



Bank of Ireland Sectors Team Retail Convenience 2024 Insights / 2025 Outlook

January 2025



**Bank of
Ireland**

Classification: **Green**

Retail Convenience: 2024 Review



Summary

- **Robust performance:** Robust performance delivered by the sector in 2024. A shift in consumer behaviour to increased frequency patterns coupled with increased engagement with own-brand range.
- **Cost of Business:** Store owners continue to address their overhead profile proactively to mitigate increases linked to personnel and supply-chain.
- **Consolidation:** Increased consolidation has become a feature of the market with larger grocery/fuel operators expanding their store network and diversifying their sales mix.
- The large supermarket operators have been proactive in addressing cost of living concerns with targeted ad campaigns and voucher offers being strongly promoted.
- Margin growth and preservation have become an imperative for retailers linked to an increased cost framework driven by personnel, insurance and energy overheads.

2024 Key Trends

- Strong performance in take-home grocery sales continued. Irish grocery inflation stood at 3.6% in November/December 2024 representing a normalisation of food prices in the market. The ever-increasing emphasis on “events” across the sector was further underlined with sales of €1.4bn across Christmas 2024 representing the largest 4-week period since pre-COVID lockdown rush in March 2020.¹
- As consumers seek cheaper alternatives across some product lines, all leading operators recognise that a strong own-brand offering is now critical to maintain customer engagement.
- Dunnes Stores and Tesco continue to vie for the number 1 position in respect of grocery market share. This has been driven by a particularly strong performance by Dunnes in the wider Dublin region whilst Tesco's increased market share reflects Joyce group integration/increased level of new store openings in recent times.



11

The number of new stores opened by Tesco Ireland in 2024.²



900m

Number of bottles / cans returned via Deposit return scheme between launch on 1st February and 31st December 2024.³



€5bn

Turnover threshold exceeded by Musgrave Group for first time.⁴



9

Number of forecourt / convenience stores acquired by Circle K from the Pelco group (subject to CCP approval).⁵

¹ Kantar – Irish grocery market share – January 2025

² Tesco press release December 2024

³ Re-Turn: Press release - 15 January 2025

⁴ Musgrave financial statements, Oct 2024

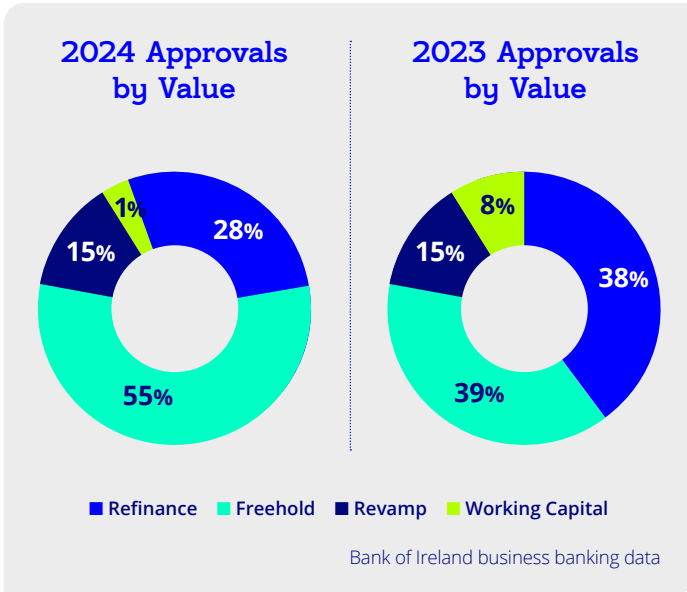
⁵ Circle K press release: July 2024

⁶ McKinsey – grocery trends 2023

Key Activity in the Sector in 2024

- Shopping patterns reflected cost of living concerns with increased frequency (shopping little & often) becoming a feature of the market. As expected, food inflation, linked to a significant decline in international food commodity prices in recent months retracted significantly in 2024.

Approval Activity Value %



- The maintenance of lower inflation levels given sustained geo-political and climate related issues will be monitored with interest in 2025.
- Retailers are continuing to implement pragmatic succession planning structures to ensure that appropriate long-term value is delivered from their business. Future options in respect of both ownership and operational models are being examined in detail.
- Recent studies across Europe have demonstrated that saving money on food remains a top priority across all income groups. This has led to increased engagement with own brand products and a discernible improvement in own-brand range/options across the sector. The proactive delivery of premium, healthy and sustainable products across the own-brand range will be required to meet customer expectations and preserve retailer margins.
- Increased levels of crime/shop-lifting etc have been reported across the sector leading to the development of Stop Crime against Retailers ("SCAR") a joint initiative by Shelflife magazine and the CSNA in November.⁷

Sector Developments: Investment & Economic

- A significant level of new store openings/extensive store revamps occurred in 2024 across all regions supporting job creation and the wider Irish business eco-system. This reflects both the competitive nature, robust financial health and positive outlook of the leading brands in respect of the Irish market.

- The increased cost and regulatory burden presented by the proposed living wage structure, pension auto-enrolment and insurance in a competitive environment has led to an up weighted focus on margin development/preservation from retailers, wholesalers, and their advisors. Recruitment and retention of personnel in a "full employment" environment continues to be a key challenge for the sector.
- Consolidation and cross-sectoral partnerships remain a feature of the wider Irish grocery/convenience/forecourt market. Tesco adding 11 new stores to their network, Maxol trialing Dunnes stores products in-store and Circle K purchasing 9 forecourt convenience stores from Pelco just a flavour of transactions/activity in the market. Individual store sale activity increased significantly linked to succession planning, landlord de-leveraging and independent retailers expanding their store portfolios.
- The de-carbonisation of end-to-end operations remains a key focus for leading operators linked to supplier, Government and consumer expectations/requirements. Multi-million-euro investments linked to improving energy efficiency profile across the fleet, logistics and store network was a feature of sector announcements/strategies in 2024. The requirements of international suppliers seeking to reduce their scope 3 emission profile under new Corporate Sustainability Reporting Directive ("CSRD") legislation will continue to act as a driver/incentive in the green transition of the Irish grocery/convenience sector.



⁷ Shelflife magazine – November 2024

Retail Convenience: 2025 Outlook

2025 Key Numbers

 €1bn

5-year investment level earmarked by Applegreen commencing in 2025.⁸

 €200m

Proposed level of investment from Lidl in new distribution centre in Cork.⁹

 €13.50

Minimum wage in Ireland per Budget 2025 equating to c30% increase in 5 years.¹⁰

 40%

Percentage of group gross margin now delivered by non-fuel sales per Maxol – demonstrating evolution of the business.¹¹



2025 Retail Convenience Outlook

- **Robust Outlook:** A sector resilient to economic/geo-political shocks; Robust sales performance to continue but increased focus on margin preservation and cost management required to maintain profitability levels/leeway for investment.
- **Funding Activity:** Strong active pipeline of store purchase and associated revamp proposals - retailers recognise that customer experience/excellent standards will be key to attract and retain market share.
- **ESG Investment:** Increased investment in environmentally focused store network, waste management, circular operational framework and fleet fuel consumption to support targeted reduction in carbon emissions from the sector.

Market

- In a competitive labour market – sourcing and retaining the best people is vital to sustain a retail business. A structured employee development plan that incorporates role variety, up-skill opportunities and competitive remuneration needs to be embedded within the culture of the business. The smart use of digital/automation tools can deliver the dual goal of increased efficiency and an improved working environment. Retailers familiarising themselves with generative artificial intelligence (“AI”) capabilities in this regard.
- Significant revamp programme will continue to be rolled out in 2025 nationwide by leading grocery operators as the ever more discerning consumer seeks excellence in store standards. Movement on revamp costs linked to fluctuating materials supply base to be monitored closely. Detailed analysis pre and post revamp will be an imperative to ensure that a maximum return on investment is delivered via sales mix improvement, margin growth and cost saving.
- Consolidation and inter-brand partnerships will continue to emerge across the sector with activity levels particularly focused upon the road-side retail/forecourt sub-sector. This reflects the evolution/transformation of same to a more comprehensive food/convenience driven proposition.
- Conventional wisdom would dictate that the requirements of middle-income consumers (“the squeezed middle”), navigating an increased cost of living, would be heavily weighted towards a discount proposition. The reality based on both the Irish and European experience reflects a more polarised/nuanced approach with these consumers still seeking premium brands/products at intervals throughout the year. This behaviour is intrinsically linked – consumers seeking to “treat themselves” after a sustained period of repressed/managed spending. Independent retailers adopting a “middle of the road” proposition therefore need to assess the viability of same in a polarised marketplace that is expected to continue.
- As consumers seek cheaper alternatives across some product lines, all leading operators recognise that a strong, diversified own-brand offering will be critical to maintain customer engagement as the inflationary cycle continues. However, own-brand is not all about price/value – the development of premium, proprietary in-house food solutions can provide a strong margin-generating differentiation point for retailers when delivered effectively.
- In Ireland, the number of people aged over 65 has doubled in the last twenty years from c400k to c800k in 2023 equating to c15% of the population. This statistic is expected to rise towards c1.5 million by 2050. At a European level, the “silver economy” is set to represent more than 35% of spending consumption by 2030. Given this exponential growth, meeting the needs of our senior shoppers should be a key focus area for all Irish retailers.

⁸ Applegreen press release: November 2024

⁹ Lidl Ireland press release: December 2024

¹⁰ Budget 2025 – Department of Finance – October 2024

¹¹ Maxol press release: November 2024



ESG

- Irish retailers are cognisant that a robust strategy for the de-carbonisation of their business model is required to meet Government, investor and consumer expectations/requirements into the future. Corporate social responsibility linked to sustainable and environmentally friendly in-store activities will therefore be a key area of focus for all retailers – energy efficient equipment, elimination of single-use plastic, improved recycling facilities and reduction of food waste. This will enable an improved cost base whilst meeting consumer expectations in respect of ethical trading.
- Whilst feedback on the Irish deposit return scheme (launched on 1st February 2024) was initially mixed – engagement from consumers has improved month on month. Returns totaling 900 million were recorded by 31st December per Re-Turn Ireland.¹²
- Studies have identified that c90% of all emissions related to Retail are Scope 3 – linked to suppliers/consumers as opposed to direct emissions from the business itself/purchased energy (Scope 1 and 2). To move the dial on Scope 3, retailers are starting to establish joint initiatives and incentivisation plans with their suppliers to support improved emission targets and the sharing of related data. In respect of consumer engagement – apps/tools that support customers to set and monitor climate targets for their shopping baskets are also on the horizon.

Funding Activity

- Store purchase strategies will continue to develop in 2024. COVID-19 has been the catalyst for increased levels of succession planning/retirement which is driving this activity.
- Revamp funding to continue with a particular focus on energy efficient equipment and processes.
- Robust refinance activity projected linked to loan book purchasers seeking to deleverage.

Bank of Ireland

- In Bank of Ireland we recognise that we have a unique opportunity to support our customers and to enable Irish businesses and the communities we jointly serve to thrive.
- Our proven financial capabilities and appetite, combined with comprehensive sector expertise, provide us with a strong platform to meet the funding requirements of Irish retailers.
- We understand the investment cycle, including the need for regular expenditure to maintain growth and profitability in this dynamic sector, and we have a strong appetite to support progressive, innovative retailers in the further development of their businesses in 2025.



Owen Clifford

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Owen Clifford is Head of the Retail sector within Bank of Ireland since 2015. Owen is responsible for the continuing development of the Bank's growth strategy in this key area and has actively supported leading retailers and stakeholders in the sector to grow and develop their business in a sustainable manner. He is a regular contributor to national media and industry publications in respect of topical issues in the sector.

Owen has brought extensive industry knowledge and experience to this role, having worked in the retail sector with Musgrave Retail Partners Ireland where his role involved supporting independent retailers to maximise their profitability and to develop long-term, stable business models.

Owen holds a first-class honours degree in Law and Accounting from the University of Limerick and is a Fellow of the Institute of Chartered Accountants Ireland and an Associate of the Irish Taxation Institute. He previously held roles with PricewaterhouseCoopers and Deloitte.

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¹² Re-turn press release - 15 January 2025