

OPMG

STATE OF COMMERCE REPORT

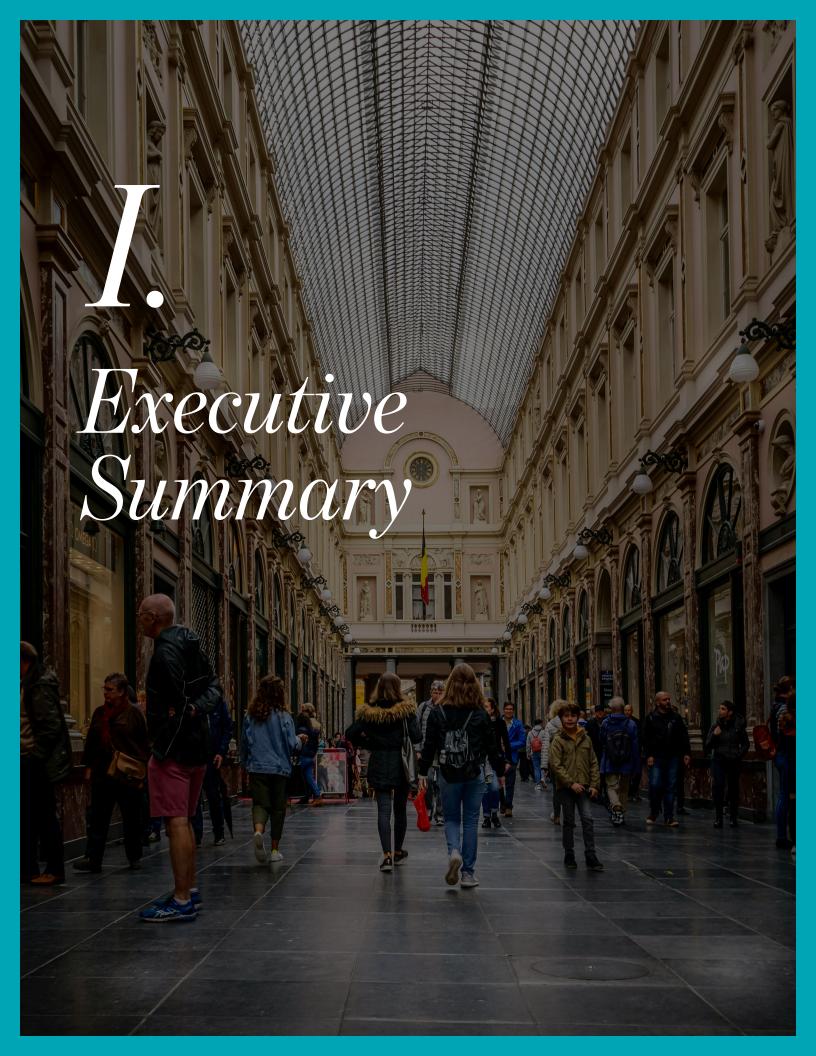
The 2025 Retail Outlook for Europe

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Our 2025 Outlook

Retail in 2025 is evolving amid gradual recovery and ongoing uncertainty, requiring brands to balance strategic planning with adaptability to shifting consumer behaviours. While some economic indicators suggest improvement, recent U.S. tariff announcements have prompted economists to revise European growth forecasts downward, dampening confidence and putting pressure on exports. These developments have reinforced inflation as a top consumer concern, and financial caution continues to influence spending patterns across the region. Rising real wages and stabilizing inflation offer some relief, but geopolitical tensions, high personal savings rates, and uneven regional growth are tempering the rebound in discretionary spending.

As consumers reassess their priorities, the perception of value has become more nuanced—shoppers are increasingly focused on quality, durability, and reliability instead of price alone. Meanwhile, technology is speeding up decision-making, with Al-powered searches, social commerce, and creator-driven marketing redefining how products are discovered and purchased. While ecommerce growth is normalising, physical retail is experiencing a resurgence, which requires brands to optimise their omnichannel strategies to remain competitive.

Media trends illustrate this transformation, with short-form videos, retail media networks, and Al-driven discovery influencing engagement strategies. Platforms such as TikTok, YouTube Shorts, and Instagram Reels continue to enhance product discovery, while retail media ad spending is projected to surpass all other digital channels by 2025. Meanwhile, Generative Al adoption in Europe is accelerating, unlocking new opportunities for hyper-personalisation and predictive marketing.

To succeed in this evolving landscape, retailers and advertisers must prioritise transparency, consistency, and product value to build consumer confidence, refine pricing and promotional strategies, and adapt to the shifting digital and retail landscape to drive sustainable growth.





Key Economic Indicators Shaping Europe

Persistent Economic Pressures Remain Amid Financial Uncertainty

Europe's GDP is now projected to grow by approximately 0.8% in 2025, revised down from earlier forecasts due to economic headwinds stemming from U.S. tariffs and weakened export demand. Despite rising real wages, ongoing economic uncertainty and geopolitical tensions continue to weigh on consumer confidence, keeping personal savings rates elevated (Business of Fashion). While inflation is easing and disposable incomes are increasing, the rebound in spending remains gradual and uneven, with Germany and the UK facing slower growth, while Southern Europe shows greater resilience. Despite these challenges, there are still opportunities for retailers to adapt pricing and promotional strategies to meet shifting consumer priorities, capitalising on emerging pockets of demand amid an uneven recovery.

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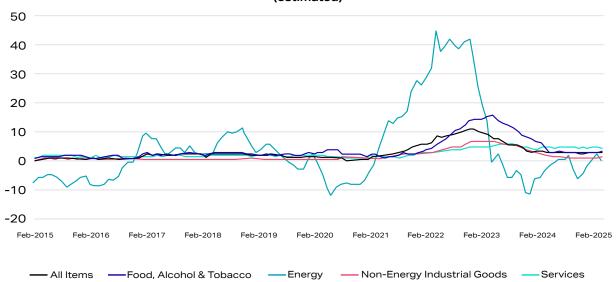
Inflation & Interest Rates Stabilise

While inflation rates across major European economies have softened from their peaks, they remain above pre-pandemic levels. As of Q1 2025, Eurozone inflation stands at 2.2%, still above the European Central Bank's (ECB) 2% target. Although energy prices have stabilised, food and essential goods continue to see above-average price increases, contributing to ongoing financial caution among consumers.

The ECB has indicated that interest rate cuts may begin in the second half of 2025, but policymakers remain cautious, awaiting stronger signs of sustained economic stability. Borrowing costs are expected to gradually ease, potentially lifting discretionary spending and creating opportunities for retailers to optimise pricing and promotional strategies. Looking ahead, brands should anticipate continued price sensitivity among consumers, particularly in non-essential categories.

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Euro Area Inflation & Its Main Components: February 2015 - February 2025 (estimated)



Sources: Eurostat (online data code: prc_hicp_manr)

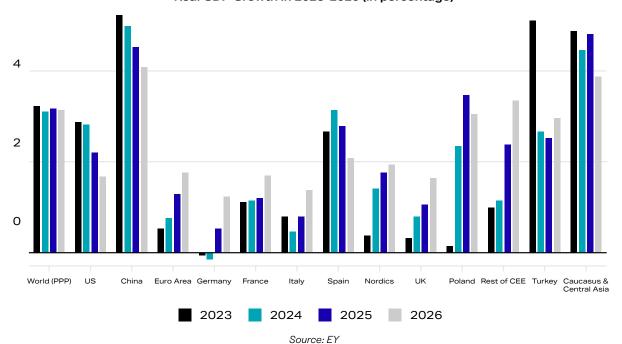
UNDERSTANDING EUROPEAN GDP GROWTH & REGIONAL DISPARITIES



The economic recovery in Europe remains uneven across the region. Southern Europe (Spain, Portugal, Greece, and Croatia) is expected to see stronger GDP growth of 2.0%–3.5%, fuelled by tourism, job growth, and government investment. Central and Eastern European (CEE) markets are also benefiting from recovering investments and accelerating exports.

Germany's GDP is projected to grow by just 0.3%, as weak business sentiment and export struggles hinder its recovery. The UK and Italy face economic stagnation, with modest growth of around 1% anticipated in the near term. The manufacturing sector remains under pressure due to high energy costs and competition from China, which delays broader economic recovery.

Real GDP Growth in 2023-2026 (in percentage)



Softening Consumer Sentiment & Early 2025 Improvements

Consumer optimism declined in late 2024 due to geopolitical tensions, persistent inflation, and economic uncertainty, which prompted more cautious spending behaviours. The most significant improvements in consumer confidence throughout 2024 were seen in Northern European markets, specifically Scandinavia and the Netherlands, where stable labor markets and government support measures foster resilience (McKinsey & Co.). However, early indicators from 2025 suggest a tentative turnaround: the consumer confidence indicator in the Euro Area increased by 0.6 points to -13.6 in February 2025, marking the highest level in four months. In the broader EU, sentiment improved by 0.4 points to -12.9, indicating reduced pessimism about the overall economic situation.

THE PATH FORWARD: CONSIDERATIONS FOR UNDERSTANDING CONSUMER SENTIMENT

Consumer confidence readings offer valuable insight into how optimistic or pessimistic consumers feel about the economy, but their implications are not always straightforward. Recent global trade developments and broader macroeconomic uncertainty may influence sentiment in the months ahead, adding complexity to how these signals are interpreted. Consumer sentiment and spending patterns don't always align - while low sentiment can lead to more cautious spending, it doesn't necessarily cause an immediate slowdown.

Some economists suggest that a persistent decline in sentiment indicates reduced consumer spending. In contrast, others argue that it may actually accelerate purchases as consumers try to get ahead of potential price increases or financial strain. In certain cases, economic uncertainty can even drive discretionary spending as a form of comfort. We interpret current sentiment as reflecting a general unease among consumers, although historically, it has not proven to be a reliable predictor of future spending behaviour. Recognising these nuances can help retailers anticipate shifts in demand beyond traditional sentiment indicators.



Trade & Supply Chain Disruptions

Retailers continue to navigate cost pressures stemming from new tariffs on imports from Asia and the Middle East, exacerbated by ongoing global shipping disruptions. The sectors most affected are consumer electronics, apparel, and home goods.

As of March 2025, shipping volumes through the Suez Canal have decreased by nearly 50% year-on-year as vessels divert around the Cape of Good Hope to evade conflict zones in the Red Sea. This diversion has extended shipping times by two to three weeks and led to a more than 200% increase in Asia-to-Europe container rates compared to early 2024 (Drewry World Container Index, March 2025; Xeneta, February 2025).

Electronics, home goods, and apparel are particularly vulnerable, as import costs remain high and currency fluctuations are driving up sourcing expenses.

IMPACT OF U.S. TRADE POLICIES ON EUROPE

New U.S. trade policies are adding further complexity to the European economic landscape. A 25% tariff on steel and aluminum imports (effective March 2025) is raising manufacturing input costs in industries that rely on these materials, especially in Germany, Ireland, and Italy (WTO Trade Policy Brief, January 2025; Financial Times, February 2025). The European Commission estimates that these tariffs may reduce EU GDP by 0.5% in 2025 (European Commission Trade Forecast). Additionally, shifting U.S. fiscal policies are leading to capital outflows from Europe, putting downward pressure on the euro, which has depreciated by 2% against the U.S. dollar since February 2025 (ECB Currency Markets Update, March 2025).

This is expected to increase import costs for EU retailers sourcing goods priced in USD, potentially fueling further retail price inflation in late 2025. While Eurostat's Consumer Confidence Index indicated modest improvement in early 2025, recent developments may challenge this trend. Price sensitivity remains high - particularly in Germany, Poland, and Ireland - where consumers are increasingly worried about rising prices.

This concern is closely tied to import cost inflation, driven by currency depreciation and trade-related disruptions. Consequently, consumers are postponing high-ticket discretionary purchases (e.g., electronics, home goods) and showing a greater preference for locally sourced products, which are seen as more stable and reliable in the current environment (Eurostat Consumer Confidence Index, Mintel Consumer Trends).

SECTION I

THE PATH FORWARD: HOW RETAILERS ARE RESPONDING

- Nearshoring production and sourcing to Turkey and Morocco to reduce exposure to tariffs and lessen reliance on Asia-Europe trade routes.
- Diversifying supplier networks to alleviate cost fluctuations and regional bottlenecks.
- Dynamically adjusting pricing strategies, especially in categories affected by currency volatility, to maintain margin control while considering consumer price sensitivity.
- Emphasising "Made in Europe" origins and locally sourced products in brand positioning to resonate with consumer preferences for regional stability and trust in the supply chain.

Strategic Considerations For Advertisers

- **Economic stabilisation remains uneven**, with regional disparities influencing European consumer sentiment and spending behaviours.
- Inflation is decreasing, but price sensitivity stays high, which requires retailers to balance promotional strategies with profitability.
- Supply chain pressures and trade disruptions persist, reinforcing the need for agile inventory and sourcing strategies.
- Currency volatility adds further complexity to import pricing, particularly for USD-denominated goods.
 Monetary policy shifts could create spending opportunities, but consumer caution will continue until stronger economic stability is achieved.

Retailers that are proactive, operationally flexible, and strategically positioned will be most prepared to navigate short-term uncertainties while fostering long-term growth in a changing economic landscape.



Shifting Expectations of the European Consumer

European consumers in 2025 are adjusting their shopping habits due to ongoing financial caution, making more thoughtful purchasing decisions as they prioritise trust, quality, and long-term value over short-term savings. With 55% of consumers indicating they can't afford to make the wrong choice, shopping behaviours are evolving beyond price sensitivity toward reliability and smart decision-making tools that help streamline choices and minimise risk (Google State of Europe 2025 Report).

Value Becomes A Priority

Financial pressures and rising costs have made fashion shoppers more budget-conscious, a trend likely to persist even as economic conditions improve. Consequently, categories known for affordability—such as resale and off-price—are gaining momentum. To capture consumer spending, brands must effectively communicate their value proposition.

New value categories are emerging at an astonishing rate. According to Google, at least one-third of UK consumers have intentionally purchased "dupes"—cheaper alternatives to premium or luxury products—with 11% buying them every few months. Gen Z consumers, in particular, are much more likely to prioritise affordability over premium brands. Overall, this phenomenon has exploded globally across social media in recent years, with TikTok's #dupe hashtag garnering six billion views.

In Germany, consumers are becoming increasingly pricesensitive, resulting in a surge in off-price retail and resale platforms. Retailers like Zalando are focusing on profitability over expansion, leveraging Al-powered personalised recommendations to enhance customer retention. According to *Business of Fashion*, over 70 percent of customers plan to shop at outlets or off-price retailers in the next 12 months, even if their discretionary budget increases. According to Google, at least one-third of UK consumers have intentionally purchased "dupes"—cheaper alternatives to premium or luxury products—with 11% buying them every few months.

SECTION II

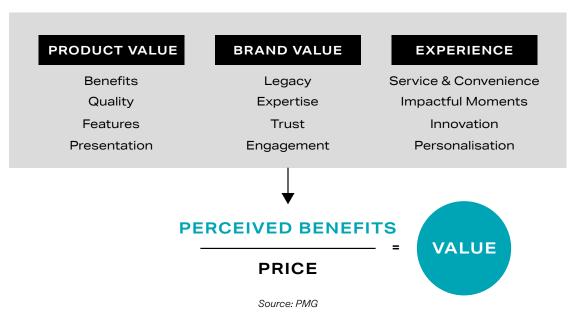
SECTION I

THE PATH FORWARD: DELIVERING VALUE BEYOND PRICE

While price remains important, consumer decision-making in 2025 is increasingly driven by perceived value rather than discounts. The shift from bargain-hunting to value-conscious shopping is evident across retail categories, where an increasing number of shoppers are prioritising quality, durability, and long-term benefits over short-term savings. This trend is especially pronounced in France, Germany, and the UK, where consumers have become wary of aggressive discounting strategies and are instead seeking brands that offer transparency, reliability, and meaningful differentiation (Google State of Europe 2025 Report).

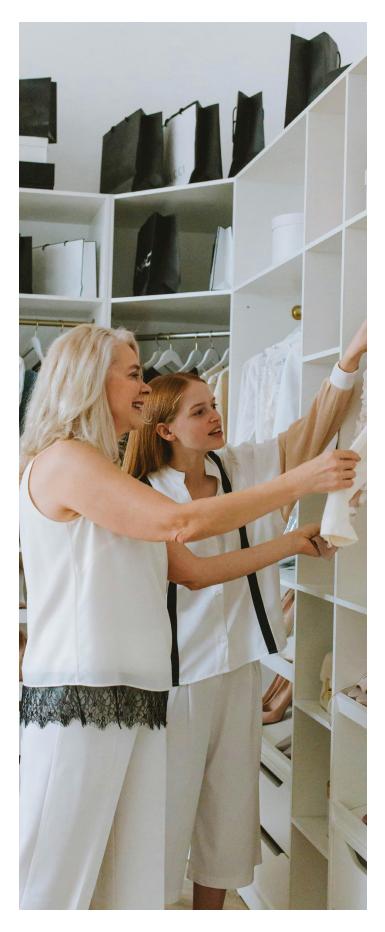


Value Equation



Brands must strike a balance between competitive pricing and messaging that emphasises value beyond just price, highlighting product longevity, versatility, and overall worth. Trust and perceived quality have become as essential as price in building consumer loyalty.

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The Rise Of Silver Generation Spending

One of the most significant consumer shifts in 2025 is the growing spending power of the 50+ demographic. With increasing life expectancies and declining birth rates, this group is outpacing all others in growth and is expected to represent more than half of the EU population by 2050 (*Business of Fashion*). The Silver Generation controls a disproportionate share of wealth and is projected to drive 79% of fashion spending in the EU this year. However, their shopping habits differ from those of younger consumers.

According to Business of Fashion, this generation:

- Over-indexes on value, prioritising versatile, long-lasting products that serve multiple purposes.
- Is less trend-driven, often opting for discount or off-price channels over full-price retail.
- Is more likely to seek practical, investment-worthy purchases rather than impulse buys.

Successfully engaging this demographic requires a valuefocused approach that emphasises versatility, durability, and functionality over trend-driven marketing.

Balancing Nostalgia & Technology

Consumers are increasingly gravitating toward nostalgia, embracing retro fashion, media reboots, and classic brand identities as sources of comfort in an unpredictable world. This trend reflects a broader desire for stability and familiarity, especially as economic and geopolitical uncertainties continue to influence daily life (Google Europe State of Retail 2025).

To remain competitive, brands must strike a balance between nostalgia and innovation—offering products and experiences that evoke familiarity while integrating technology-driven personalisation for a seamless, modern shopping journey.

Meanwhile, the overwhelming abundance of choices is leading to a greater reliance on Al-powered tools, personalised recommendations, and curated shopping experiences to simplify decision-making. Consumers are utilising technology not just for convenience but also as a means to cut through the noise and streamline purchasing decisions.

Access to reviews and price comparisons, including Google's new price comparison tools, has empowered shoppers to be increasingly research-driven, carefully evaluating their options before making a purchase. To remain competitive, brands must strike a balance between nostalgia and innovation—offering products and experiences that evoke familiarity while integrating technology-driven personalisation for a seamless, modern shopping journey.



THE PATH FORWARD: TRUST & ENGAGEMENT MATTER MORE THAN EVER

In a retail landscape where consumers are becoming increasingly cautious about aggressive discounting, brand trust and engagement have emerged as critical differentiators. Confidence, reliability, and perceived value are now the primary drivers of purchase decisions—not just price. One of the primary ways European consumers develop confidence and trust in brands is through more extensive research. According to Google's Europe State of Retail 2025, 77% of European consumers report feeling more confident after researching products. To make informed purchasing decisions, more European consumers are also relying on product reviews.

Building long-term consumer loyalty requires an investment in trust-based engagement strategies, including:

- · Clear, transparent pricing that reinforces product value.
- Authentic storytelling that strengthens the emotional connection between brands and consumers.



Strategic Considerations For Advertisers

- **Blend Nostalgia with Innovation**: Maintain familiarity while incorporating personalisation and technology for a seamless experience.
- Focus on Value Beyond Price: Highlight product durability, quality, and benefits alongside promotional offers.
- **Connect with the Silver Generation**: This demographic values quality and is more likely to seek discounts or off-price channels. Emphasise versatility to better resonate with them.
- Strengthen Brand Trust: Consumers prioritise reliability and transparency over price.

By understanding and adapting to these evolving consumer behaviours, retailers can forge stronger connections, enhance engagement, and drive sustained growth in an increasingly competitive European market.



The State of Retail in 2025

Retail in 2025 is evolving amid both steady growth and rapid transformation, requiring brands to balance strategic planning with adaptability. While spending is expected to increase across Europe, shifting consumer behaviours, heightened competition and the accelerating digitisation of commerce are reshaping the industry.

Moderation In Online Growth, Resurgence Of Physical Retail

While forecasts show a boost in retail spending across European countries in 2025 and beyond, Eurozone retail trade growth slowed to +1.5% year-on-year in January 2025 from a revised +2.2% in December and missing market expectations of +1.9% (Trading Economics).

The post-pandemic boom in ecommerce is also slowing, leading many online retailers to prioritise profitability over rapid expansion. While online retail sales in the EU and UK are projected to grow by +6.2% annually from 2024 to 2029, this is well below the hypergrowth rates seen during the pandemic (JLL). Many digital-first retailers are facing margin pressures as sales growth slows and operational costs rise.

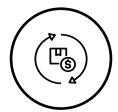
Brick-and-mortar retailers have adapted by enhancing omnichannel integration and driving more profitable growth. Physical retail sales in the EU and UK are projected to grow at an annual rate of 3.4% until 2029, representing a significant improvement from the 0.5% annual growth recorded between 2008 and 2019 (JLL). This shift indicates a more balanced retail landscape, requiring brands to refine their omnichannel strategies to meet evolving consumer expectations.

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Apparel Retail Forecasts

Non-luxury fashion growth in Europe is expected to increase by two to four percent in 2025, fuelled by changing consumer behaviours and economic conditions that consistently highlight value-driven spending. As inflationary pressures diminish in key markets, retailers are fine-tuning localised go-to-market strategies to attract price-conscious consumers while maintaining brand equity.



The resale and off-price segments are rapidly expanding, driven not just by affordability but also as part of a larger sustainability movement that influences fashion preferences in Europe. Sustainability is a significant factor in this trend, as 72.8% of UK fashion shoppers are more inclined to buy (Global Data) from retailers that offer secondhand items alongside new products. Additionally, 80.8% of consumers view retailers providing secondhand options as more sustainable.



The rise of **Al-driven personalisation and dynamic pricing** is enabling retailers to optimise promotions and product recommendations, ensuring that discounting strategies do not damage brand perception. Sixty-one percent of European retailers now utilise some form of dynamic pricing, with fifty-five percent planning to pilot Al or Generative Al-based dynamic pricing in 2025. This adoption is fuelled by the potential to increase revenue by up to three percent and enhance margins by ten percent (Valcon).

Social commerce is also enhancing fashion discovery and purchase intent, especially among younger consumers who engage with TikTok, Instagram, and Pinterest for style inspiration. Social commerce continues to reshape how younger consumers discover and engage with fashion. Platforms like Instagram and TikTok are gaining ground in the UK, particularly among Gen Z and Millennials. Instagram leads among younger social buyers in the UK, with 37.3% of respondents identifying it as their preferred channel for purchases, followed closely by TikTok (36.1%). This trend is fuelling broader growth in the region, with the European social commerce market projected to grow 24.4% year-over-year to reach \$92.1 billion in 2024 and more than triple to \$230.5 billion by 2029 (Europe Social Commerce Market Intelligence and Future Growth Report, 2024).

As European consumers continue to balance affordability with brand loyalty, retailers must align pricing, distribution, and engagement strategies to navigate a competitive and rapidly evolving landscape.

THE EVOLUTION OF DISCOUNT RETAILERS

Discount retailers that experienced explosive growth during the cost-of-living crisis are now seeing a slowdown as inflation begins to ease (The Times). Chains like B&M, Poundland, and Primark are reporting slower growth, indicating a shift in consumer behaviour:

- Shoppers are becoming more selective, with some returning to mainstream retailers as financial pressures ease.
- While price remains important, consumers are increasingly valuing trust, quality, and convenience in their purchasing decisions.
- Selective spending on experiences and small indulgences is also rising as consumers balance frugality with occasional discretionary purchases.

At the same time, the European Commission is intensifying regulatory scrutiny of platforms like Shein and Temu in an effort to crack down on the influx of "dangerous, unsafe, and counterfeit products" in EU markets (The Guardian, Reuters). Lawmakers are also considering eliminating the exemption on customs duties for items valued under €150. In 2024, the EU received 12 million parcels per day categorised as 'low value' goods—double the volume seen in 2023—with 91% of these coming from China (Reuters).

This regulatory push could benefit traditional and premium advertisers by reducing competition in social media feeds and limiting the share of the wallet captured by low-cost platforms. While platforms like Shein, Temu, and AliExpress continue to disrupt traditional retail, their growth in Europe is projected to slow in 2025. Increasing scrutiny surrounding sustainability, human rights, and compliance—especially in ecommerce-heavy markets like Spain—is likely to temper their expansion (eMarketer).





Media Consumption Trends & Audience Behaviour in 2025

As consumer behaviour evolves alongside accelerating digital adoption, several key media trends are firmly taking hold—reshaping the retail landscape in 2025 and beyond. Social commerce, live shopping, connected TV (CTV), short-form video, and creator-led advertising are not only gaining momentum—they're becoming essential components of an effective media mix. These channels are demonstrating clear strength in driving engagement and conversions, particularly among younger, digitally-savvy audiences. Retailers that remain agile and continue to invest in these high-growth areas will be better positioned to capture attention, build brand equity, and drive sales throughout 2025 and beyond.

The Social Commerce Boom

Social commerce is rapidly transforming shopping behaviours, merging content, discovery, and transactions into seamless experiences. Global social commerce sales are expected to exceed \$1 trillion by 2028. Platforms like TikTok Shop and Instagram Shopping are enabling frictionless purchasing, especially among Gen Z and Millennials.

Social commerce in the UK is anticipated to grow +31% YoY in 2025.

Short-form video and creator-led content serve as primary discovery tools, with many consumers making direct purchases from influencers and UGC-driven ads. However, TikTok's regulatory uncertainty in the U.S. is prompting brands to diversify their social commerce strategies, highlighting the importance of establishing a strong presence across multiple platforms.

Social Commerce Market USD (billions)



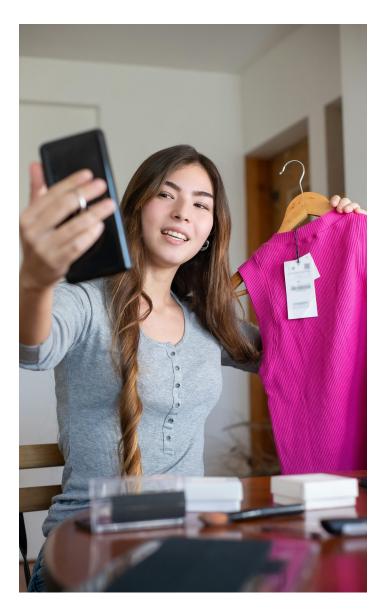
Source: Statista, Euromonitor, McKinsey analysis

SECTION VII

LIVE SHOPPING GAINS TRACTION IN EUROPE

Live commerce in Europe is still in its early stages—not because of a lack of interest from brands, but due to the region's unique market dynamics. Unlike the U.S. or China, where social shopping has seen faster adoption, European markets present more complexity: a patchwork of languages, consumer preferences, and digital behaviours that make scaling a uniform experience challenging.

While some retailers—including Zara, H&M, and Sephora—have begun testing live shopping on their own channels or through Instagram, these efforts are still limited in scope. Platforms like Amazon and TikTok are also entering the space cautiously, focusing on fashion and beauty where early engagement shows promise. For now, live commerce remains a niche experiment rather than a mainstream channel—especially as European consumers show more skepticism toward influencer-led shopping compared to the enthusiasm seen in China (Forbes).



Strategic Considerations For Advertisers

- Leverage creators and user-generated content: Social commerce thrives on authenticity and peer-driven recommendations.
- Optimise for frictionless transactions: Simplify the purchase journey with seamless in-app shopping features
- **Diversify social commerce platforms:** A multi-platform approach will mitigate risks tied to TikTok's uncertain regulatory future.

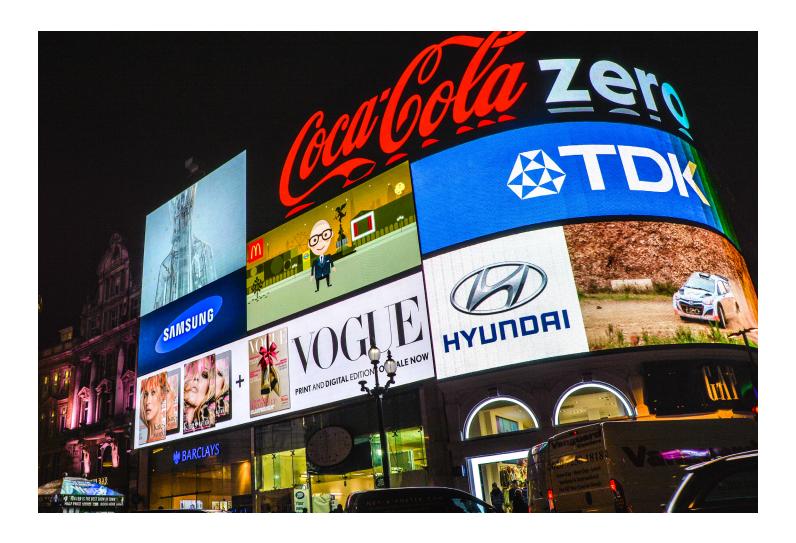
The CTV & Digital Video Revolution

The shift from traditional TV to digital video is accelerating, reshaping advertising investments and content strategies. In the U.S. and UK, digital video ad spending is projected to double that of traditional TV by 2025. Netflix, Amazon Prime, and Disney+ are becoming prominent advertising platforms, offering precise audience targeting in premium environments.

Meanwhile, YouTube's influence continues to grow, with the platform boasting nearly 55 million users in the UK, according to Statista. Interestingly, videos up to 15 minutes long are the most popular form of content, followed by YouTube Shorts, signifying how much consumers enjoy long-form content.

Many brands have successfully leveraged YouTube to share long-form content that explores product development and brand heritage, offering shoppers new ways to learn more about their favourite products, new features, and brand history. This strategy appeals to both domestic and international audiences and has contributed to revitalising sales, particularly in the luxury sector, according to Google data.

For example, in Germany, the top YouTube topics include running and fashion, providing apparel, fitness, and health & wellness brands with the opportunity to reach their target audiences. In the UK, the top YouTube topics encompass beauty tips and fashion (Google). To navigate this evolving landscape, advertisers must embrace new ad formats—such as pause ads and split-screen ads—to capture attention in a fragmented digital environment.



Short-Form Video & Creator-Led Advertising

Short-form video is transforming how consumers engage with content, with global ad spending projected to reach \$145 billion by 2028 across platforms like TikTok, YouTube Shorts, and Instagram Reels. Brands are increasingly investing in creator partnerships and user-generated content (UGC) to promote authenticity and are prioritising visually dynamic creatives that capture attention within the first few seconds. This strategy often forms part of a full-funnel video approach that blends short-form engagement with longer-form storytelling and integrated commerce.

TikTok continues to lead in short-form video consumption across Europe, generating billions of monthly views in every major market. In the UK, users spend an average of 128 minutes per day on the platform—more than double YouTube (65 minutes) and over four times Instagram (30 minutes). Engagement is even higher in the Nordic and Baltic regions, where users open the app up to 22 times daily and spend over 100 minutes per day. While Gen Z remains a key audience, usage is increasing across demographics; in Italy, 19% of TikTok users are aged 55 and older.

This expanding cross-generational reach is enhancing TikTok's influence on shopping behaviour. The platform's viral hashtag #TikTokMadeMeBuyIt has garnered over 146 billion views in the UK alone and became the focus of a major national TV campaign, showcasing TikTok's role as both a trend incubator and a powerful commerce driver.

TikTok continues to lead in short-form video consumption across Europe, generating billions of monthly views in every major market.

Strategic Considerations For Advertisers

To maximise impact, retailers should adopt a video-first, full-funnel strategy that combines shoppable content with localised, culturally relevant storytelling. Success hinges on partnering with creators who speak the native language and authentically reflect regional trends, building trust and driving engagement. By embracing these emerging media trends and customising strategies to regional nuances, retailers can enhance brand relevance, cultivate deeper consumer trust, and open new pathways for growth in the rapidly changing European retail landscape.

The Growth Of Retail Media

Retail media ad spending is set to grow faster than any other digital format in Western Europe by 2025. Across tracked markets, its expansion is expected to significantly outpace all other channels, even as it transitions beyond its initial exponential growth phase. In France, for example, retail media ad spending is projected to increase at nearly three times the rate of other ad formats (eMarketer).

In the UK, Tesco has established one of Europe's most advanced retail media networks. The supermarket, which has 23 million Clubcard loyalty members, is also expanding its in-store advertising, increasing from 400 screens in 2023 to 6,000 screens by 2024, making it the largest retail digital screen network in Europe (The Grocer). Tesco is just one example of a major supermarket leaning in, believing that ad spending will surpass TV in 2025.

Retail media ad spending is set to grow faster than any other digital format in Western Europe by 2025.

France is also at the forefront of retail media growth, with ad spending projected to increase threefold faster than other formats. Carrefour Links was one of the first in Europe to launch a retail media network in 2021 and continues to scale at a rapid pace (Retail Touchpoints).

Across Europe, emerging players are developing their own retail media offerings, including El Corte Inglés in Spain, MediaMarktSaturn in Germany, and Esselunga in Italy. These large customer bases and rich data points provide advertisers with access to hyper-personalised targeting and customisation—even utilising smart basket hand-scanners—along with improved closed-loop attribution, reports The Grocer. While there is currently a significant amount of fragmentation and challenges, standardised measurement frameworks like the UK ISBA's Retail Media Code will help focus attention on this fast-growing space. Brands are prioritising first-party data, advanced measurement tools, and new ad formats, including in-store displays and interactive online shopping experiences, to differentiate themselves from the competition in 2025.



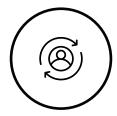
Generative AI Adoption Accelerates In Europe

In 2025, Generative AI adoption across Europe is gaining momentum, although its pace remains more measured compared to North America and Asia-Pacific. That said, the UK and Germany are at the forefront of Generative AI adoption in the region, with the UK ranking second globally, behind China. This leadership is underpinned by advanced digital infrastructures, more mature retail media ecosystems, and greater clarity around regulatory compliance, enabling retailers in these markets to embed Generative AI in customerfacing initiatives such as loyalty programmes, dynamic pricing, and personalised retail media.

In contrast, retailers in Southern Europe and Ireland are adopting a more measured approach, focusing on operational efficiencies and backend processes where data privacy concerns are less acute. Despite this variation, Europe's Generative AI deployment is poised to accelerate. According to IDC, spending on Generative AI in Europe is projected to exceed \$30 billion by 2027, reflecting increasing confidence in the technology's potential to drive both operational and customer-facing innovation. Much of this investment is expected to flow into retail media platforms, personalisation engines, and AI-driven content creation, particularly in markets that have already established trust frameworks and GDPR-compliant AI strategies.



MAJOR GENERATIVE AI USE CASES IN EUROPEAN RETAIL



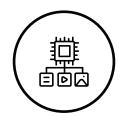
HYPER-PERSONALISATION & RETAIL MEDIA MONETISATION

Retailers are utilising Generative AI to deliver hyper-personalised experiences and unlock new revenue streams through retail media platforms. Consumer demand for more relevant, less intrusive advertising is fuelling this trend, as shoppers increasingly anticipate tailored offers and meaningful rewards. In the UK, Tesco's Al-personalised Clubcard Challenges and France's Carrefour retail media platform showcase how Generative AI is dynamically enhancing audience targeting and creative delivery. Germany's Zalando has embraced Generative Al-powered fashion assistants to enhance personalisation and customer engagement across its European operations.



OPERATIONAL EFFICIENCY & DYNAMIC PRICING

Retailers are using Generative AI to optimise inventory management, automate dynamic pricing, and improve supply chain agility. Spain's Inditex is implementing AI-driven pricing strategies and inventory management systems throughout its European stores to boost efficiency and responsiveness. Germany's leading retailers are also using Generative AI to improve supply chain operations and safeguard margins in a cost-sensitive environment. In the UK, Sainsbury's AI-powered shelf replenishment solution has reduced stockouts and streamlined operations.

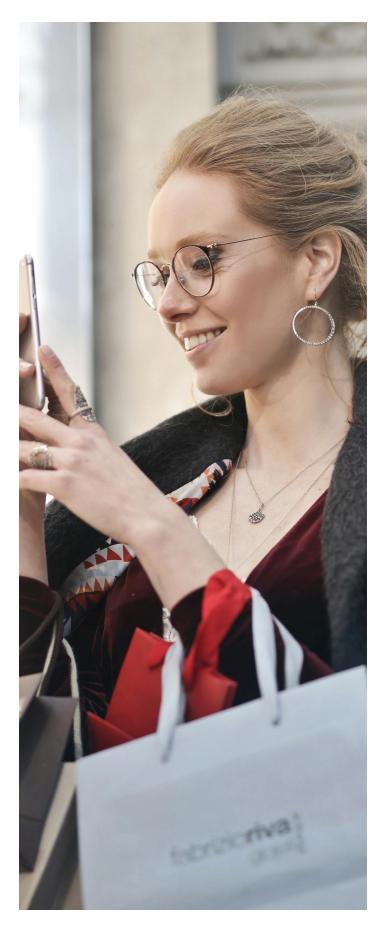


FRICTIONLESS CUSTOMER EXPERIENCES & CREATIVE AUTOMATION

Generative Al is transforming customer interactions and creative content production. Poland's Auchan has launched Al-powered autonomous stores, providing seamless, cashierless shopping. The Netherlands' Albert Heijn loyalty app features an Al assistant that offers personalised product suggestions and recipe recommendations, enhancing customer engagement. Spain-based Mango, with its global store network, uses Generative AI to co-design collections and accelerate content production for marketing campaigns, particularly for its teen range—satisfying the demand for fresh, localised content across channels. This generative approach is allowing smaller challenger brands to scale highquality content production, levelling the creative playing field.

Generative AI is no longer just an option; it's a competitive advantage. The window to differentiate is narrowing. Retailers that hesitate will face higher barriers to entry, increasing customer expectations, and heightened competition. Concentrate on scalable applications such as retail media personalisation, dynamic pricing, and operational automation to drive growth, improve margins, and meet rising customer expectations.

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The Future Of Search & AI-Powered Discovery

Search is evolving from a transactional tool into a discovery platform, with Al-driven innovations reshaping consumer behaviour. Al-powered search engines like Perplexity and OpenAl Search are transforming query-based searches into dynamic, exploration-based experiences. Social platforms such as TikTok and Pinterest are integrating search with commerce, creating seamless pathways from discovery to purchase. While Al-powered shopping agents may automate purchase decisions, widespread adoption remains uncertain. For advertisers, SEO, SEM, and conversational Al strategies must adapt to the growing demand for personalised, multimodal content that includes text, audio, images, and video.

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Platforms like Reddit have become a major source for product discovery and exploration. Audiences appreciate the straightforward communities and turn to these subreddits when seeking advice about brands or products, which benefits advertisers looking for engaged, mid-funnel targeting solutions. The conversations on Reddit subsequently influence decisions and drive purchases across various categories. In 2024, Reddit reported significant year-over-year growth across the continent, with Italy (+115%), France (+98%), and Spain (+77%) showing the most growth in the region.

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Final Thoughts

As Europe's economic recovery remains uneven - and uncertainty deepens due to shifting global trade dynamics - consumer expectations, retail dynamics, and media strategies continue to evolve. Shoppers are becoming more selective, prioritizing value, trust, and convenience, while technology and changing digital behaviors reshape how brands engage and convert. To succeed in 2025, retailers and advertisers must adapt to regional differences, refine their strategies, and remain agile. By embracing these shifts, they can navigate volatility, drive meaningful engagement, and sustain long-term growth in a rapidly changing consumer landscape.

Strategic Considerations For Advertisers

- 1 With recovery and price sensitivity varying across markets, tracking and responding to regional consumer sentiment and economic signals will enable localised messaging and promotional strategies to reflect real-time shifts in confidence, demand, and purchasing power.
- Brands need to go beyond price-driven messaging, focusing on value, trust, and long-term engagement to foster loyalty.
- Physical retail is experiencing a resurgence, and discount retailers must evolve to remain relevant.
- Short-form video and creator-led advertising will continue to dominate engagement, necessitating agile content strategies tailored to each platform.
- Al-driven search and retail media are transforming discovery and commerce, requiring new approaches to visibility and performance measurement.
- Generative AI is set for rapid growth, providing brands with new tools for personalisation and predictive marketing.

About PMG

PMG is a global independent marketing services and technology company that seeks to inspire people and brands that anything is possible. Driven by shared success, PMG uses business strategy and transformation, creative, media, and insights, as well as its proprietary marketing intelligence platform Alli, to deliver meaningful impact. Our team is made up of over 900 employees globally, and our work for brands like Apple, Best Western Hotels & Resorts, CKE Restaurants, Experian, Intuit, Kohler, Nike, Sephora, Therabody, and Whole Foods runs across 85+ countries and has received top industry recognition from Cannes Lions to Adweek Media Plan of the Year.

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