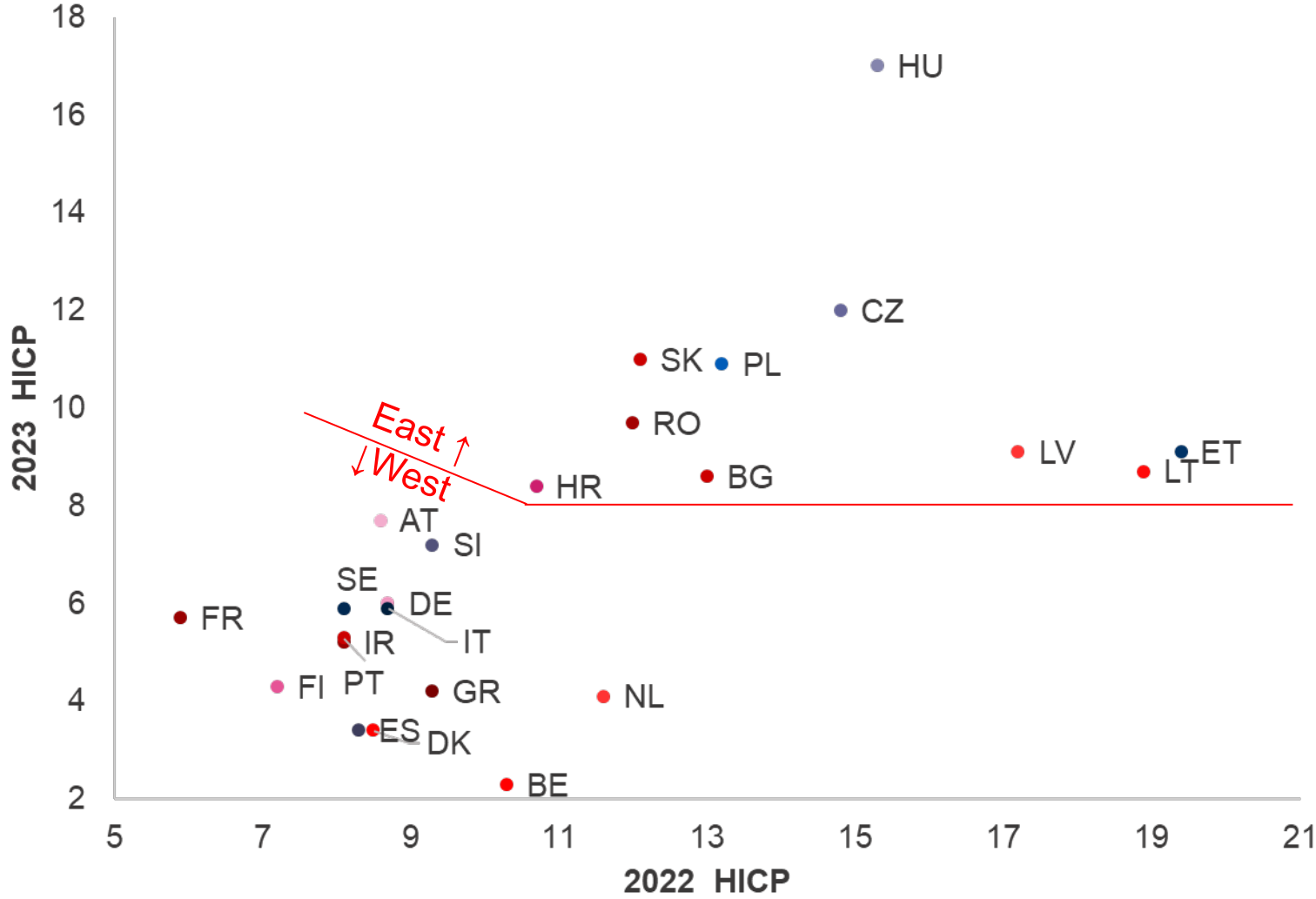
# Value & Volume Separation

All of the available data points in one general direction:

- Central & Eastern European (CEE) markets are struggling to get the value/volume balance righted
- While we might believe that in 2024, “back to normal” conditions are in place; it is important to note that CEE markets are nowhere near ‘back to normal’

Implication: Leading food retailers with a strong CEE presence will continue to operate in 2023 mode – focus on discounting/private label, tough negotiations on prices with suppliers

Inflation: A 2022-2023 East-West Divide



HICP = European Harmonized Index of Consumer Prices (Inflation)

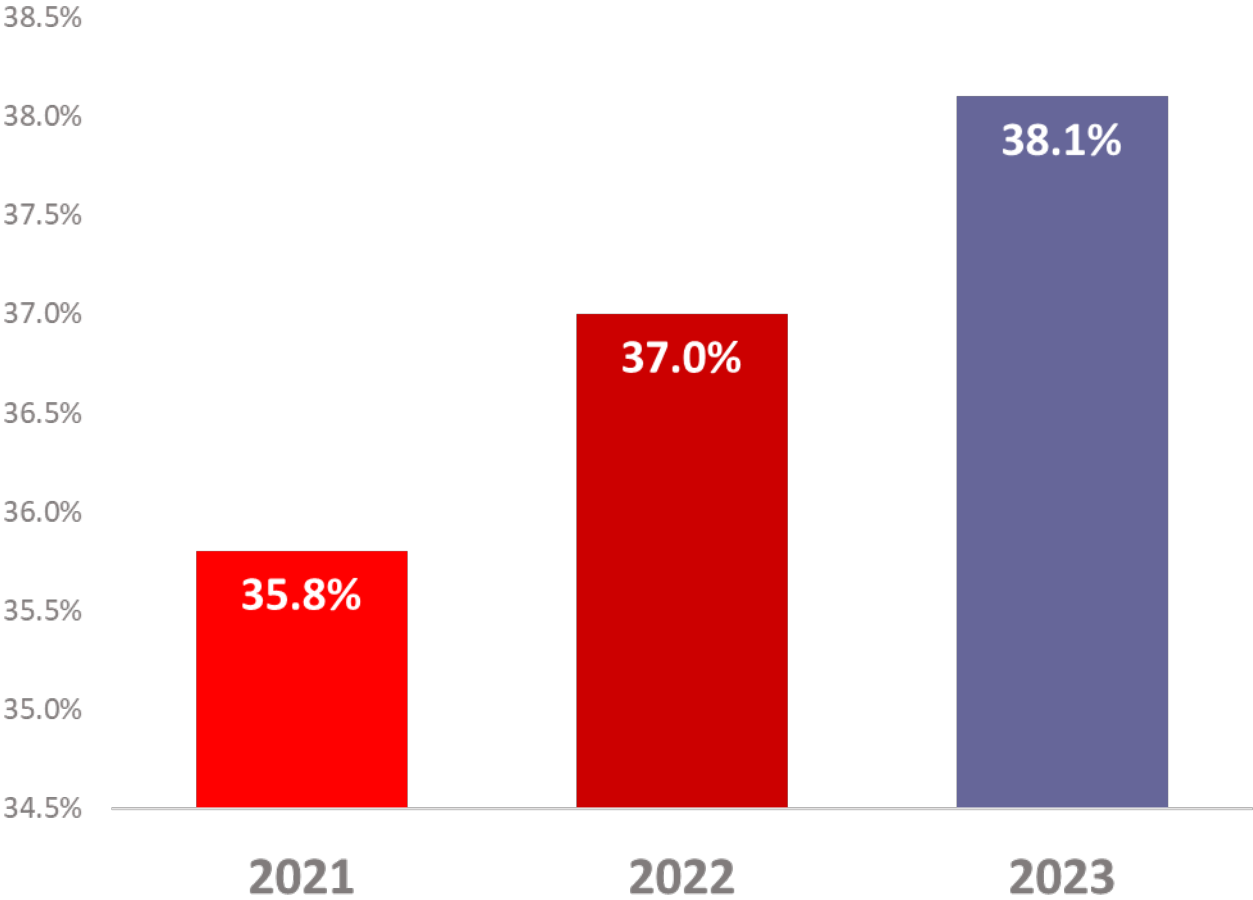
# 2023

## Private Label Has Never Been Stronger

PL shares grew value faster than volume in both 2022 and 2023 – reaching record levels in all but one country, Switzerland

**Implication:** Retailers and private label manufacturers have been busy coping with demand – keeping up with consumers who buy the private label as soon as it hits the shelves

PL value share %, Europe



Source: PLMA Yearbook (2021-2023 data)

# Think of the 2023 Retail Landscape in Two Extremes

How consumers and retailers invested in these varied by country and channel



# Europe's Top 10 Expansionists

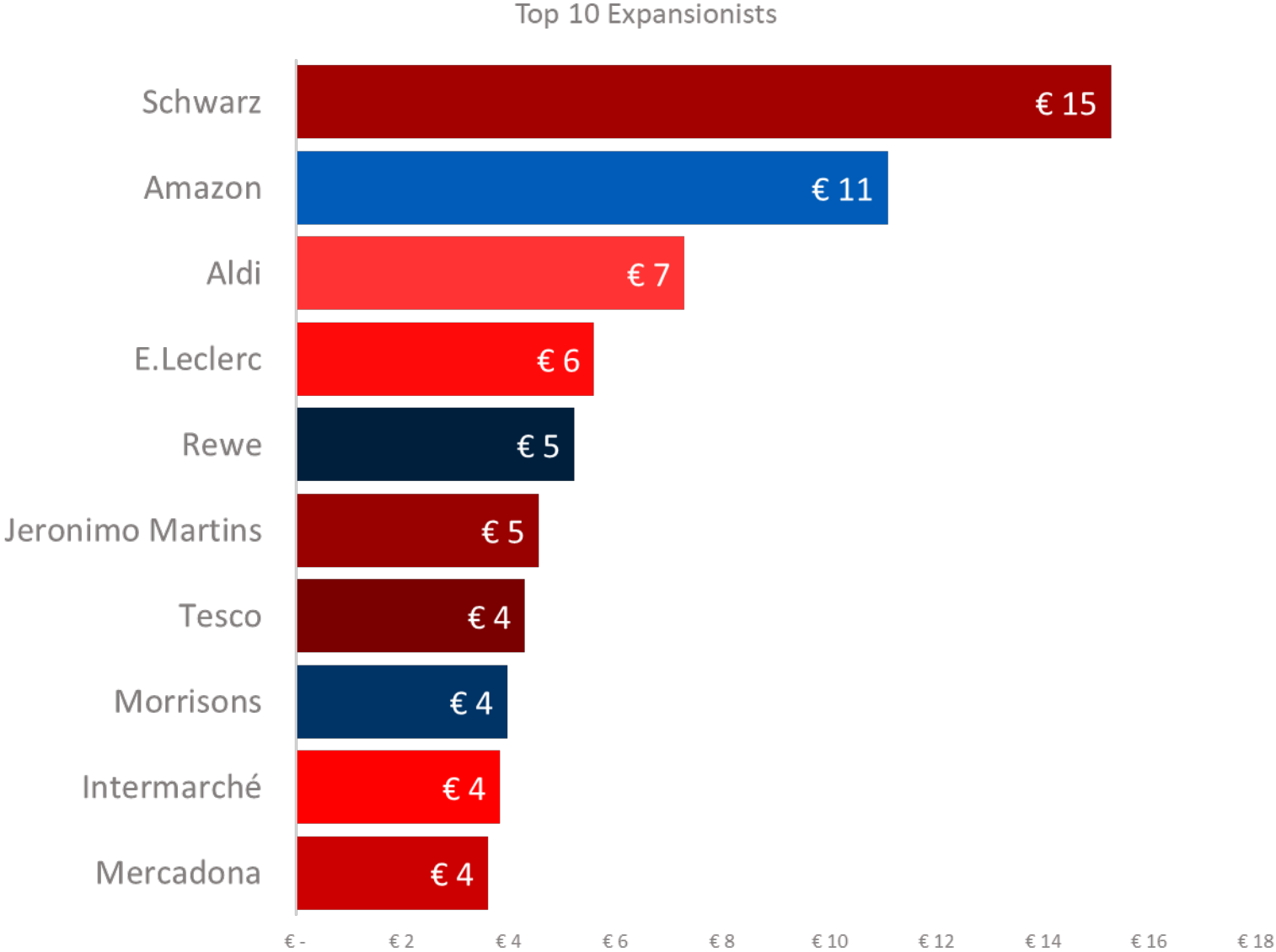
Europe's largest retailers expanded sales in 2023 in two ways – most with a mix of save money and great solutions

- **Price Increases** – a majority of growth came from increases on core commodity essentials
- **Private Label** – with the exception of Morrisons which grew via M&A, each retailer reported higher % mix in private label

These top 10 retailers, collectively, expanded by EUR65 billion – 47% of all new consumer spending in 2023

*Note: Figures exclude non-European trading areas managed by retailers on this list*

Bar represents size of expansion in annual sales ('23 v '22)



# Europe's Top 25 Essentials Retailers

Europe's Top 25 retailers grew 8% in 2023, compared to all retail growth at 3.9%.

This surge in above-market growth enabled the Top 25 to capture 64% of all cash expansion in consumer spending and consolidate a European total market share of 30%.

The fastest growing segments of the Top 25 were the retailers greater than a EUR100bn and retailers between EUR20bn-EUR30bn – both growing 10%.

Discount banners among the Top 25 grew 10%, outpacing non-discount banners, 7%.

The share of discount among the Top 25 grew from 28.8% to 29.4%

Top 25 discount as a share of total European retail grew from 8.2% to 8.7%.





## Part 1: The Current Situation

### Summary of Top 25

European essentials retail experienced a value-based expansion in 2023 with most categories seeing volume declines.

The Top 25 European retailers outgrew the market, by a factor of 2x.

Within this group of elite retailers, discount banners outgrew the market by a factor of 3x. Much of this was a result of higher value demand for private label.

A-brands, on average, had slightly positive value growth on lower volumes.



# Part 2

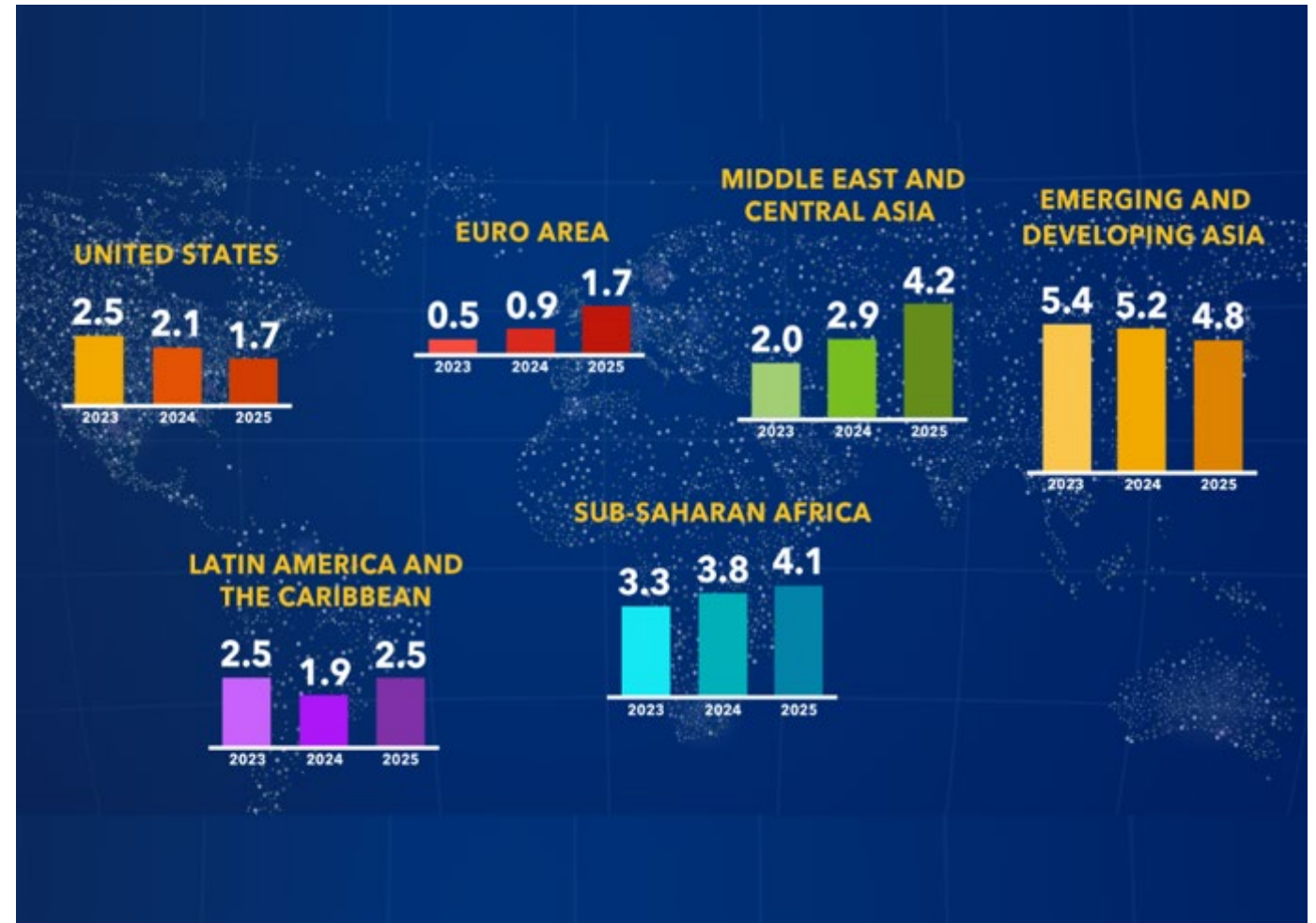
## European Growth Outlook Macro Changes in 2024/2025



## GDP, real growth (%)

### European Growth Outlook

- Featuring weakest growth among regions vs more resilient US and China – but finally recovering
- Spain (+1.5%) and France (+1.0%) among EU top performing markets, but weak by international comparison
- UK (+0.6%) and Germany (+0.5%) at the lower end. Germany now emerging from recession
- Inflation moderating after severe energy and food price shocks of 2022/23
- Consumer confidence recovering from low level, helped by return of real income growth
- Shoppers to remain sensitive to disruption following recent experiences – retailers and brands must prepare for sudden swings
- Creeping shift in consumer priorities to continue

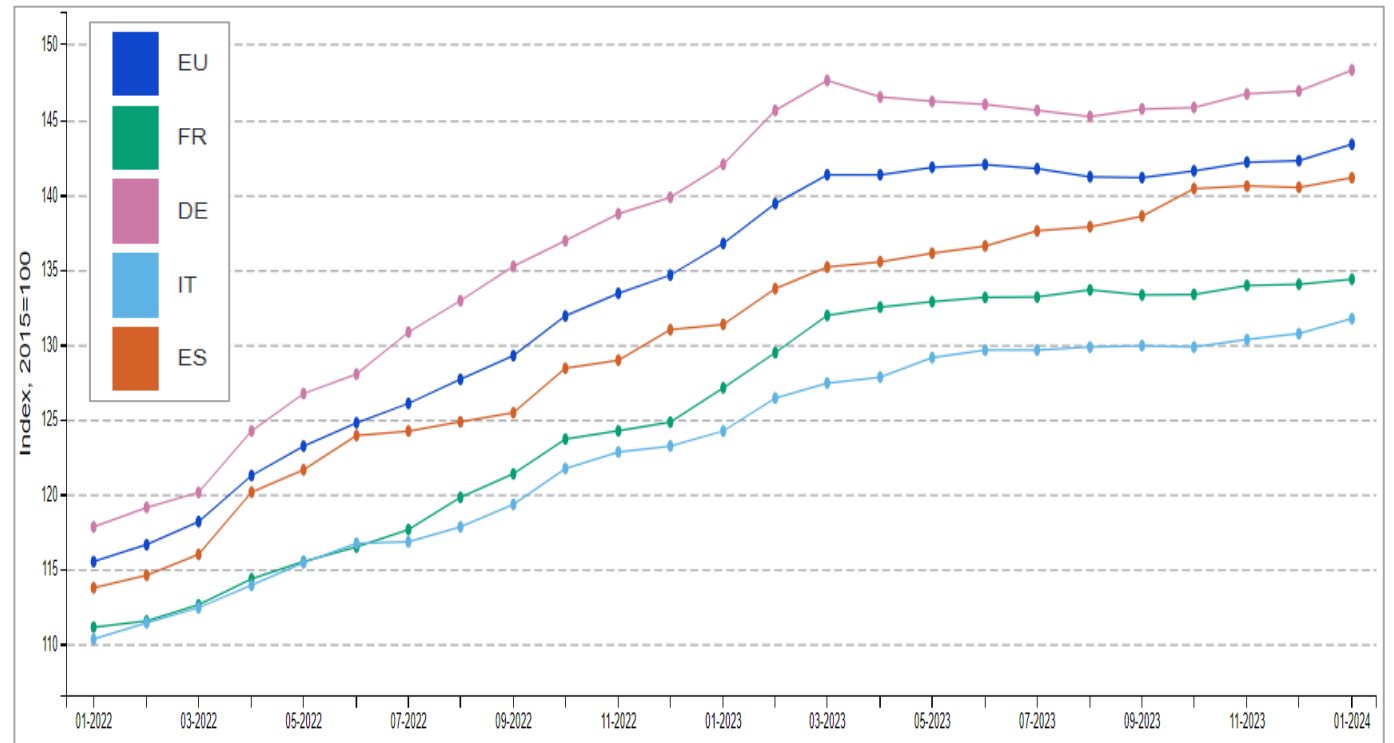


Source: International Monetary Fund, World Economic Outlook January 2024

## European Inflation Outlook

- Food prices putting pressure on non-essential categories
- Rates coming down (Euro Area: 4.8% in 01/24 vs 19.6% in 03/23), yet...
- ...food prices remain very high (Euro Area index 143.3 in 01/24 vs 115.5 pre-Ukraine war)
- Number one concern for pressured households!
- Essentials-first mindset to impact on discretionary categories
- Entertainment has opportunity to position itself as substitute experience
- Even a downtrading environment will breed winners
- Spending behaviours driven by mindset shift

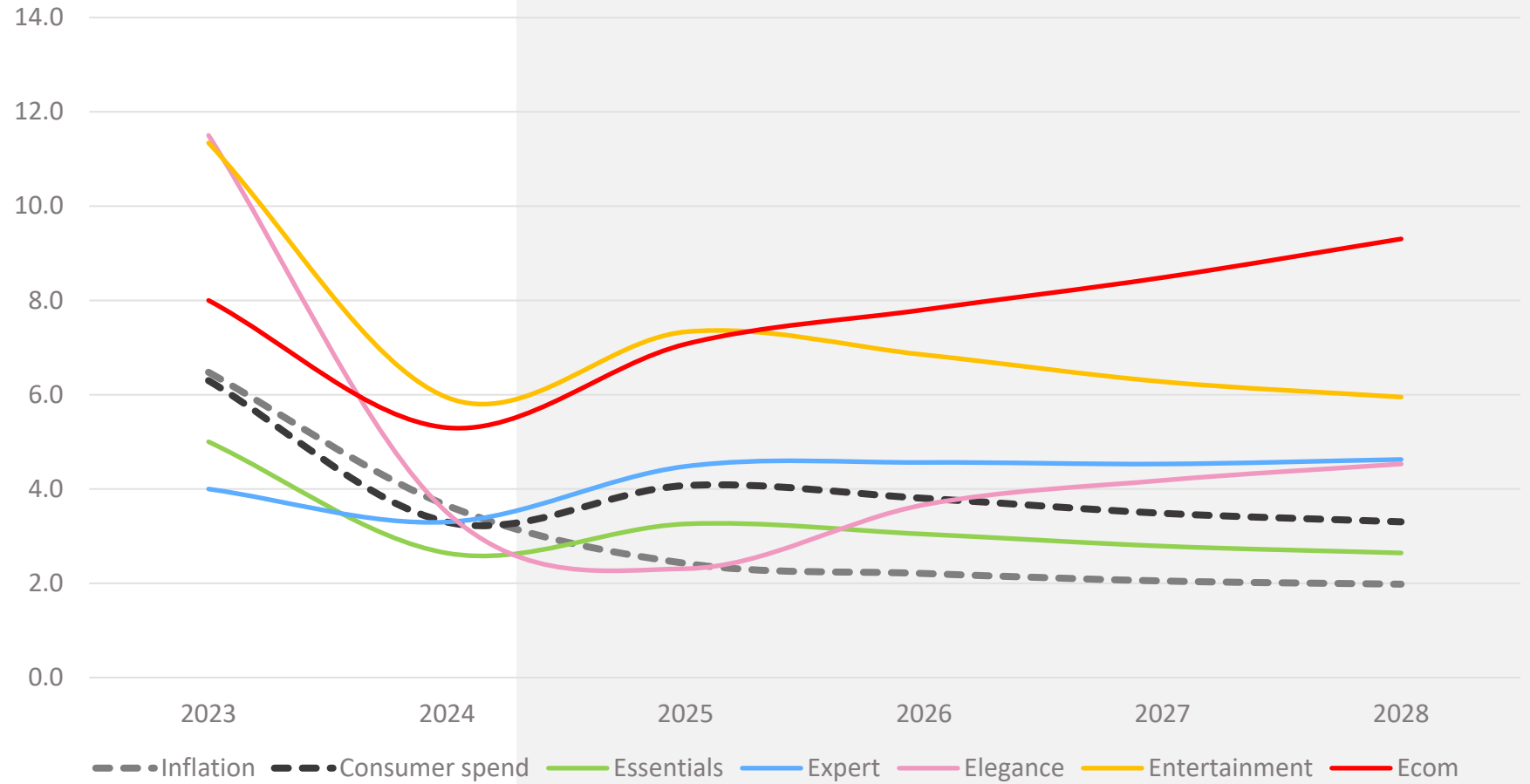
## Food Price Index, 2005 = 100



Source: Eurostat, March 2024

# European Sector Outlook

Nominal Growth, %, (2023-28)



Source: Eurostat, 2023; Retail Cities, 2024

## Consumer-driven Change

- Middle class under pressure long-term (inflation, ageing society, loss of efficiencies in international business)
- Consumers to prioritise safety, tradition, the local
- Tough choices on categories to spend on – flexible retail and service ecosystems to win for their power to create loyalty and retain shoppers
- Meet the Alphas as the first AI natives
- Rising shopper expectations on speed and relevance – impact on innovation processes, manufacturing, logistics



## Mindset Shifts

- Adoption of recessionary behaviours will shape consumer habits long-term
  - Polycrisis effects
  - Three-strike law on private label
- Arbitrary perception of brand pricing to drive focus on PL, promotions and discounters
- Private label gaining ground with above-standard innovation threatening brands
- Discounters as providers of democratization (organic, premium), lifestyle products and solutions
- Focus to remain on essential categories in 2024 (food, healthcare, pet) before spending relaxation
- Digital and AI natives to show little mercy with established business models



# Part 3

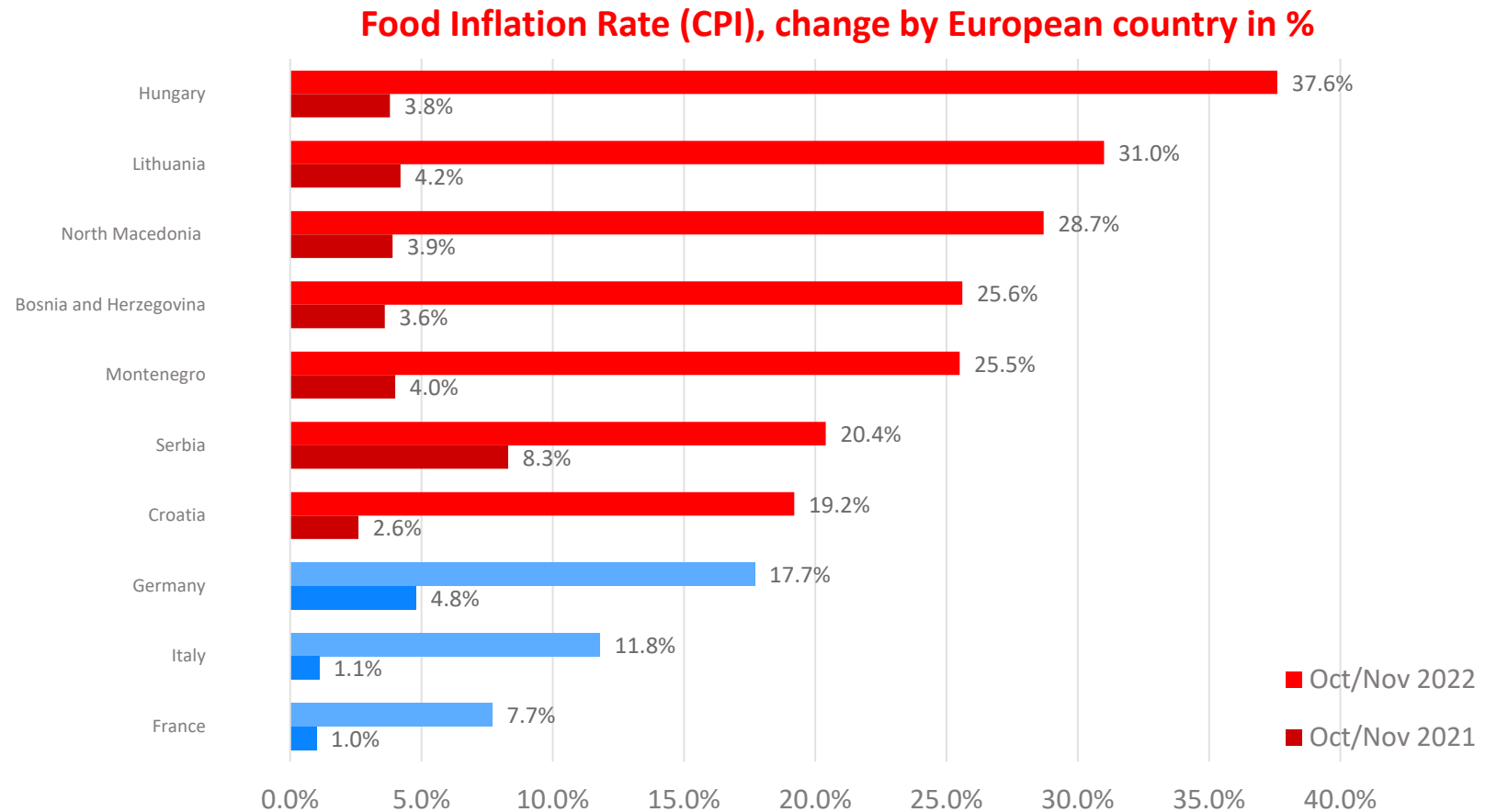
## Consolidation & Concentration Outlook for Central & Eastern Europe (CEE)





## Inflationary pressure highest in Central & Eastern Europe

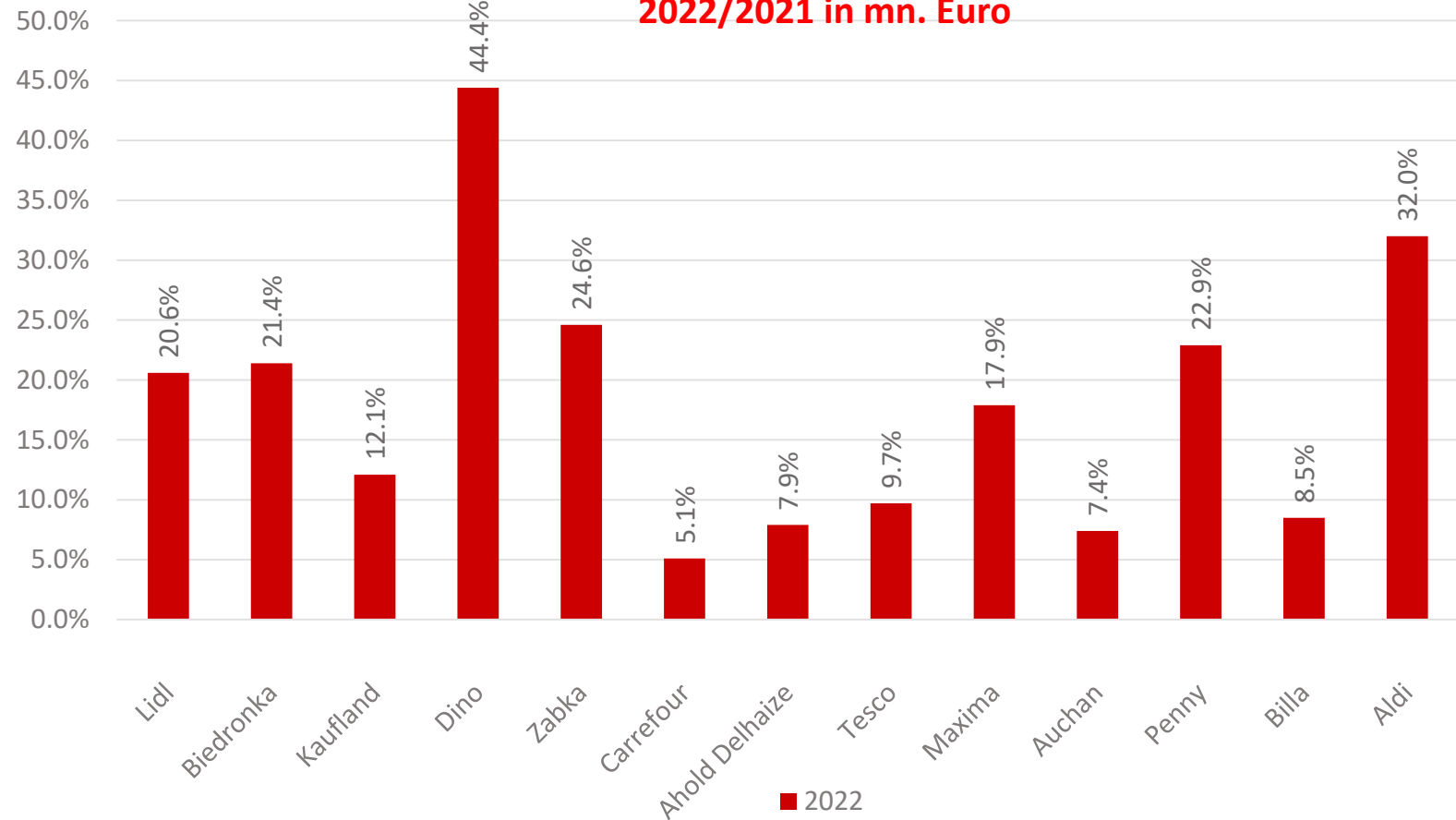
- Highest jump in food prices in small economies and economies that haven't adopted the euro
- Accordingly, consumers in CEE have felt price pressure more distinctly than in Western European markets
- Blame game: Finding the responsible for price increases has become one of the top items on the public agenda
- In the majority of cases, 'international corporations' have been stigmatized as perpetrators
- This psychology has carried over into 2023/2024, even if inflation rates have come down
- Shopper awareness is value-focused



## CEE markets become even more important for future growth

- International retailers in most CEE markets can grow their revenue faster than in their Western European home markets
- Euro-exchange rates for local currencies do not counterbalance inflation rates
- In euro-terms the CEE region is becoming distinctly more important for international retailers than in the past
- But consumers keep feeling the diminished purchasing power and look for value
- Discounters are shifting budget allocations towards the CEE region

Net revenue growth in Central & Eastern Europe in %, on euro basis  
2022/2021 in mn. Euro



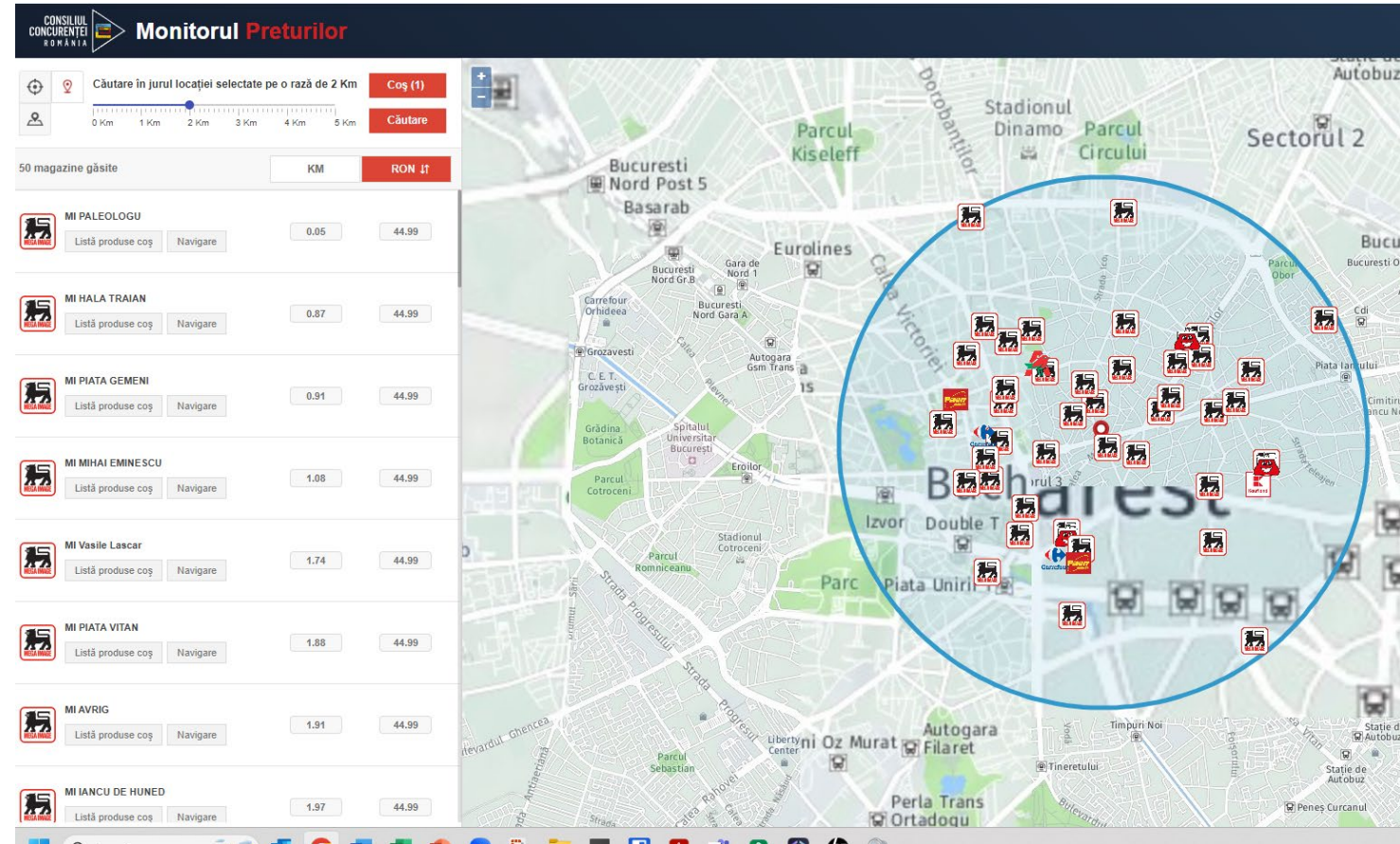
## Competition between organized retailers will intensify

- Concentration up to now mainly on the back of traditional trade. In many countries the share of independent grocers has shrunk to 20% - 30% of FMCG trade
- Future growth will mean taking market share from other modern, organized competitors
- Consolidation driven by M&A activities:
  - Ahold Delhaize/Profi in Romania
  - Carrefour/Cora in Romania
  - Mercator/Tuš in Slovenia
  - Mercator/Franca in Montenegro
  - Studenac acquires Permo, Kordun, Duravit, Strahinjica, Spar, Lavor in Croatia
  - Stokrotka/Top Market



## Regulatory interventions will speed up concentration process

- Increased activity of consumer protection agencies (UOKiK Poland, ANPC Romania, GVH Hungary)
- Price caps for basic commodities (Romania)
- Price comparison tools (Hungary, Romania) increases price transparency
- Mandatory local assortment („Local shelf” Romania, discussion in legislative bodies in other countries)
- Stronger protectionism of local economy gives rise to stronger food patriotism
- EU local supply chain and sustainability initiatives additionally support the trend towards localization of offer
- Large retailers can buffer additional requirements of the EU Supply Chain Act and sustainability initiatives better than independent retail



# Which retailer can invest in price? How to avoid price wars?

Pre-tax profits in Central & Eastern Europe 2021/2022 in mn. Euro



**CHCEMY BYĆ NAJTAŃSI I JESTEŚMY!**  
 GDY INNI DBAJĄ O POPULARNOŚĆ, MY TROSCZYMY SIĘ O NISKIE CENY

**WEDŁUG Fakt** Już trzeci raz w tym roku najtańszy koszyk 25 podstawowych produktów jest w Lidl

**3:0** Biedronka

Tabela koszyk Fakt

**1 KAINU CEMPIONAS**  
 2024 m. VASARIS

Remontis UAB „Seemest” atliktu tyrimu, tarp lyginamų mažiausias prekės kaina linku lyginamų prekių krepšelis vasarį parduotuvių

**LIDL**

VASARIS PO PROGA KASDIEN ATEIK IR SUTAUPYK

Primažėms, 02.19 | Antradienį, 02.20 | Trečiadienį, 02.21

NIXE | Alesto | Fin CURRE

Pirkant 2 pak. -50% ANTRAM 0,79' | Pirkant 2 pak. -50% ANTRAM 1,44' | Pirkant 2 pak. -50% ANTRAM 0,35'

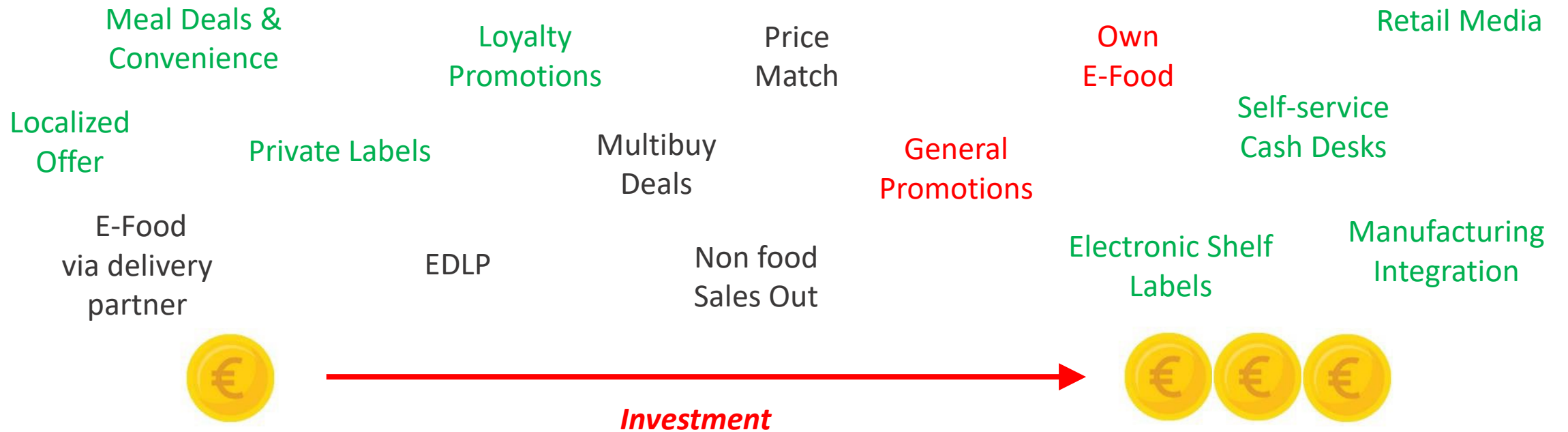
**NIŽŠI CENY KAŽDY DEN**

V LIDLU ZISKATE VSDY VYSOKOU KVALITU ZA NIZKOU CENU

LIDL SHOP 1636,60 Kč | HOME SHOP 1858,50 Kč

UŠETŘÍTE 219,90 Kč

# Where do retailers allocate their budget?



# Part 4

## European Retail Alliances (ERA's)

# Three Ways for Retailers to Consolidate Across Borders

All three are accelerating

## 1. Wholesale & Buying Alliances

Loose & agile

Limited additional investment

Popular among grocery cooperatives



## 2. Franchising & 3P eCommerce

Requires investments in educating sellers

Local parties fund the efforts, often backed by pvt equity

Popular among pharmacy chains & online pureplays



Get started with Pan-European FBA



## 3. Direct Investment

Permanent/long-term

Attacks weak points in the market

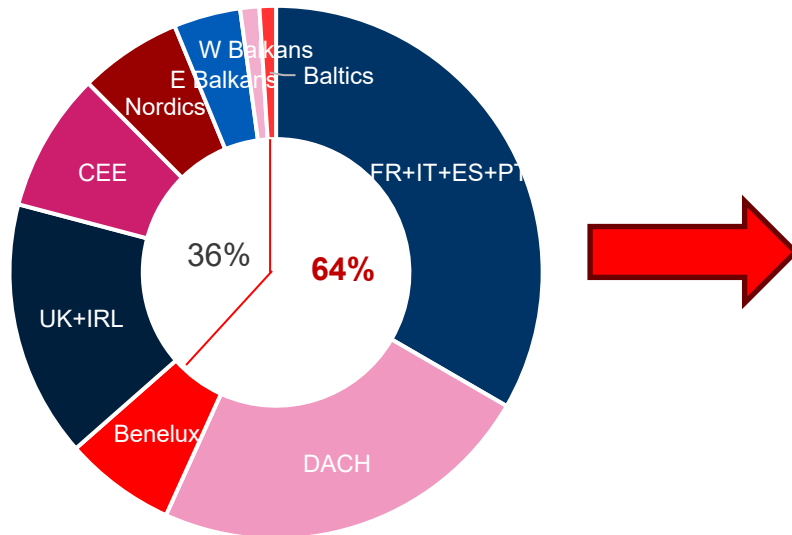
Popular among bargain store operators, grocery discounters (Aldi, Lidl) and category specialists (H&M, Zara, Ikea), hypermarkets are exiting this model





# The Easiest Markets to Aggregate are Western Europe Euro-Schengen Contiguous

Ability to Consolidate: 64% of Retail in Core Markets



The core connected Eurozone/Schengen markets in Western Europe represent 64% of all European retail, enabling buying alliances to aggregate share for a good portion of the market

Rival Groups Naturally Align with Germany's Two Leaders

	Edeka	Rewe
Austria-Switz.	Migros	Rewe
France	Systeme U	E. Leclerc
Italy	Esselunga	Coop IT
Portugal	J. Martins	
Benelux	Jumbo/Picnic	Ahold Delhaize
<b>Multiplier Effect</b>	<b>2.4x</b>	<b>2.5x</b>

There are two outcomes of this “game of chess”.

King-makers: Edeka and Rewe always form the King on the board.

Queens: Several large French retailers are left out, having a princess with no King to match

## What Happened in 2023?

Two main shifts took place in 2023

- The French competitive landscape changed **dramatically** with the demise of two big operators – Casino and Cora (Louis Delhaize) – and Carrefour’s decision to exit its buying alliances
- The German competitive landscape changed **gradually** with the two leading multiples, Edeka and Rewe, underperforming local retailers, non-food discounters, and discounters

Given these competitive realities, it is not surprising to see that Edeka and Rewe want to build new partners in France and the Benelux

The rebuilding is taking place now, and we expect more news to come soon.



COOPERNIC<sup>★</sup>

AUXO<sup>↻</sup>  
ACHATS ALIMENTAIRES

# Every Retailer Will Have Different Reasons for Joining a Buying Alliance

In 2024, Private Label is One of the Main Factors

## PRIVATE LABEL

“Our ambition is to get to 33% private label share – our partnership with Tesco will help us with that.”

**-Alexandre Bompard, Carrefour**

*‘19 Earnings call*

*‘23 Earnings call: We achieved 36% and are well on track to reach 40% by 2026*



## KEEPING UP WITH COMPETITORS

“We have no other choice when competing with global companies”

**-Markus Mosa, Edeka**

*‘18 Annual Report*

## PRICE STABILITY

REWE is also part of the COOPERNIC strategic alliance. We can counter the risk of purchasing price volatility and leverage international purchasing potentials through joint purchasing and by negotiating terms and conditions.

**-Rewe Risk Assessment Team**

*‘18 Annual Report*

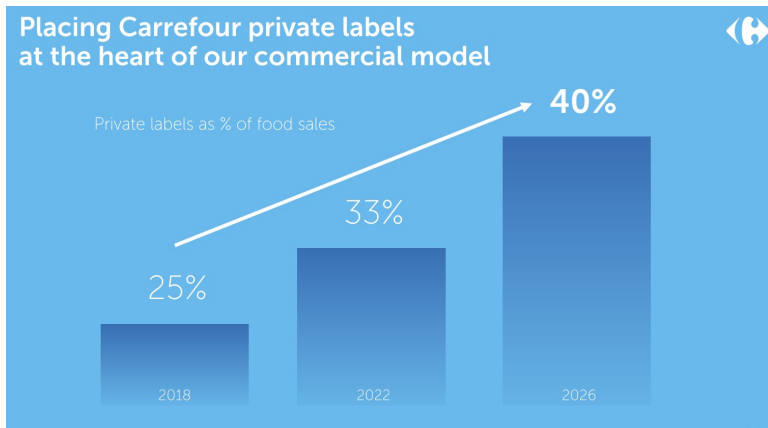
## GREAT SUPPLIER RELATIONSHIPS

**Q:** AD is a member of Coopernic which has escalated conflicts with manufacturers recently...

**A:** I don't know what suppliers you've been talking to. Coopernic offers great opportunities for suppliers via enhanced European distribution.

**-Frans Muller, Ahold Delhaize**

*‘19 interview with Mike Dawson of Lebensmittel Zeitung*



## What just happened: Implications

Two things just happened:

1. The Benelux region is now fully integrated into the two major buying groups – Epic (Jumbo/Picnic) and Coopernic (Ahold Delhaize)
2. Retailers in Germany and France have scrambled to create national purchasing alliances led by smaller operators

### Implications:

- Preparing national teams in Germany and France is mission critical
- Make sure to evaluate all contracts with EPIC and EURELEC members in detail, particularly BENELUX, and look for ways to localize where possible

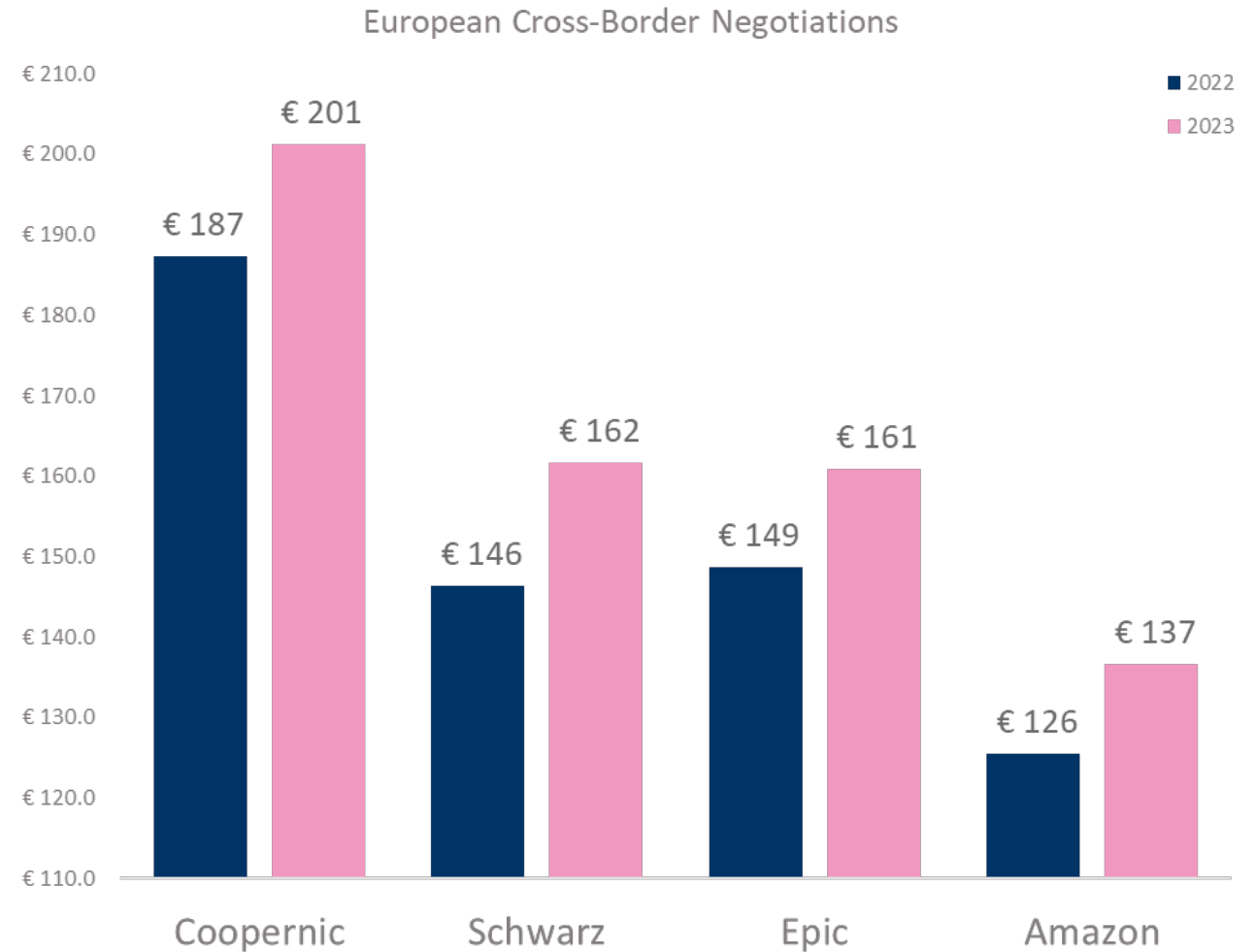


## Outlook 2024/2025

Cross-border retail sourcing is growing - but not just with the two kings of buying alliances

In non-food, Amazon is increasingly compressing the price gaps between European markets and is worth mentioning as small 3p food vendors join the marketplace

Still, keep in mind that Edeka and Rewe gain a 2.4/2.5x improvement for each SKU they negotiate in the buying alliance environment





# Retail Cities – Insights on European Retail

Good luck and stay in touch, we welcome your feedback and questions

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