



# Bank of Ireland Sectors Team Retail Convenience H1 2024 Insights / H2 2024 Outlook

August 2024



**Bank of  
Ireland**

Classification: **Green**

# Retail Convenience: H1 2024 Review

## Summary

- **Robust performance:** Robust performance delivered by the sector in H1 2024. A shift in consumer behaviour to increased frequency patterns coupled with increased engagement with own-brand ranges.
- **Inflation:** A stabilisation of price inflation for consumers – operators continue to address cost/overhead profile proactively.
- **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.

## H1 2024 Key Trends

- Strong growth in take-home grocery sales continued. Irish grocery inflation stood at 2.8% in July / August 2024 representing a normalisation of food prices in the market. The large supermarket operators have been proactive in addressing cost of living concerns with targeted ad campaigns and voucher offers being strongly promoted in recent weeks. 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 c4% compared to 2023 with the expansion of “Premium” / higher quality own-brand ranges delivering growth of c10%.<sup>1</sup>
- Dunnes 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.

## Sector Developments – Key Numbers



25

The milestone birthday celebrated by Aldi Ireland in 2024.<sup>2</sup>



€35m

Investment earmarked by BWG as it seeks to expand the Mace brand nationwide.<sup>3</sup>



50

Number of biomethane fueled trucks acquired by Tesco Ireland to service its 177 stores.<sup>4</sup>



7

Number of Gala branded stores acquired by Maxol from Naas Oils bringing their retail footprint in excess of 250 stores.<sup>5</sup>



<sup>1</sup> Kantar Irish grocery market share August 2024

<sup>2</sup> Aldi press release June 2024

<sup>3</sup> Mace press release February 2024

<sup>4</sup> Tesco press release June 2024

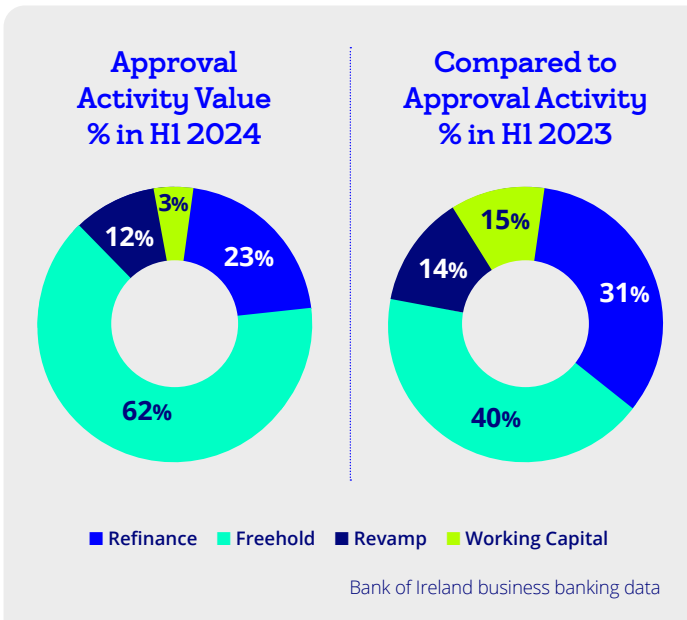
<sup>5</sup> Maxol press release June 2024



## Key Activity in the Sector in H1 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. As many food/drink manufacturers absorbed increased costs in 2023 to remain price competitive – it is expected that robust price negotiations will remain a feature of the market in 2024. Balancing consumer and supplier relationships will be key in this respect.<sup>6</sup>
- Retailers are continuing to implement pragmatic succession planning structures to ensure that appropriate long-term value is delivered from their business. COVID-19 has been a catalyst for some retailers to investigate future options in respect of both ownership and operational models.

## Approval Activity Value %



- 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.<sup>7</sup>

## Sector Developments: Investment & Economic

- A significant level of new store openings/extensive store revamps has occurred in 2024 to date across all regions supporting job creation and the wider Irish business ecosystem. 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 integrating nine Joyce group stores within their network, Maxol trialing Dunnes Stores products in-store and Circle K purchasing nine 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 has been 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.



<sup>6</sup> Kantar Irish Grocery market share August 2024

<sup>7</sup> McKinsey – grocery trends 2023

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 2024.

## Retail Convenience: H2 2024 Outlook

### 2024 Key Numbers



**350 million**

Number of bottles/containers processed by the Re-Turn scheme between launch on 1st February and 4th July 2024.<sup>8</sup>



**20**

Expected growth in Centra stores nationwide in 2024 per Musgrave Group supporting the creation of c500 new jobs.<sup>9</sup>



**€30m**

Value of investment by Lidl Ireland across 250 suppliers who have participated in their Kickstart development programme.<sup>10</sup>



**9**

Number of forecourt/convenience stores acquired by Circle K from the Pelco group (subject to CCP approval).<sup>11</sup>



### 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.
- Linked to the development of all personnel within the sector, The Irish chapter of LEAD has been established with the goal of attracting, retaining and advancing women in the retail and consumer goods industry through education, leadership and allyship.
- Significant revamp programme will continue to be rolled out in 2024 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.
- 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.<sup>12</sup> 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.



### H2 2024 Retail Convenience Outlook

- **Robust Outlook:** Overall a resilient sector to economic shocks; Strong 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.

<sup>8</sup> Re-Turn press release: August 2024

<sup>9</sup> Centra press release: February 2024

<sup>10</sup> Lidl press release: June 2024

<sup>11</sup> Circle K press release: July 2024

<sup>12</sup> Irish Census 2022 - Central Statistics office

## 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. Average daily returns in excess of 3 million were achieved in July resulting in c350 million units being processed in the first six months of the scheme.<sup>13</sup>
- 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.

Further information and links to resources are provided in our **“Short Guide to Sustainability”** attached to the end of this update.

<sup>13</sup> Re-turn press release August 2024

## Funding Activity

- Store purchase strategies will continue to develop in H2 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 2024.



### 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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# Starting Your Journey



## Greener Energy Sources

Grants of support of up to €162,600 are available from the Sustainable Energy Authority of Ireland (SEAI) – these may help you on your journey. Energy management systems will support you to avoid wasted energy demand while investment in alternative energy supplies such as heat pumps, Solar Photovoltaic (PV), process heat recovery systems and others will help you to meet that demand with greener sources.



## Electrification and Logistics Management

Greenhouse gas emissions arise in transport and logistics. Reductions are possible – consider ways to reduce these emissions and manage logistics costs: electric vehicles for internal and external transport, localise suppliers, use bulk and consolidated transport, maximise transport utilisation with no empty routes.



## Supply Chain Emissions – Scope 3

A good starting point is to pareto your supply chain by estimated impact and ask suppliers to provide data on the carbon-intensity of their products. You can then influence emissions-reducing innovations through the “power of the PO (purchase order)”.



## Energy Efficient, Digital and Automation Capex Program

Upgrading your assets to Best Available Technologies (BAT) may require investment but ultimately can drive savings. The long-term business case should take account of the full costs of outdated technologies including down-time, as well as higher maintenance and energy costs.



## Circularity and Waste Reduction





Fostering a mindset of zero waste across your business will drive more sustainable practices while encouraging innovation. This starts with design intent for circularity. Encourage teams to look for solutions to migrate from linear business models to circular ones across product portfolio.



## People Power

Sustainable success means ESG (Environmental Social and Governance) is embedded in the strategy of your business. Where ESG is seen as strategic to organisation’s prosperity, green behaviours are promoted and each employee takes responsibility for making a difference. Measure, track, communicate progress with clear KPIs.

## Online Resources:

-  [SEAI Energy Academy | SEAI](#)
-  [HSA Learning – free online training for you and your employees](#)
-  [Carbon Calculator | Carbon Toolkit 4 Business \(climatetoolkit4business.gov.ie\)](#)
-  [Enterprise Ireland \(enterprise-ireland.com\)](#)

We're here to support business customers to transition to net zero.

For more details check out our [Business Green Hub](#)

