

UNLOCKING VOLUME GROWTH

RETAIL'S DEFINING CHALLENGE



A WORLD RETAIL CONGRESS PUBLICATION

Knowledge Partner

AlixPartners

FOREWORD

Retail has always been one of the most competitive business sectors. As retailers often say, every day brings new competitive threats – a price promotion, a new store opening, a marketing campaign. And every day, at the micro and the macro level, you have to find ways to react in order to maintain your competitive edge.

That is just what retail is. But over recent years, it has grown progressively harder. The geopolitical and economic uncertainty impacts on consumer confidence, inflation, supply chains and, above all, growth. At the same time, retail is facing massive structural upheaval driven by technological change and AI in particular.

When we speak to retailers about their current business focus or concerns, it is often about how they can deliver sustainable growth and profitability. The simple truth is that this has become harder and harder to deliver. Very few market sectors are growing to lift all retailers. Consumers have an increasing number of choices and attractions to spend their money on, and not just through retail.

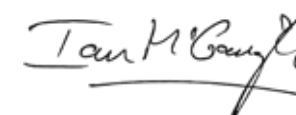
So how can retailers navigate through all this to deliver volume or like-for-like growth? It is a critical question and has become the basic foundation of retail today, if any business is going to be able to build a sustainable future.

Which is why this report from our Knowledge Partner, AlixPartners, is so important. The AlixPartners team has been talking extensively with retail leadership teams and has built a critical analysis of how retailers can unlock volume growth. As this report sets out clearly, there is a new retail hierarchy of needs which provides critical focus for retailers in understanding how to deliver growth.

This report will help generate many invaluable discussions not just at the World Retail Congress but also in retail boardrooms. Thank you to AlixPartners for providing this catalyst, and we hope all retailers find it invaluable.



Ian McGarrigle
Chair and Founder
World Retail Congress



INTRODUCTION

For retail executives, one stark reality overshadows all others: the pursuit of like-for-like volume growth has become a matter of survival. Retail ranked among the most disrupted sectors in the 2026 AlixPartners Disruption Index, with 55% of retail leaders reporting high disruption in the past year, and 93% expecting significant business model changes ahead.

In this fiercely competitive environment, relying on price increases to mask declining sales is no longer a sustainable strategy. The low-margin economics of retail demand genuine volume growth, pushing disciplined, innovative, and radical strategies to the top of the boardroom agenda.

55%

of retail leaders report high disruption in the past year

93%

expect significant business model changes ahead

2026 AlixPartners Disruption Index

AGAINST THE CURRENT

Successive shocks – pandemic disruptions, prolonged supply chain issues, and inflation – have left much of the industry weaker than ever. What is remarkable is the sheer amount of trading muscle some retailers have lost.

Consumer data underlines the challenge. The 2026 AlixPartners Global Consumer Outlook finds that global consumer spending intent shows a net 18 percentage-point swing toward reduced spending this year – more than 60% deeper than the -11 points anticipated for 2025. Non-food retail faces a sharper decline, with a -24 percentage-point net reduction in intended spend globally, deepening to -44 points among consumers aged 65 and over. These trends of cautious spending and shifting consumer priorities pose a critical threat to volume growth.

Macroeconomic disruption continues to create turbulence. Retailers must navigate stagnating economies, corporate responsibility demands, and the risk of renewed inflationary pressures driven by ongoing geopolitical instability.

The recent conflict in the Middle East has introduced fresh volatility to global energy markets, with rising oil prices and uncertainty threatening to further erode consumer confidence and impact supply chains. In this challenging environment, focusing on “controlling the controllables” is critical to stand out and capture market share.

VALUE WITHOUT VOLUME

Retail sales have grown far faster in value than in volume in most major markets since 2020, meaning headline growth has largely come from inflation rather than unit sales. In mature markets like the U.K. and continental Europe, value indexes rise while volume stagnates or declines. Only a few markets, including China and parts of the Middle East, show value and volume moving in tandem – exceptions that highlight the scarcity of genuine demand growth.

This inflation-driven value growth has masked deep structural weaknesses in many retailers. As value growth stalls or becomes more unpredictable, these structural flaws are exposed, intensifying the challenge of achieving sustainable volume growth.

TECHNOLOGY IS NOT ENOUGH

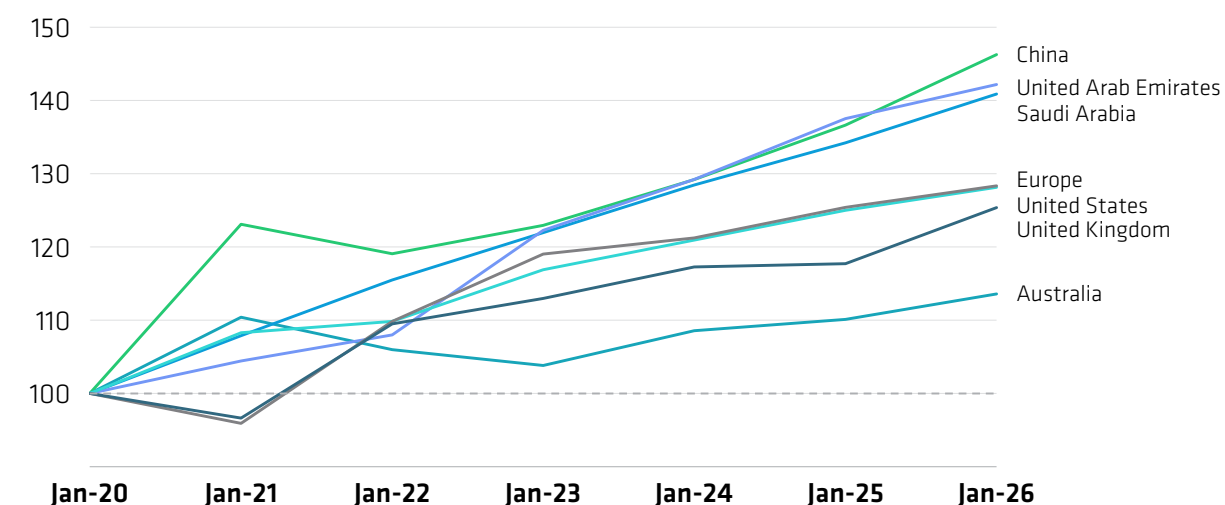
Technology – and AI in particular – continues to be hailed as a saviour, but it alone is no silver bullet. For a business that has lost relevance or failed to master its fundamentals, technology will not get you out of jail. Growth must be fought for and seized from competitors, not simply expected.

A RESTRUCTURING MINDSET IS NOW REQUIRED

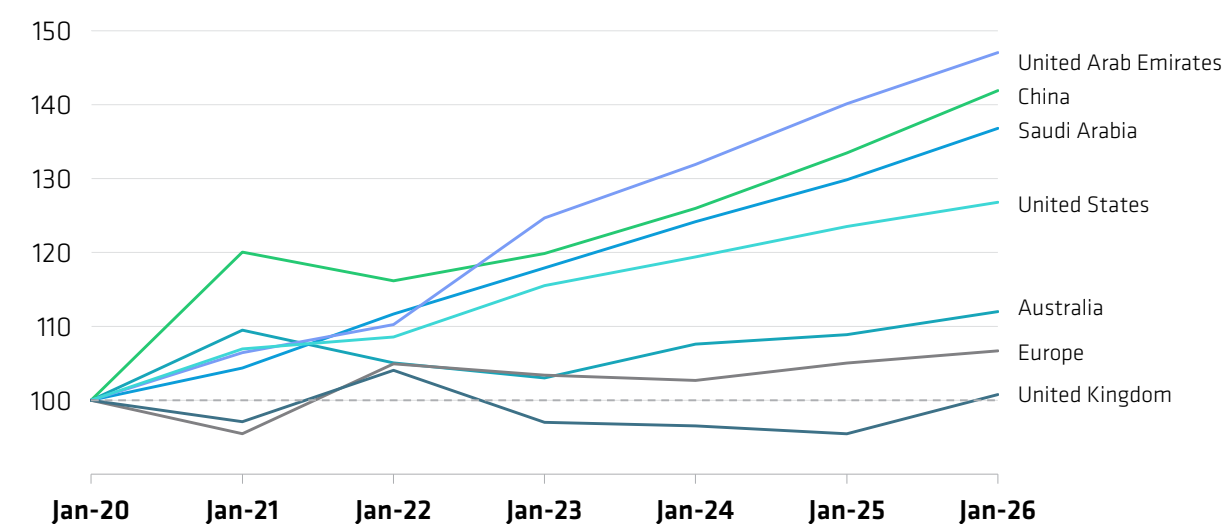
The existential challenge of restoring volume growth requires a fundamental shift to a restructuring mindset – rethinking strategy, structure, and execution. This means moving beyond incremental tweaks to embrace bold, transformative changes and regain momentum.

RETAIL SALES AROUND THE WORLD

VALUE



VOLUME



— Australia — China — Saudi Arabia — United Arab Emirates — United States — Europe — United Kingdom

Notes: Updated 7 April 2026, Europe: European Union (27 countries; U.K. excluded)
Source: GlobalData, Eurostat, AlixPartners analysis

RETAIL'S HIERARCHY OF NEEDS

This report sets out the three strategic tiers of the pyramid that retailers must build – in parallel – to reset the business and drive like-for-like growth. It provides a practical guide for retail executives, featuring insights from those who have succeeded in rebuilding their basics, driving clear differentiation, and exploiting bold inorganic opportunities to win.



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CHAPTER 1:

BRILLIANT BASICS: FIX THE FUNDAMENTALS

Retailers must first fix the fundamentals through disciplined execution and operational excellence, creating the headroom needed to invest in the future.

This chapter explores three essential levers for resetting the foundation: reinvigorating core trading, building the productivity flywheel to fund growth, and modernising legacy technology and data to enable speed.

1A. REINVIGORATING CORE TRADING EXCELLENCE

Retailers haven't lost volume for lack of tools, but because they've lost trading discipline. Commercial teams have frequently added SKUs to chase sales, leading to poor productivity and a confused offer. For years, price hikes have masked weak execution, blurred the focus on the 4Ps – place, product, price, and promotion – and eroded customer trust. Those flaws are increasingly exposed – with volume loss becoming more visible and urgent to address.

The winners today are those who never abandoned the basics: compelling offers, price transparency, reliable availability, and trust. Rebuilding excellence demands consistently strong trading capabilities and disciplined execution of the 4Ps, underpinned by robust data and AI.

PRECISION OVER PROMOTIONS

Discounting is a drug, not a cure; blanket discounts and static ranges only train shoppers to wait for deals. Retailers who embrace AI-driven pricing and personalisation for precision and agility will replace their reliance on promotions, driving incremental basket growth.

DATA DISCIPLINE BEATS GUT FEEL

Retailers like Walmart and Colruyt use real-time data and machine learning for millions of daily micro-decisions – adjusting prices, assortments, and promotions at granular levels. Technology should enable, rather than replace, human judgment; the best results come from combining algorithmic insights with merchant expertise to ensure decisions remain customer-centric.

TRUST IS THE NEW CURRENCY

Transparent pricing (e.g., Tesco Clubcard) and seamless, tech-enabled execution (e.g., Sephora's virtual try-on) demonstrate that relevance and consistency – not margin sacrifice – drive trust and repeat visits.

SPEED IS A STRATEGIC ASSET

Time is the enemy in retail. Every day lost increases risk, while competitors move ahead. Organisational friction often stalls volume gains due to unclear decision rights or misaligned incentives, not a lack of insight. Agile retailers outperform slow movers: Aldi U.S. exemplifies this by acting quickly to implement changes, learn from results, and adapt at scale – leveraging speed alongside data, value-driven pricing, and store-led strategies.

1A. REINVIGORATING CORE TRADING EXCELLENCE

HOW TO REGAIN MOMENTUM:

1. Embed data-driven decision-making.

Establish cross-functional teams that integrate data into core trading (assortment, pricing, promotions).

2. Refine pricing and promotions.

Use AI to anchor pricing to perceived value, and design targeted, incremental promotions that build trust and drive basket growth.

3. Prioritise innovation.

Every product or format should clearly improve conversion, frequency, or repeat purchase, with a sharper focus on assortment productivity.

4. Treat stores as the backbone of volume growth.

Digital tools should then be the accelerator for learning, convenience, and loyalty.

5. Adopt an agile mindset.

Adapt quickly; rapid experimentation and course correction often matter more than perfect forecasts. Foster end-to-end collaboration across functions to dynamically adjust assortments, pricing, and promotions based on real-time insights, ensuring SKU-level profitability is maximise

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Operational excellence and mastering the fundamentals are no longer differentiators. It is a question of survival for retailers. You cannot disappoint your customers. We actually measure what percentage of our orders were delivered perfectly with zero friction to our customers, and every single order that does not score 100% is audited to understand the causes.

Sergio Bucher, Member of the Executive Board – Retail & Brands, Otto Group

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The turnaround was based on fixing the fundamentals, and I think this is the most important element. If you do not have the right product, at the right price, and the right service, all the rest is useless. We did not have the right products or the right price. So, I spent my time fixing the proposition before doing anything else.

Régis Schultz, CEO of JD Sports

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Fixing the fundamentals is essential. At Morrisons, we prioritise value for money, availability, and removing small irritations that can ruin the shopping experience, such as long queues or out-of-date items. Every Monday morning, I start the week with a customer roundtable to understand their needs. By addressing these fundamentals, we can unlock quick wins that fuel further growth and differentiation.

To balance price, quality, and convenience, we focus on identifying what is ‘must-have’ versus ‘nice-to-have’. This varies by market and season. For example, during the pandemic, customers shifted from organic products to immediate availability. Retailers must adapt quickly to these changes while making the transition as smooth as possible for customers.

Rami Baitié, CEO, Morrisons

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1B. BUILDING THE PRODUCTIVITY FLYWHEEL

Cost-cutting is a dead-end strategy. The most successful retailers treat productivity as a self-reinforcing flywheel, where every efficiency gain fuels reinvestment in sharper propositions, better service, and future growth.

The next frontier for productivity lies in breaking down silos and fostering collaboration right across the operating model. Many retailers have already optimised individual functions – cutting costs and headcount – but have exhausted the runway. True transformation now requires unlocking value horizontally, ensuring teams work seamlessly across functions to deliver end-to-end efficiency.

“SAVE TO INVEST” IS THE NEW MANTRA

Productivity isn't a programme; it's a permanent operating model. Hardwiring this mindset creates a deep, structural advantage; however, this approach requires strict financial discipline. Creating efficiencies without an immediate reinvestment plan lets the savings drop to the bottom line, where they are “lost” to EBITDA. To avoid this, cost-cutting must be part of an overall strategic plan, a challenge that is particularly acute for public companies.

Retailers like Lidl and Zara demonstrate that productivity isn't about one-off cuts – it's about steadily eliminating “bad” costs (complexity, waste, duplication) to double down on the “good” (people, partners, proposition). This compounding effect turns efficiency into a growth engine.

SUPPLIERS AS PARTNERS, NOT ADVERSARIES

The adversarial negotiation model is a relic. Retailers like Decathlon use open-costing and joint business plans to eliminate waste while strengthening availability and value.

ORGANISATIONAL AGILITY IS THE HIDDEN LEVER

Rigid silos and static annual budgets kill speed. Agile retailers adopt zero-based, end-to-end approaches to adjust labour, inventory, and space dynamically.

THE FRONT LINE IS THE ENGINE

The “good jobs” models of retailers like Mercadona and Costco deliver significant productivity gains. Mercadona's model provides higher wages, stable schedules, and extensive training, which in turn reduces turnover, errors, and hiring costs, delivering double-digit productivity gains. Similarly, Costco's annual staff turnover in the U.S. is under 10% – a stark contrast to the 60–70% common in retail. This low churn provides a structural productivity advantage, showing that paying more for better talent is an investment in sales per labour hour, not just a cost.

RETAIL CASE STUDY:

Stress-testing and radically expanding a £1B cost programme

A leading U.K. grocery retailer faced a critical gap in delivering £1 billion of cost savings committed to capital markets. Having exhausted the easier wins, confidence in the programme was low. AlixPartners was engaged to stress-test the existing programme and unlock step-change opportunities. We:

- Conducted a rigorous inside-out assessment, benchmarking current plans against deliverability risk, execution timelines, and headwinds
- Applied a private equity lens to identify disruptive, structural cost reduction opportunities
- Developed three action frameworks – STOP, REDUCE, and RESET – to radically reshape cost across stores, supply chain, and central functions

This approach uncovered a c.£500 million shortfall and gave the Board the conviction and pipeline – £1.3+ billion in identified savings – to pursue a more radical transformation path.

1B. BUILDING THE PRODUCTIVITY FLYWHEEL

THE PRODUCTIVITY PLAYBOOK – HOW TO BUILD THE FLYWHEEL:

1. Redesign for cross-functional collaboration.

Shift from siloed functions to integrated teams that own end-to-end P&L outcomes, ensuring seamless execution across the operating model.

2. Empower the front line.

Turn labour from a cost centre into a growth driver by investing in multi-skilling teams, clear career paths, and better working conditions.

3. Reimagine supplier relationships.

Partner with suppliers to co-create value, stripping out systemic waste in areas like packaging, logistics, and forecasting.

4. Reinvest for growth.

Channel savings into areas that drive growth – pricing, digital innovation, and customer experience – not just margin defence.

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We focus on containing inflation through cost-saving programmes, range optimisation, and exploring new channels, such as expanding our online and immediacy offerings through partnerships with Uber Eats, Just Eat, and Deliveroo. We're also growing our convenience store network to meet changing customer needs. Automation and AI are essential for improving productivity and reducing costs, but they must be implemented thoughtfully. When I joined Morrisons, I encountered customer resistance to self-checkouts in stores with a high proportion of elderly shoppers. We adjusted our approach, keeping manned checkouts in those stores while rolling out self-checkouts where they were more appropriate, improving productivity without compromising customer satisfaction.

Rami Baitié, CEO, Morrisons

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RETAIL CASE STUDY:

Building operational excellence to drive growth

A leading U.S. discount retailer faced challenges in strengthening operational excellence and unlocking profitable growth. AlixPartners was brought in to diagnose operational gaps and bottlenecks hindering future growth and to design a comprehensive transformation roadmap. We:

- Created a store operations excellence strategy, redesigning core processes, addressing underperforming stores, and enabling performance management at scale
- Transformed labour planning, redefining a complex scheduling model to ensure the right capabilities were in the right place at the right time
- Optimised assortment planning and inventory management, to drive productivity and simplify operations from distribution centres to shelves

The roadmap gave executives a clear pathway to enhance on-shelf availability and in-store execution, while streamlining complexity, cutting costs, and codifying best practices across the store network. The transformation identified \$300M in EBITDA impact, positioning the retailer for sustained growth and profitability.

1C. TACKLING LEGACY TECHNOLOGY AND DATA

Optimising tech and data isn't optional – it's fundamental for survival. The gap between leaders and laggards will only grow as AI continues to reshape retail. Retail typically lags most industries in technology and data investment, remaining far from the leading edge where it needs to be.

For retailers, the question isn't whether you'll modernise, but how quickly you'll act on your tech and organisational capabilities to avoid being left behind.

TACKLING TECH DEBT IS NON-NEGOTIABLE

Addressing legacy systems is part of doing business, just as store refits are planned and costed on an ongoing basis. Ignoring tech debt risks sales and margin growth.

Big-bang transformations are dead: the smart money is on modular, capital-light modernisation, such as data and AI applications, APIs, and cloud-native components that bridge legacy systems without multi-year ERP overhauls. Besides the paradigm shift in architecture, this requires retailers to completely rethink the way business and tech teams interact, building product-focused teams who drive innovation.

CLEAN DATA IS FOUNDATIONAL

Fragmented data and manual reconciliations kill agility. AI and personalisation are only as good as the data they rely on. Retailers must establish a single source of truth for product and customer data to scale advanced analytics effectively.

SMALL DATA, BIG WINS

AI multiplies even limited data. A bottom-up approach allows retailers to spot key gaps and deploy targeted AI use cases, extracting hidden patterns from minimal input to free teams for high-impact work.

THE PATHWAY TO PROGRESS:

1. Adopt component-based approaches.

Move beyond monolithic platforms – Next's use of Zalando's ZEOS platform shows how plug-and-play tech can drive outsized results.

2. Prioritise high-ROI fixes.

Focus on technical debt solutions that drive measurable value, such as faster assortment changes or smarter pricing.

3. Build or buy analytics talent.

Upskill internally or acquire expertise if time is short.

4. Start small, scale fast.

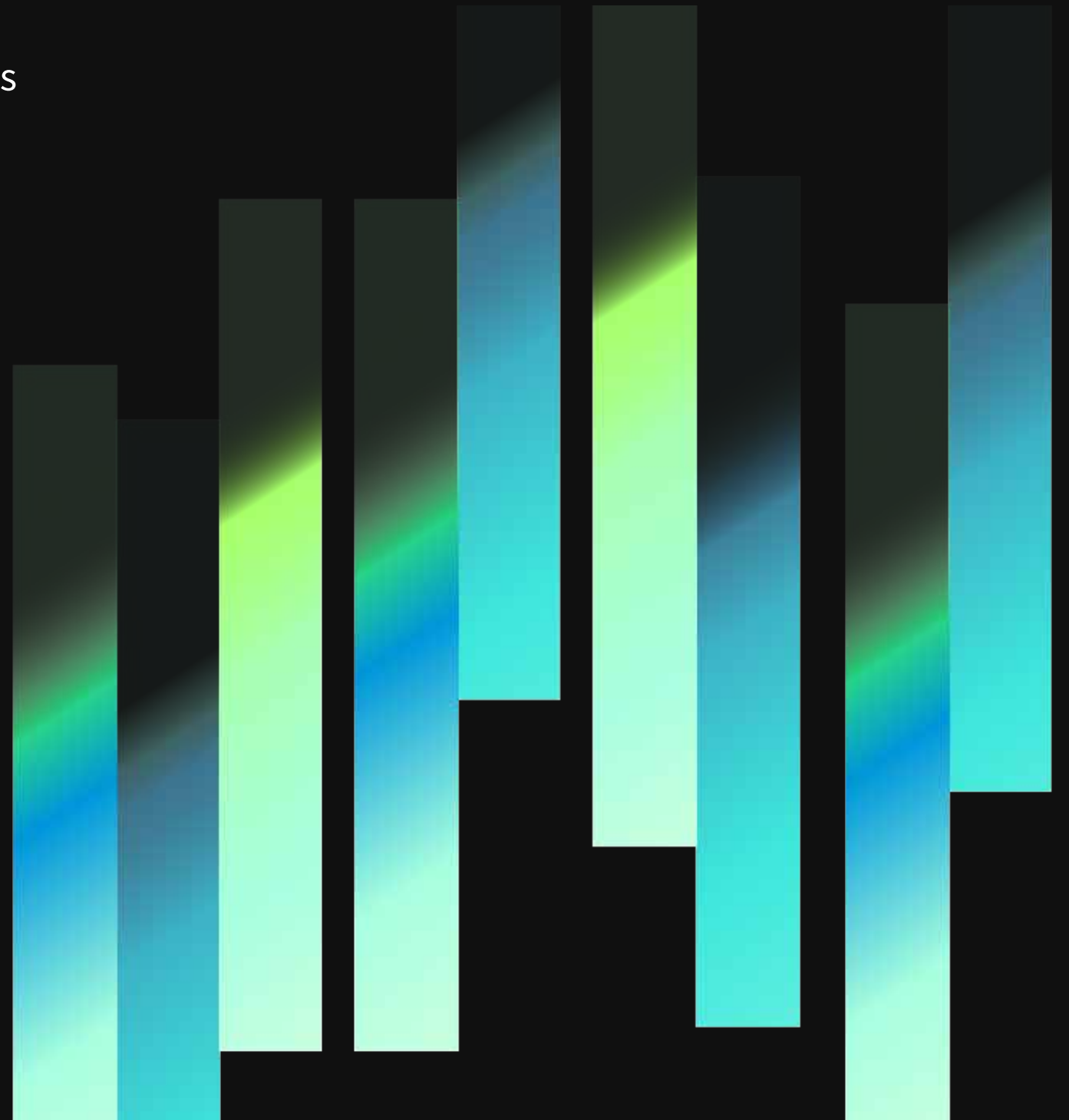
Start with focused pilots using modern data layers (e.g., Snowflake, BigQuery) to deliver real-time insights, then use early successes to scale broader initiatives.

CHAPTER 2:

DIFFERENTIATE TO DRIVE DEMAND

Growth in a stagnant market demands a sharp focus on differentiation to drive demand and take share.

This chapter explores three routes: winning customers from rivals, creating unique product innovation to ensure relevance, and leveraging creative channel differentiation.



2A. WINNING THE CUSTOMER BATTLE

In a competitive market, growth comes from actively winning customers from rivals. Retailers who master reducing switching costs, creating immediate value, and deploying smart marketing strategies will capture lasting market share.

REDUCE SWITCHING FRICTION

Winning customers requires removing the financial, emotional, and cognitive barriers that prevent them from switching. Success hinges on next-generation loyalty schemes, personalised retail media, and other “below the line” tactics designed to collapse these barriers.

Loyalty programmes and retail media are key tools in this effort, serving distinct but complementary purposes: loyalty drives visits and frequency by fostering long-term engagement, while retail media influences decision moments at the point of sale to encourage immediate purchases. Both leverage first-party data to target customers with precision, turning short-term incentives into lasting habits.

KNOW YOUR CUSTOMER

Building lasting customer habits requires a deep understanding of why customers leave – and identification of which segments are at risk. Detailed insights into customer passions and behaviours fuel smarter acquisition, cross-sell, and loyalty strategies, especially through lookalike analysis that identifies high-value audiences.

MAKE LOYALTY IRRESISTIBLE

Use loss aversion (such as showing non-members missed savings, as with Tesco Clubcard) to drive sign-ups, and leverage welcome offers to deliver instant value and reduce perceived effort. Tesco attributes around 82% of UK sales to its Clubcard members, while Amazon Prime members spend roughly twice as much annually as non-Prime customers, demonstrating the revenue power of loyalty. Community also builds retention: strong connections and a sense of belonging – as with Nike Run Club – turn customers into devoted brand advocates.

STEPS TO CAPTURE SHARE:

1. Reframe the move.

Position customer switching as a positive change or "liberation", as Apple has successfully done.

2. Eliminate the barriers.

Implement status-matching programmes to remove the perceived loss of earned benefits from a competitor, creating a short-term advantage that locks in future behaviour.

3. Target with precision.

Use customer data to identify valuable audiences, determine the right offers, and execute conquering strategies at a brand or category level. Monitor competitor behaviour through third-party systems to stay ahead.

4. Leverage retail media and social validation.

Activate first-party data to accelerate customer acquisition and create a new revenue stream, supported by community benefits and geo-contextual placement.

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We use the word ‘ecosystem’. It is an ecosystem of brands... it is also an ecosystem of customers because, at the core of our strategy, it is 25 million unique individuals who are associated with our loyalty clubs, and who represent 75% of sales. Customer data is key, and we are a bit obsessed with data, and we need to measure everything. The best way to successfully compete with a competitor is by not competing with a competitor. And this is what we are trying to do. We are more comfortable with a more mature consumer. We believe that they are more loyal to the brands, and they have more income capacity.

Jaume Miquel Naudí, Chairman and CEO of Tendam

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2B. UNIQUE PRODUCT AND CATEGORY INNOVATION

Sustainable growth relies on products and experiences that customers cannot find elsewhere. Success requires investing in unique exclusives, original R&D, bold own-label propositions, and strategic moves into new service categories. U.K. food retailers' premium own-label lines passed the £1 billion sales mark for the first time during the latest Christmas trading period – clear evidence that shoppers will trade up for distinctive, own-brand innovation.

Innovation leaders are building differentiated ecosystems with in-house innovation and new technologies – including retail media, data products, fulfilment services, and digital experiences — that monetise existing assets and drive demand without constant SKU churn. Staying ahead now depends on these strategies to lock in lasting customer loyalty and boost margins.

WHAT SETS LEADING INNOVATORS APART

Speed drives continuous “newness”.

Fast-fashion retailers like Zara can move from design to store in as little as two weeks, constantly refreshing ranges. This vertical integration model attracts traffic and drives repeat visits.

Co-innovation accelerates growth.

Grocers like Mercadona use shopper labs and agile supplier collaboration to quickly launch differentiated own-label products, winning share from national brands.

Private label is an innovation engine.

Private label drives growth and innovation by offering retailers tighter value chain control and fostering customer loyalty.

- Across Europe's six largest grocery markets, private label accounts for more than 40% of value sales and delivers most of the growth. In the U.K., retailer brands now make up more than 50% of grocery value share, with M&S, Aldi, and Lidl viewed as quality and innovation leaders.
- In APAC, private label growth is driven by quality as well as price, with many brands competing on freshness, sourcing transparency, and innovation.
- In the U.S., many share-gaining grocers are those with heavyweight private brand propositions: private label makes up around a third of sales at Walmart and Costco, and approximately 80% at Aldi.

Expanding the ecosystem broadens choice.

Retailers such as IKEA and Myer are expanding into partnerships and services where they are not positioned to play directly. For example, IKEA has partnered with Taskrabbit to offer home assembly and installation services, while Myer collaborates with Afterpay to provide flexible payment options that enhance customer convenience and drive sales. These partnerships allow retailers to meet demand for high-value services at low capital cost and with rapid onboarding.

Tech-enabled “service products” create demand.

Loyalty-driven personalisation, AR/experiential formats, and digital content transform static ranges into living “service products” that can be rapidly updated for individual customers.

2B. UNIQUE PRODUCT AND CATEGORY INNOVATION

WHERE TO START:

1. Treat private brands and exclusives as strategic growth platforms.

Define clear roles for them (e.g., traffic, loyalty) and fund R&D and design talent accordingly.

2. Build for clock-speed.

Use digital insight tools and small-scale tests to cut concept-to-shelf times (achievable by 30-50%), mirroring Zara-style vertical integration where feasible.

3. Monetise capabilities, not just products.

Systematically assess media reach, first-party data, logistics, and tech platforms for opportunities that can be monetised like media networks, white-label SaaS, data products, or “fulfilled by retailer” services.

4. Make tech-enabled “products” part of the innovation funnel.

Include enablement tools (e.g., associate apps, personalisation engines, and optimisation algorithms) as formal product lines with KPIs for revenue uplift and speed-to-market.

5. Actively manage complexity.

Set portfolio rules and exit criteria so that expansion into new services does not erode focus, availability, or value perception in core ranges.

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You need to find ways to differentiate yourselves. You need to find ways to do things that resonate with consumers, that make you stronger. The biggest moat against AI [for us] is design services. When you are present at the delivery of the beautiful living room we have designed together [with our customers], you create a lifelong relationship. This personality we have developed creates trust with our customers. That means that we can grow.

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Sergio Bucher, Member of the Executive Board – Retail & Brands, Otto Group

RETAIL CASE STUDY:

Scaling AI transformation for a \$5B USD retailer

A leading multinational retailer with stores across southern Africa sought to scale from isolated digital projects to an enterprise-wide AI programme. AlixPartners developed an end-to-end approach to unlock business-wide value and drive unique product and category-level innovation. We:

- Aligned leadership on AI strategy through a top executive day to prioritise opportunities across business units, and business unit deep-dive workshops
- Designed an enterprise AI operating model with executive oversight, an AI transformation office, business unit leads, squads, decision rights and a full lifecycle
- Created a venture-style AI fund with portfolio rules, benefits tracking, and reinvestment plans for self-funding
- Defined a focused AI portfolio of game-changing initiatives, quick wins, and proven plays, including a 100-day plan for discovery sprints, core data and technology foundations, and structured change management
- Embedded responsible AI principles, risk management, and regulatory compliance into governance

The roadmap established priorities, a scalable model, wave one initiatives for execution, and reinvestment plans to sustain innovation and growth.

2C. CHANNEL DIFFERENTIATION AND INTEGRATION

Retailers are redefining omnichannel engagement, integrating customer journeys seamlessly across stores, websites, apps, social platforms, and marketplaces. Connected through data and automation, every touchpoint empowers customers to search, shop, receive, and return whenever and wherever they choose. By embracing new formats, social selling, AI, and partnerships, brands can expand their reach and foster loyalty.

24% of retail leaders say channels are the element that will change the most over the next year, according to our Disruption Index. Genuine channel innovation, however, demands more than digital tools; it requires rethinking operating models and focusing relentlessly on both customer value and commercial outcomes.

OMNICHANNEL LEADERS SYNCHRONISE EVERYTHING

Zara, Argos, and Boots synchronise inventory and orders across channels, enabling real-time stock visibility, click-and-collect, and ship-from-store services that reduce wait times and increase conversion.

APPS ANCHOR THE EXPERIENCE

Brands like Starbucks and Sephora use apps and loyalty programmes to connect payment, rewards, personalised offers, and in-store experiences, finding that members spend significantly more across all channels than non-members.

SOCIAL COMMERCE DRIVES HIGH CONVERSION

Live commerce formats have been shown to deliver conversion rates up to 10 times higher than conventional ecommerce, and European retailers such as M&S, H&M and IKEA are experimenting heavily with live and social shopping to tap that upside. Live commerce platforms like Whatnot blend video, auctions, and instant transactions for real-time engagement, breaking new ground as adoption rises. APAC, particularly China, has become the world's live commerce testbed, with leading platforms posting significantly higher conversion rates than standard e-commerce.

NEW FORMATS CATER TO SPECIFIC NEEDS

Retailers like IKEA and MediaMarkt are opening smaller-format, curated stores in urban areas that integrate omnichannel services, raising consumer expectations for convenience and personalisation.

GENERATIVE AI CREATES NEW CHECKOUT EXPERIENCES

Walmart's partnership with OpenAI integrates ChatGPT's "Instant Checkout" feature, allowing customers to browse and purchase directly within ChatGPT. GenAI can also act as a digital concierge: Carrefour's "Hopla" assistant helps shoppers plan meals and manage budgets, while Walmart's AI-enhanced search boosts product discovery, conversion, and supply-chain efficiency.

2C. CHANNEL DIFFERENTIATION AND INTEGRATION

HOW TO ACCELERATE OMNICHANNEL SUCCESS:

1. Build omnichannel strategies around unified data and inventory.

Invest in OMS/WMS/POS system integration so that any stock can serve any order, achieving a true single customer view.

2. Scale social and live commerce.

Move beyond pilots to develop test-and-learn playbooks that can rapidly scale the best-performing content and formats. Treat evolving platforms as high-engagement channels, not just stopgaps for stock issues.

3. Shift from channel-based P&L to customer profitability.

Move away from measuring profitability by channel and instead focus on customer lifetime value (LTV) as the core metric. This shift requires a fundamental rethink for CFOs and accounting teams, as the proliferation of channels makes traditional channel-based P&L increasingly irrelevant. By prioritising customer profitability, retailers can better align investments with long-term value creation, regardless of the channel through which customers engage.

4. Leverage AI checkout and automation selectively.

Use AI and automation where speed and labour economics matter most (e.g., convenience clusters, high-traffic small formats).

5. Form smart partnerships to extend reach.

Collaborate for last-mile delivery, including emerging quick commerce solutions like rapid grocery delivery or same-day courier services. Partner with media platforms or marketplaces to expand presence, but ensure control of data and the customer experience through APIs, standardised journeys, and transparent governance.

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Data and AI allow us to personalise the shopping experience. For example, we can offer tailored promotions based on individual shopping habits, ensuring customers receive relevant offers. However, it's crucial to use this technology responsibly to serve customers better rather than exploit them. When used ethically, the return on investment is significant.

By fixing the fundamentals and protecting our differentiation, we can drive like-for-like growth even in a challenging market.

Rami Baitié, CEO, Morrisons

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CHAPTER 3:

BIG BETS: PURSUE INORGANIC GROWTH

In today's competitive landscape, retailers must take bold steps to drive growth beyond their core operations through proactive, inorganic strategies.

This chapter explores three pathways to redefine market position and realise new value: transformational M&A, creative growth accelerators, and restructuring tools and special situations.

3A. TRANSFORMATIONAL M&A

In this high-stakes period, retailers are turning to transformational M&A to scale and build robust ecosystems. By acquiring strategic or distressed assets and optimising portfolios through targeted carve-outs, they navigate a landscape defined by disciplined pricing, strategic ambition, and opportunistic value capture.

M&A is both a necessity and an opportunity: market stress creates opportunities for those prepared to act decisively. Retailers with the resources to move boldly can capitalise on this environment to drive scale economies or develop new lines of business, while others sell only when they must or have a standout growth story. With M&A competing against restructuring or special situations, success demands bold, decisive moves.

59%

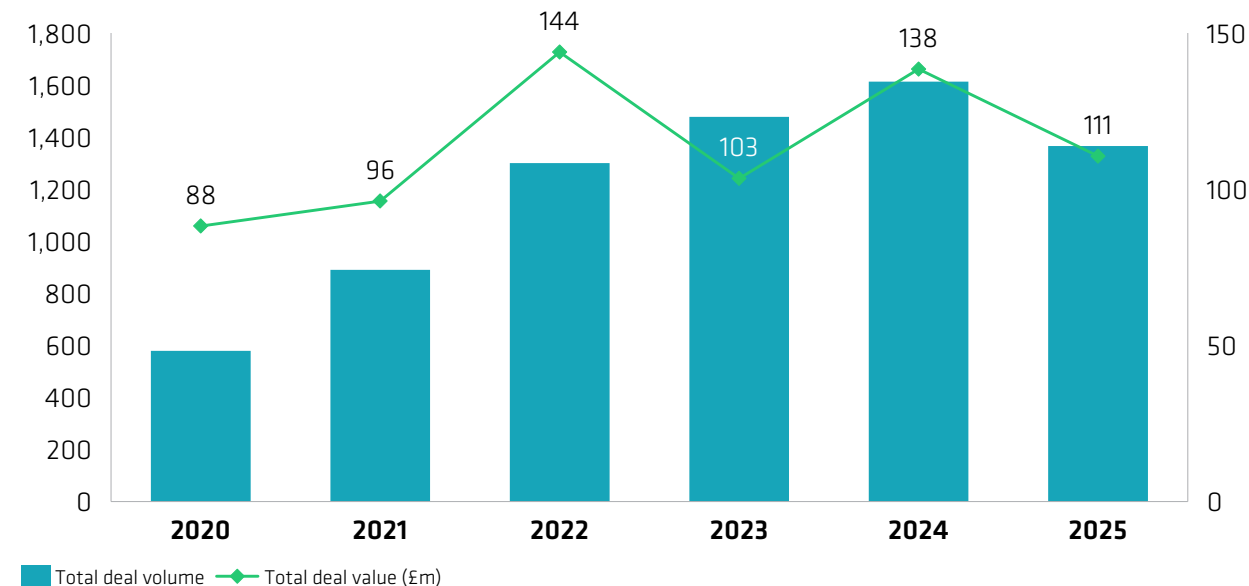
of retail leaders see brand platforms acquiring distressed brands as an opportunity.

2026 AlixPartners Disruption Index

M&A ACTIVITY HAS SOFTENED – AND BUYER APPETITE IS POLARISED

Global retail M&A volumes and values fell in 2025 amid economic uncertainty, U.S. tariffs, and consumer pressures weighing on buyers and sellers. Vendors are cautious, but strong assets still attract investment – e.g., HSG and Temasek's acquisition of Golden Goose, and LVMH's further stake in Loro Piana. Buyers are opportunistic with distressed brands, such as Next acquiring Russell & Bromley, and Gordon Brothers taking on Poundland. Private equity is increasingly selective, favouring assets with clear investment theses (e.g., Oakley Capital's acquisition of Smythson).

GLOBAL RETAIL DEAL VOLUME AND VALUE, 2020–2025



Source: MergerMarket, a service of ION Analytics, AlixPartners analysis. Sectors: General Merchandise, Apparel & Accessories, Food & Grocery

3A. TRANSFORMATIONAL M&A

CONSOLIDATION DRIVES SCALE

Aggregators like Next, Authentic Brands Group, Frasers, and WHP are building “houses of brands,” particularly in apparel; Authentic Brands Group alone licenses a portfolio worth more than \$25 billion in annual sales. Recent moves include Castore acquiring Belstaff, Bluestar buying Dickies, and Gordon Brothers taking over LK Bennett. In the U.S., WHP Global continued expanding beyond apparel by acquiring Toys“R”Us, growing the brand’s global footprint to 1,400 stores and e-commerce sites across 31 countries, generating over \$2 billion in annual sales.

This trend spans geographies and subsectors as retailers pursue efficiencies and scale.

CARVE-OUTS AND RATIONALISATION ARE ON THE RISE

Retailers are focusing on core operations, freeing up capital by selling underperforming units or exiting long-held investments. Examples include Capri’s sale of Versace to Prada, Pepco’s sale of Poundland, and Alliance Healthcare seeking to sell Boots, alongside divestments like Matches Fashion by Apax and Yoox Net-a-Porter by Richemont.

Creative deals and strategic rationalisation are also reshaping the landscape. In U.S. grocery, Aldi’s acquisition of Southeastern Grocers allowed Aldi to take on strong store locations and cut costs before spinning out the Winn-Dixie banner, demonstrating a value-unlocking approach.

DEAL STRUCTURES ARE INCREASINGLY CREATIVE

As buyer groups diversify, creative alternative structures emerge – e.g., Bestseller’s 75% stake in Topshop/Topman from ASOS (retaining e-commerce and wholesale rights), or G-III’s investment in AWWG. These include aggressive turnarounds, innovative restructuring tools, and loan-to-own strategies.

HOW TO MAKE M&A MOVES:

1. Market the opportunity creatively.

Highlight the unique buy- and sell-side dynamics, such as synergies, growth potential, or strategic fit, to attract diverse buyers.

2. Stay open-minded on structure.

Consider alternative deal structures and value perceptions to reach diverse buyer groups.

3. Leverage distress.

Target underperforming assets where turnarounds or integration into a larger ecosystem can restore profitability.

4. Focus on the “greater good” of the portfolio.

Don’t hesitate to rationalise and carve out non-core units to free up capital and management focus.

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For 2026, the agenda is clear: international expansion within the core brands and the standalone expansion of new brands. Previously, all new brands were associated with a shop-in-shop format within existing stores. Now, three out of the seven new brands will have their own standalone network, starting in Spain and Portugal and then expanding globally. This will happen in 2026.

We are also actively looking in the market for companies that could be of interest. We’re not looking for expertise, nor are we looking at luxury. Instead, we’re focused on markets with above-average growth and companies where we can offer complementarity, whether through know-how in certain areas or market access, to help accelerate growth for both sides.

Jaume Miquel Naudí, Chairman and CEO of Tendam

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3B. CREATIVE GROWTH ACCELERATORS

Retailers are rolling out bold, creative strategies – harnessing ROI beyond the core business and building powerful platforms for future growth. Growth today is accelerated through flexible, low-risk structures like joint ventures (JVs), asset monetisation, and innovative partnerships that deliver resilience and diversification.

TRENDS TO WATCH

B2B monetisation extends capabilities into new revenue streams.

Retailers are commercialising operational strengths – such as fulfilment, technology, and data – beyond traditional retail. Tesco has developed B2B services from its online fulfilment and marketing expertise, while Schwarz Group is monetising customer data and recycling capabilities.

Marketplace models boost sales diversification.

Multi-seller platforms enable retailers to broaden their ranges and drive traffic. Notably, B&Q's platform now represents 45% of e-commerce sales and 15% of total sales, while Next Label attracts millions of monthly visitors.

JVs and partnerships drive speed and scale.

Partnerships enable access to capital and situational expertise for rapid expansion in new markets. JVs leverage structured or novel capital solutions to raise funds without straining the balance sheet or free cash flow, while facilitating fast growth in competitive or unfamiliar markets.

Special situations partnerships create new opportunities.

Collaboration with special situations funds can free up capital, enable spin-offs, realise turnaround potential, and fund growth in non-standard circumstances.

Monetise underutilised property assets.

Retailers are increasingly leveraging real estate to raise capital for growth. This includes selling and leasing back properties, repurposing underutilised spaces, or partnering with investors to monetise assets. Frasers Group's portfolio now includes the Braehead Shopping Centre in Glasgow and other major UK sites, while SPARC Group and Catalyst Brands illustrate the model in the U.S.

3B. CREATIVE GROWTH ACCELERATORS

INNOVATIVE GROWTH STRATEGIES:

1. Think beyond traditional retail models.

Be open to creative structures and partnerships to unlock value and build a more resilient, diversified business.

2. Use targeted partnerships to accelerate growth.

Evaluate specific collaborations such as JVs for market entry, or partnerships with special situations funds for turnaround opportunities. These alliances can provide the capital, expertise, or infrastructure needed to scale more quickly than going it alone.

3. Monetise operational excellence as a service.

Systematically assess your capabilities in logistics, data, and technology to identify what can be offered to other businesses as a new revenue stream.

4. Explore multi-seller platforms.

If you have significant online traffic, consider leveraging it by allowing third-party sellers onto your platform to broaden your range with a low capital investment.

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We have delivered £1 billion of growth every year for the last four years, driven by acquisitions, to consolidate our marketplace and market share in North America and Europe... We moved from losing money to making a lot of money by just changing the portfolio. We do not want to operate by ourselves, and we have developed a very successful franchise model... It is the best of both worlds, and it is low capital. So, it is asset-light.

Régis Schultz, CEO of JD Sports

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RETAIL CASE STUDY:

Driving aggressive network expansion

A European value-led retailer aimed to double its store estate locations in one country, to quickly build critical mass. Organic growth alone was insufficient due to planning constraints, construction bottlenecks, and a fragmented market.

Advised by AlixPartners, the retailer adopted an inorganic growth strategy, using a systematic, analytics-driven model to evaluate national and regional targets on a store-by-store basis (100+ chains and 20,000+ stores in total). Screening criteria included store size, catchment modelling, and financial health, narrowing the pool to a shortlist of prioritised chains for immediate actions.

Execution complexities, such as zoning laws, lease structures, and retrofitting requirements, were addressed through tailored deal structures. These included partnerships with private equity and real estate investors to acquire and repurpose non-viable sites, developer-led carve-ups for hypermarkets, and direct retailer-led micro-deals for smaller chains.

This partner-enabled strategy unlocked value creation from opportunities initially deemed unfeasible, mitigated risks, and delivered scalable growth at a pace far exceeding traditional M&A and organic methods.

3C. RESTRUCTURING MOVES THAT UNLOCK SCALE

In a pressured retail environment, proactive restructuring is not just about survival — it's a key lever for reigniting growth. Early, decisive action enables retailers to reposition their businesses, streamline operations, and capture new opportunities as others retreat. Deploying restructuring tools, engaging diverse financiers (including special situations investors), and acting boldly on high-debt structures allow retailers to reset their economics, reduce risk, and strengthen their foundation for sustained growth.

RESTRUCTURING DYNAMICS AT PLAY

Inadequate financial discipline is a risk.

Weak cash management and business planning often mask underlying problems, tie up working capital, and hinder investment. Financial irregularities can severely erode stakeholder confidence and business value, as seen with WHSmith overstating revenues.

Balance sheets are increasingly under pressure.

Over-leveraged capital structures and high debt burdens make refinancing tough. As a wall of debt maturities approaches, often compounded by deteriorating performance, refinancing becomes difficult or impossible without restructuring (e.g., Farfetch and At Home).

“Shrink to grow” and rationalisation are accelerating.

Many retailers are exiting loss-making brands, geographies, and formats to focus on core profitable areas – such as Pepco selling Poundland, Getir exiting markets, and WHSmith leaving the high street to focus on travel. Formal restructuring tools, such as Chapter 11 and UK Restructuring Plans, enable faster execution and more targeted investment.

Liability Management Exercises (LMEs) are gaining traction.

Retailers use LMEs to restructure businesses and facilitate new liquidity, often using the terms of financing documents to bypass holdout creditors. Originally common in the U.S. (e.g., J.Crew), usage is increasing in Europe with retailers like Hunkemöller.

Special situations funds are driving new dynamics.

Direct lenders and special situations funds are increasingly willing to enforce or “take the keys” in enforcement scenarios (e.g., Matalan, Very Group). They play an active part in value recovery and use restructuring tools to make opportunistic acquisitions, as seen with Modella/WHSmith, and Gordon Brothers/Brooks Brothers.

Strategic partnerships streamline restructuring.

Collaborating with distress experts allows retailers to restructure and offload parts of acquired companies they don't want, freeing up resources to focus on core areas

WHERE TO FOCUS:

1. Act early to maximise options.

Proactive action is essential to prevent performance decline from limiting available solutions. Conduct a scenario options analysis to scope multiple pathways and choose the best course of action.

2. Take difficult decisions on capital.

Focus investment strictly on core, profitable areas for greater resilience.

3. Leverage restructuring and formal tools.

Use creative restructuring levers to force outcomes and create a stable platform for growth.

WHERE NEXT?

Retail's defining challenge is achieving sustainable volume growth amid persistent disruption. Meeting this moment demands structural reinvention, disciplined execution, and a determination to fix the fundamentals – building all three tiers of the pyramid, in parallel.

The key is to assess which of the nine levers resonate most with your specific context and can be activated simultaneously, as addressing them sequentially risks losing momentum in today's fast-moving environment.

Throughout this report, we've outlined actionable strategies to reset core trading capabilities, differentiate with precision, and unlock new value through bold, creative approaches. We hope you find these insights useful – and we look forward to partnering with you as you build the next era of retail growth.

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ABOUT ALIXPARTNERS

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