Decoding the drivers of growth in retail

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Introduction

The UK retail market continues to be a tough place to operate – overall growth is sluggish and consumers continue to struggle. In February this year, even before the impact of US tariffs, 58% of UK adults reported extreme concerns about rising living costs, with 42% extremely concerned about their finances, and despite low unemployment, 26% reporting extreme concern for their jobs.[1]

As a result, competition for share of wallet is intense, and it's clear that there will be no sustained uptick in growth that will lift the sector as a whole. Despite a few green shoots in the start of 2025, retail sales volumes remain below their pre-COVID-19 pandemic level, as UK consumers continue to cut back on discretionary purchases.[2]

Despite this, our research shows that there are plenty of retailers that are succeeding in this market. These brands, regardless of sub-sector or positioning, are united by one thing, an ability to tap into what truly matters to their consumers, and are rewarded by stronger perceptions than their competition.

1. EY (2025) "EY Future Consumer Index Spring 2025"
2. EY ITEM Club (2025) "EY ITEM Club Spring Forecast – tariffs delay the recovery"

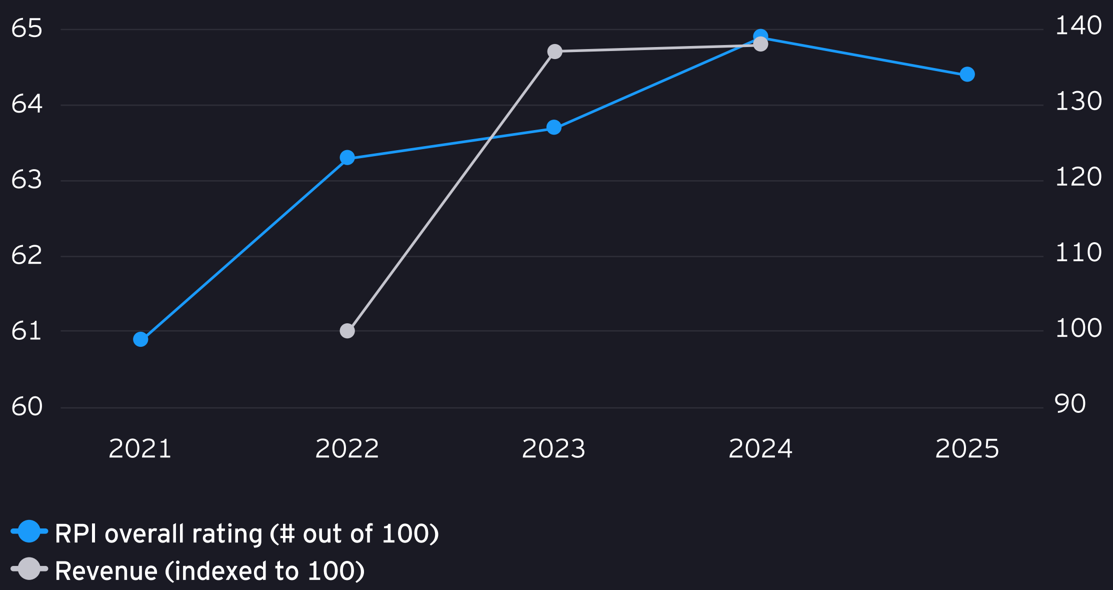
Perception is reality

How satisfied consumers say they are about their experience of a retailer is a strikingly good predictor of their propensity to shop there in the future. Just as a retailer's financial statements tell the story of historical performance, consumer perception is one of the most effective ways to predict future performance – as consumers respond to how they feel.

EY professionals have been researching UK consumer perception of retailers annually since 2021, building a powerful picture of perception, and what dimensions contribute to these feelings. This data shows clearly how performance on perception scores has been closely linked with the economic outcomes of retailers.

The key question for retailers now is: **"Where should I focus my limited resources to deliver the best consumer perception, and drive growth?"**

RPI overall rating vs revenue
UK multicategory retailer, 2021–2025



Change in retailer perception often tends to proceed change in revenue growth by c.12 months as consumers spend (and vote) with their feet.

Decoding consumer perception

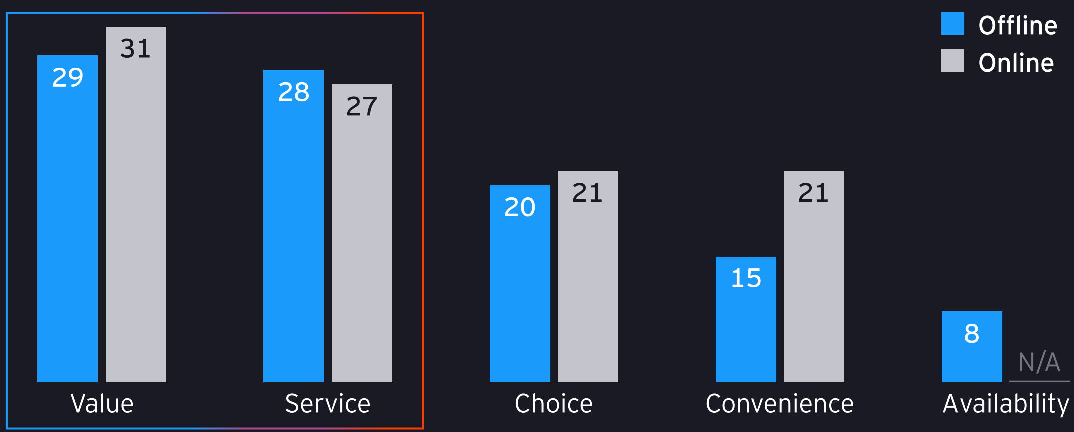
While there are a huge number of complex dimensions of retail perception, we have simplified these into the key fundamental components of satisfaction:

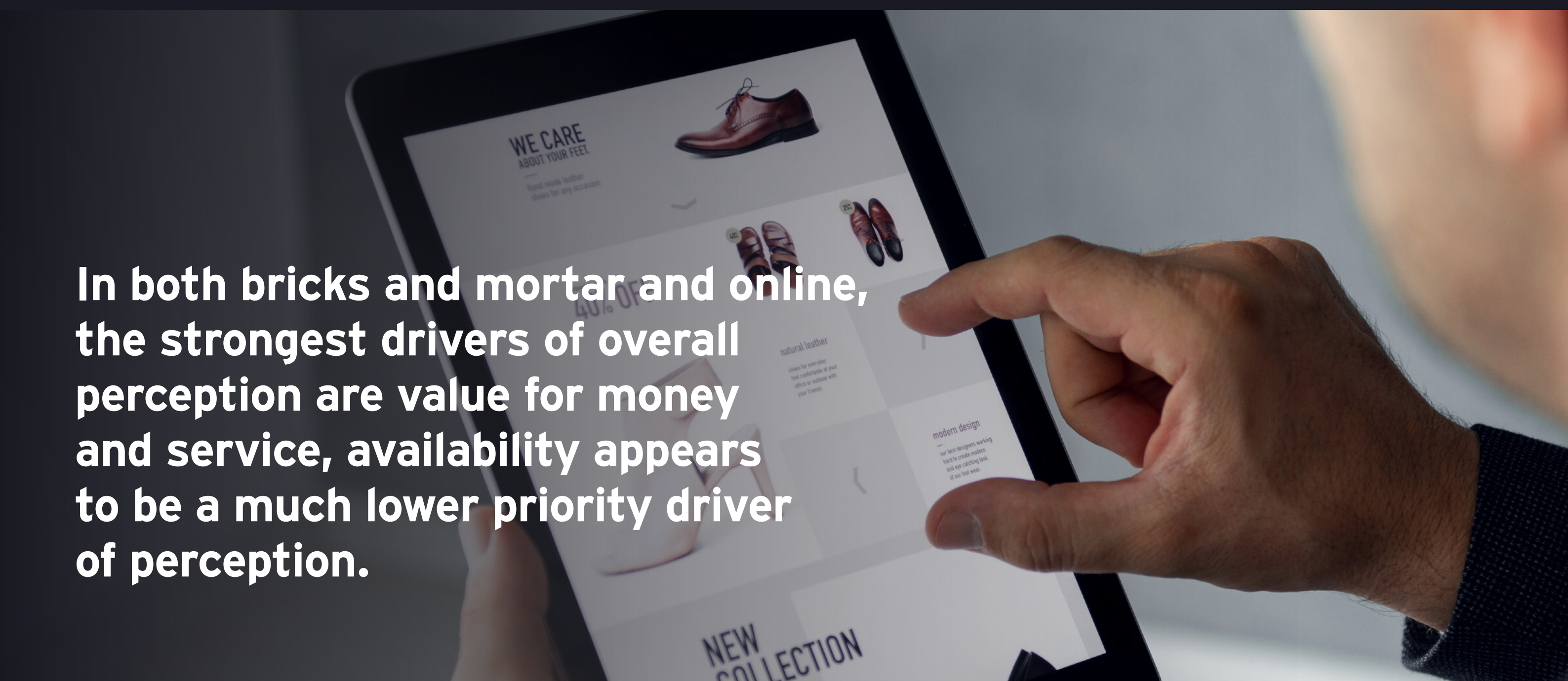
- Value – am I getting a great price for what I'm buying?
- Service – how well do the staff, store or website help me shop?
- Choice – does this retailer give me the right options, and help me choose?
- Convenience – how close is the shop, can I find what I need, and how frequent is delivery?
- Availability – are the products I want available to buy?

Our analysis shows that these dimensions are not equally important. The benefits to overall perception differ between the individual dimensions.

For offline retail, service and value are the most important drivers of perception, followed by choice and convenience. This means that an improvement in service perception will deliver more than twice the improvement in overall perception as a similar improvement in convenience.

Relationship between constituent dimensions and overall brand perception
All categories, coefficient %, 2025





In both bricks and mortar and online, the strongest drivers of overall perception are value for money and service, availability appears to be a much lower priority driver of perception.

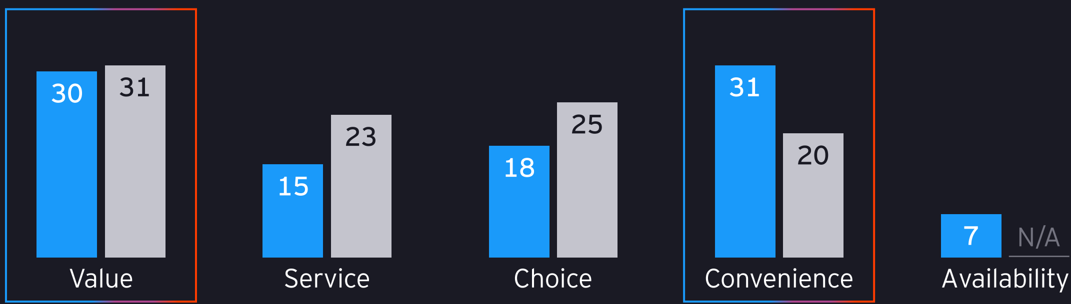
However, these relative importances vary considerably between sub-sectors, as shoppers prioritise different parts of the experience in building their overall view of the business.

Grocery and clothing show similar importance profiles, with both value and convenience highest whilst service is less important. This contrasts with many clothing retailers' heavy focus on improving in-store service, potentially at the expense of more impactful dimensions.

Another key consideration is that the relative importance of these factors differs considerably between online and offline.

Offline
Online

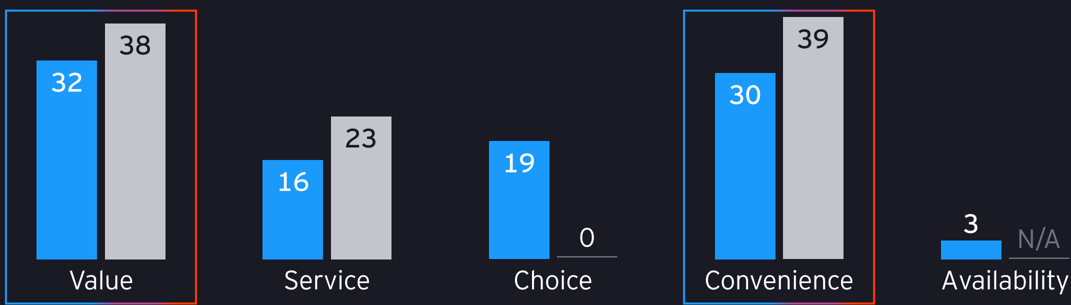
Clothing



For clothing retailers, choice is more important online, perhaps due to browsing or discovery missions on digital channels, and emphasising the importance of robust merchandising and range curation in store.

Offline
Online

Grocery



For grocery, the importance of choice online appears to be much lower (and convenience much more important). This may reflect the reality that all online grocers in the UK have essentially the same product assortment, with the 'infinite aisle' appearing to add little value. However, consumers' desire for quick hassle-free product order/re-order remains clear, and potentially one of the few areas where online players can effectively differentiate themselves.

Offline
Online

Health, beauty and wellness

For health, beauty and wellness, service is as important for driving overall perception as value is, whilst choice appears less important. This is despite many HBW players operating very broad and deep ranges, suggesting that guiding shoppers to the right products for them is more important than ever larger ranges.

Whatever the sub-sector a brand plays in, decoding the nuances of consumer perception and understanding the relative benefits of investing in the different dimensions of perception is critical. Without this, retailers can waste capital investment and time on areas that do not deliver the best possible outcomes.

Creating a bespoke proposition blueprint for growth

EY's UK&I Retail Strategy team works side by side with retail leadership teams to leverage the detailed conclusions of our proprietary research, and our deep knowledge of what is needed for delivery to build action plans that focus efforts on the things that matter most.

Our research allows you to reflect how your market is evolving and where competitors are focusing their efforts.

We bring a distinctive viewpoint on what matters most to your current (and future) consumers to help chart a course towards, and help begin to realise, profitable growth.

Get in touch with our team to understand more about how our insights and experience could help your business.

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