Bank of Ireland Sectors Team
Retail Convenience H1 2025 Insights / H2 2025 Outlook

August 2025

Grocery/Convenience sector continues to perform strongly. Retailers navigating an uncertain economic environment linked to geo-political events, access to personnel and fluctuating consumer sentiment.

Retail Convenience: H1 2025 Review

Summary

- **Robust Performance:** Robust performance delivered by the sector in H1 2025. Retailers seeking to balance consumer pricing expectations with margin targets; has led to renewed focus on trolley/basket inflation from Government/media.
- **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.

H1 2025 Key Trends

- Strong performance in take-home grocery sales continued. Irish grocery inflation stood at 5.4% in June/July 2025.[1] Renewed focus from Irish Government/media in respect of average trolley/basket price led to review on sector pricing strategy from the Competition and Consumer protection commission ("CCPC") being initiated by Department of Enterprise, Trade and Employment/Minister Alan Dillon.[2] CCPC review issued in August 2025 outlined that no evidence of excessive profits being generated/lack of competition in the Irish grocery market.[3]
- 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. Own-brand product sales increased by c7% compared to 2024 with the expansion of "Premium"/higher quality own-brand ranges delivering growth of c15%.[4]
- 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.
- The large supermarket operators recognise that proactivity is required 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.

Sector Developments – Key Numbers

25 — Lidl celebrated 25 years in the Irish market with a range of events in June 2025[5]

€1.3bn — Sales delivered by Spar Ireland in y/e 2024 as announced at their conference in Killarney in April[6]

248 — Number of Maxol sites in Ireland post the acquisition of 3 stores in Dublin from the Brady group[7]

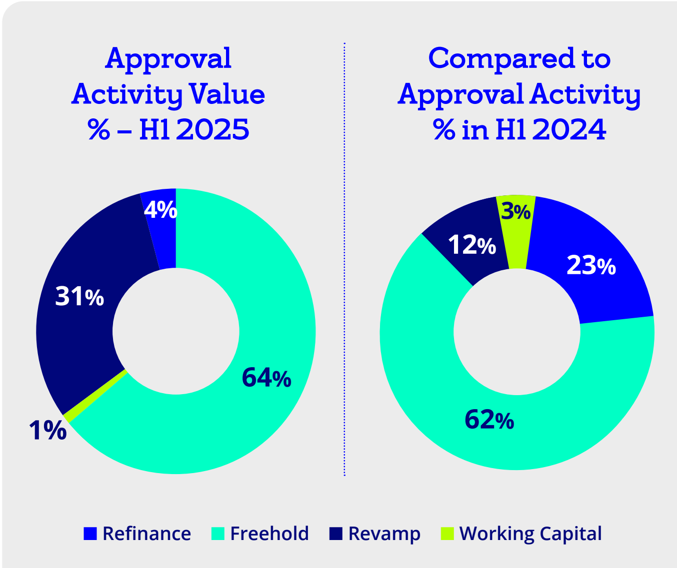
£300m — Estimated lost operating profit linked to sophisticated cyber-attack on their operations per M&S[8]

Sources:
[1] Kantar – Irish grocery market share – July 2025
[2] Irish Independent – 22nd July 2025
[3] Updated high level analysis of the Irish grocery retail sector – August 2025; CCPC
[4] Kantar – Irish grocery market share – July 2025
[5] Lidl press release – June 2025
[6] Irish Independent – 13th April 2025
[7] Maxol press release – 08th July 2025
[8] M&S press release – June 2025.

Key Activity in the Sector in H1 2025

- Food price increases came into sharp focus for consumers in H1 2025. These increases can be linked to a range of issues reflecting the inter-connected supply-chain underpinning not alone the Irish but the wider European grocery sector. These factors include but are not limited to the following: higher global commodity prices for wheat, sugar and cocoa (linked to higher demand and weaker export/production volumes of same), depressed harvests in 2024 linked to poor weather conditions – this being particularly relevant to produce from Spain and Italy, an increased overhead profile for retailers and their suppliers – personnel, energy, insurance etc, rising farm gate prices across beef, dairy and poultry and finally global trade uncertainty and its impact on a finely-tuned/price sensitive international supply-chain system. As consumers seek to manage the cost of their trolley/basket shop, all leading grocery brands recognise that a strong own-brand offering is now critical to maintain customer engagement. This has led to increased promotion/prominence of own brand products in-store and a discernible improvement in own-brand range/options across the sector.
- 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 model 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.[9]
- 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. This campaign resulted in a high-profile RTE Frontline special feature driving increased awareness for the topic.[10]
- Some notable milestones from a leadership perspective across the sector saw the appointment of Geoff Byrne and Frank Gleeson as CEO of Tesco Ireland and US based NACS respectively[11] along with Ciara Foxton (Circle K) and Fiona Matthews (Applegreen) both being recognised/winners at the European female leaders in Convenience awards.[12]

Approval Activity Value %



Bank of Ireland business banking data

Sector Developments: Investment & Economic

- A significant level of new store openings/extensive store revamps has continued in H1 2025 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 several new Express format stores to their network, Maxol purchasing three Dublin forecourts from the Brady group and Circle K increasing their partnership with Off-beat donuts 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. The requirements of international suppliers seeking to reduce their scope 3 emission profile under the Corporate Sustainability Reporting Directive ("CSRD") legislation will continue to act as a driver/incentive in the green transition of the Irish grocery/convenience sector.

Sources:
[9] McKinsey – Grocery trends – March 2025
[10] RTÉ Frontline special – May 2025.
[11] Tesco Ireland press release – June 2025/NACS press release July 2025
[12] Shelflife magazine – June 2025.

Market activity focused on store investment and consolidation to continue within the sector. Margin preservation and environmentally friendly/carbon reduction initiatives to retain a key focus for 2025.

Retail Convenience: H2 2025 Outlook

H2 2025 Key Numbers

10 New store openings projected by Tesco Ireland as part of €40m investment in 2025/2026[13]

1,200 New jobs projected by Corrib Oil as part of plans to grow network to c100 stores pre-2030[14]

€750m Level of investment from Applegreen as they expand their operations in Massachusetts, US[15]

45,000 Number of solar panels installed by Supervalu & Centra retailers nationwide supporting Musgrave's ambition of being carbon neutral by 2040[16]

H2 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.
- **Pricing strategy:** In an inflationary environment for food, balancing value for customers whilst delivering margin that sustains their business in a competitive market remains a key focus for Irish grocery/convenience retailers.

Market

- The acute shortage of personnel is a critical issue for the sector at present. A well-established pathway to store-ownership in Ireland had traditionally attracted dynamic/entrepreneurial people to the sector. However, a combination of increased consolidation and elevated store values has created a barrier to entry and a knock-on impact on the attractiveness of the sector from a next-gen perspective. It has prompted a dual-approach from progressive retailers – the development of flexible/proactive employee development plans incorporating up-skilling/management/sub-lease opportunities along with increased automation of manual intensive tasks. The use of electronic shelf labels, self-scan checkouts and smart rostering systems can be instrumental in driving a better work environment when balanced appropriately with maintaining the customer service values of the business.
- 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 material 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. In 2025, plans for the entry of international brands such as Wendy's (via Corrib Oil) and Taco Bell (via Applegreen) have already been announced.[17]

Sources:
[13] Tesco press release – July 2025
[14] Corrib Oil press release – April 2025
[15] Applegreen press release – June 2205
[16] Musgrave/SSE press release – May 2025
[17] Corrib Oil & Applegreen press releases – August 2025

- Consistent with the wider European model, the digital transformation of the Irish grocery sector has been fragmented to date leading to cost/operational inefficiencies and delays in the delivery of improved supply-chain, analytics and omni-channel models across the sector. Retailers recognise that appropriate investment in this area is a key step in preserving profitability – ensuring that investment can be continued in the traditional areas of personnel, store design and product offering. The smart use of robots/internet of things will facilitate pricing that is dynamically adjusted through automation, reduced out-of-stock situations, more efficient re-ordering, better on-shelf merchandising, less waste/shrink and improved execution of promotions – all supporting a sustainable margin in a high-volume, low margin setting.
- As continued focus on food prices exists it is worth noting that the Irish grocery sector remains competitive and underpinned by a complex, inter-connected supply-chain. As always, context is important – whilst Irish food prices have certainly increased significantly post COVID-19, the rate of increase in this period remains below the European average by c5%.[18] Whilst large international grocery brands have a strong presence, the Irish market is also unique given that a significant proportion of market share is held by indigenous, family-owned retailers operating under the Supervalu, Eurospar, Centra and Londis brands. Bank of Ireland data confirms that the profit margin generated by these family-owned retailers over the past year has remained consistent with historical performance whilst maintaining significant employment and investment in local communities nationwide. This data aligns with a report by the Competition and Consumer Protection Commission ("CCPC") issued as recently as August 2025[19] which stated there wasn't any evidence of excessive pricing or inflated profit margins across the Irish grocery sector. The Irish grocery and convenience sector is recognised internationally as an exemplar in respect of store standards, product range and innovation. To maintain these standards and meet our expectations as consumers, family-owned retailers need to preserve their margin whilst maintaining a continuous improvement mindset. Having met over 150 retailers across the country in recent months, I can confirm that balancing value for customers whilst delivering margin that sustains their business in a competitive market remains a key focus. Rising food prices are understandably a very real concern for families nationwide. However, as always, a nuanced/balanced, evidence-based approach is required when evaluating the root cause of same.
- 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.

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.
- 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.

Sources:
[18] IBEC /Retail Ireland report on grocery prices – June 2025
[19] Updated high level analysis of the Irish grocery retail sector – August 2025; CCPC

Funding Activity

- Store purchase strategies will continue in 2025 linked to both succession and consolidation market activity.
- Revamp funding to continue with a particular focus on energy efficient equipment and processes.

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.

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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.