

2025 Growth Outlook

How are businesses preparing
for the year ahead?





2025: A year for expansion or resilience?

About this report

2024 was a year of mixed signals. Modest market recovery and the slow return of consumer confidence came against a backdrop of continued disruption caused by macroeconomic and geopolitical turbulence.

This leaves many of the UK's leading businesses facing a fundamental question for the year ahead: do we return to the pursuit of growth, do we double down on efforts to shore up margins and protect revenue, or do we combine the two to hold fast in core markets whilst unlocking pockets of growth in adjacent spaces?

Through a combination of in-depth expert interviews and a survey of 100 business leaders, White Space's 2025 Growth Report delves into the key nuances behind this critical question, addressing the trends, opportunities and threats impacting businesses in the coming 12 months.

Who took part in our survey

- 100 senior business leaders, based primarily in the UK
- C-suite Execs, Directors and Heads Of
- Surveyed November-December 2024
- Range of different industry sectors including Manufacturing, Financial Services, Engineering, Energy, Retail, Healthcare and FMCG
- Largely multinational organisations with revenues ranging between £100m - £20bn

Example experts interviewed

- Global Supply Chain Director, Food Manufacturer
- Director, Sustainability Strategy Consulting, Engineering & Consulting Firm
- Director, EMEA PR & Communications, Tech Firm
- Operations Director - Global Excellence & Supply Chain, Wellness Retailer
- Operations Director, UK and Europe, Beverages Manufacturer
- Supply Chain Strategy Director, Beverages Manufacturer



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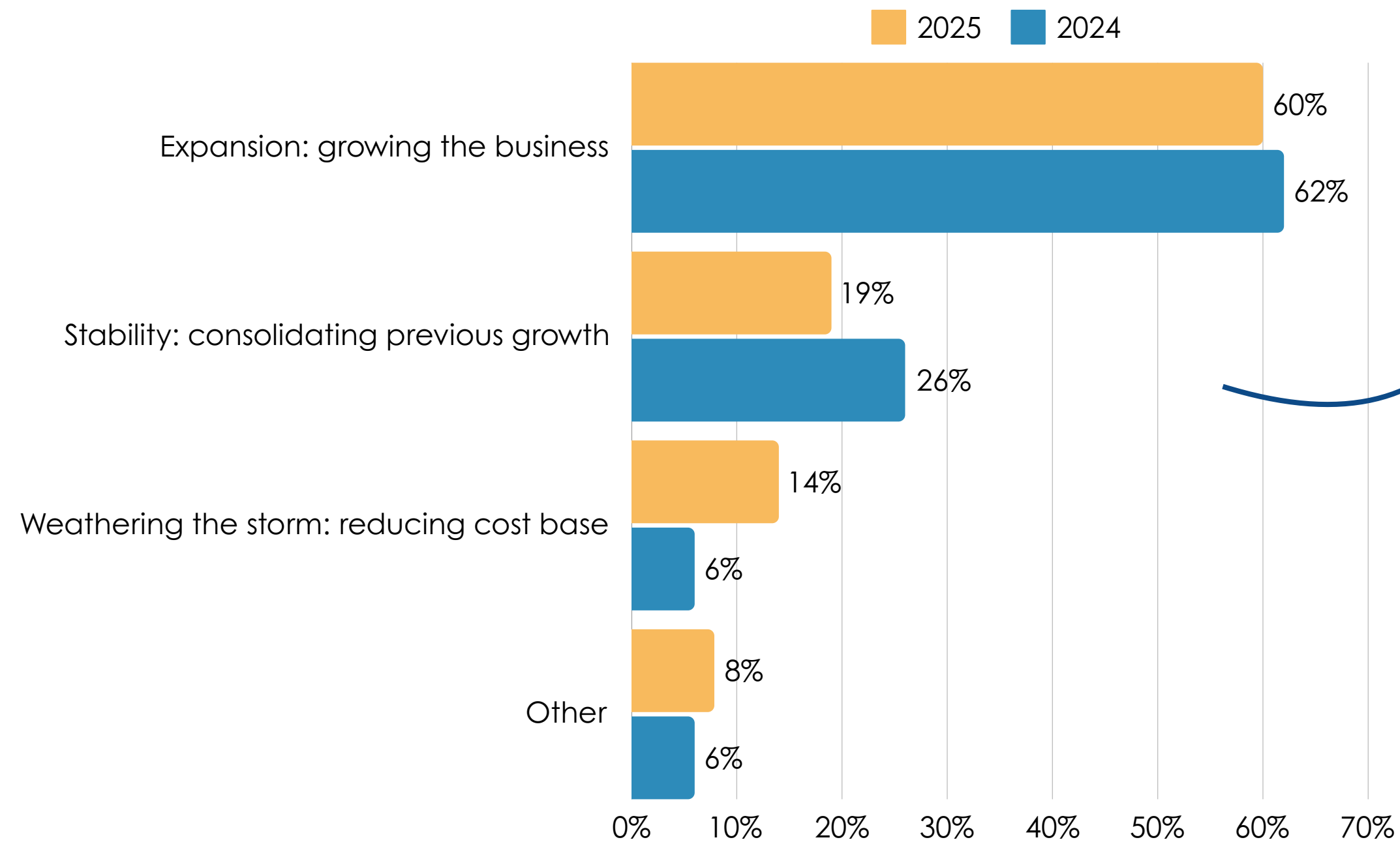
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Growth outlook: 2024 vs 2025

How would you categorise your organisation's attitude towards growth over the next 12 months?



A split reaction to the current state of play

Whilst there will be an increase in the number of firms looking to cut costs this year, with some looking to tighten their belts amid ongoing uncertainty, business expansion still remains the overwhelming growth priority amongst businesses

“There are two directions toward the situation. Try to protect by securing the business and focusing on the fundamentals. Or try to thrive by innovating and reinventing themselves”

Director, Sustainability Strategy Consulting, Engineering & Consulting Firm

How do we want to grow in 2025?

A picture of a resilient growth

Businesses in 2025 will continue to pursue growth, coupled with heightened attention on cost-saving measures, leading to an outlook of resilient growth

*“Everybody knows that markets for our raw materials are struggling at the moment. **We’re trying to understand how we can mitigate the impacts of these cost increases. Resilience is key**”*

Global Supply Chain Director, Food Manufacturer

*“**We are really trying to grow.** We have a franchise opportunity in Europe, we’re expanding into Asia and **we’re creating new propositions to attract younger customers**”*

Director of Operations, Wellness Retailer

As businesses strive for resilient growth over the next year, what does resilience truly entail?



Is 2025 the year of resilience?

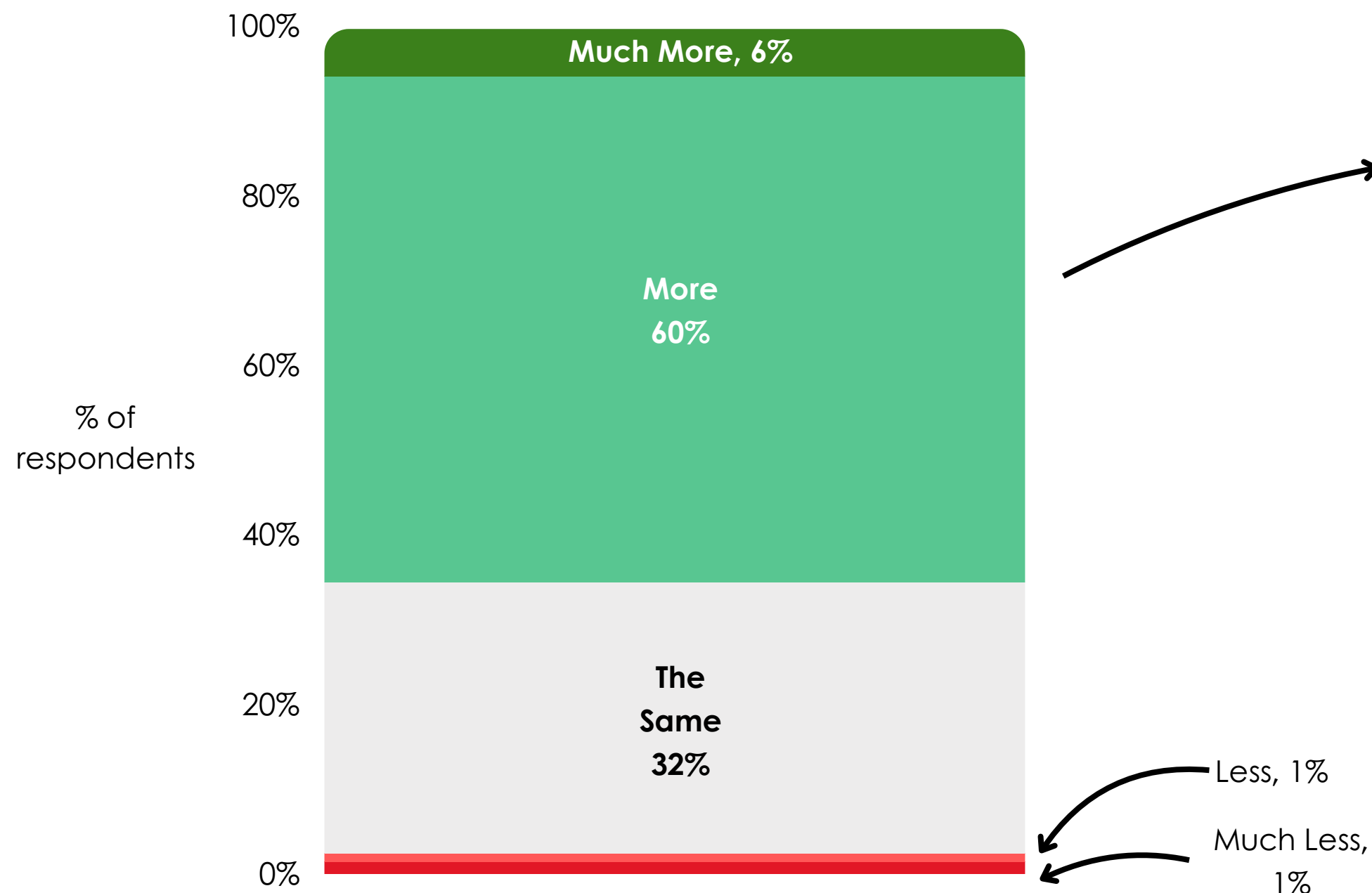
Survival of the fittest

In 2024, many businesses faced unexpected threats and the challenge of growing in stagnating markets. As businesses begin to emerge from this reality, protecting themselves against industry shocks is likely to be a priority.

But what does this look like? Will firms be prioritising cost reduction and retrenchment, or striking back through innovation, expansion, and diversification?

Resilience is a top priority for 2025

Compared to 2024, do you feel your organisation will have more or less of a focus on building and ensuring resilience in 2025?



Resilience will take centre stage this year

Many industries are still experiencing challenging trading conditions owing to factors such as high inflation and reduced consumer spending. Despite some expected easing, building greater resilience is likely to remain a prominent theme for the next 12 months

*“The overall economic situation at the moment is not optimal. Many companies are struggling and **one of the key elements for some companies might be just to survive, or to maintain their position in the market, rather than to grow**”*

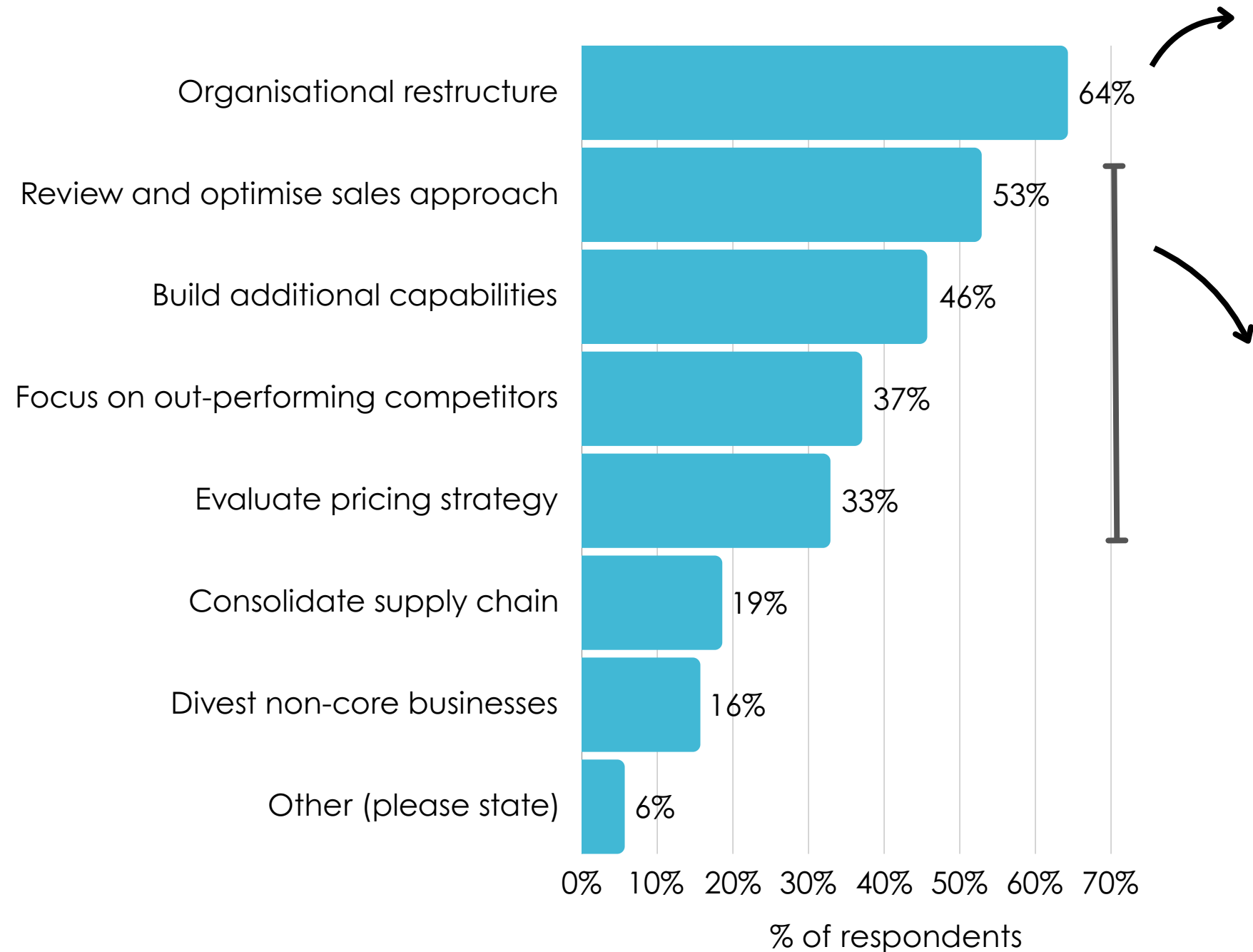
Director, Sustainability Strategy Consulting ,
Engineering & Consulting Firm

“Growth next year is going to be very challenging; there are a huge number of uncertainties we’re having to face up to as a food company, and we’re going to need to work out how we can build resilience to navigate the impact that has on our cost structures”

Global Supply Chain Director, Food Manufacturer

What does resilience look like?

What are the main measures that your organisation might consider in order to protect profitability in the next year?



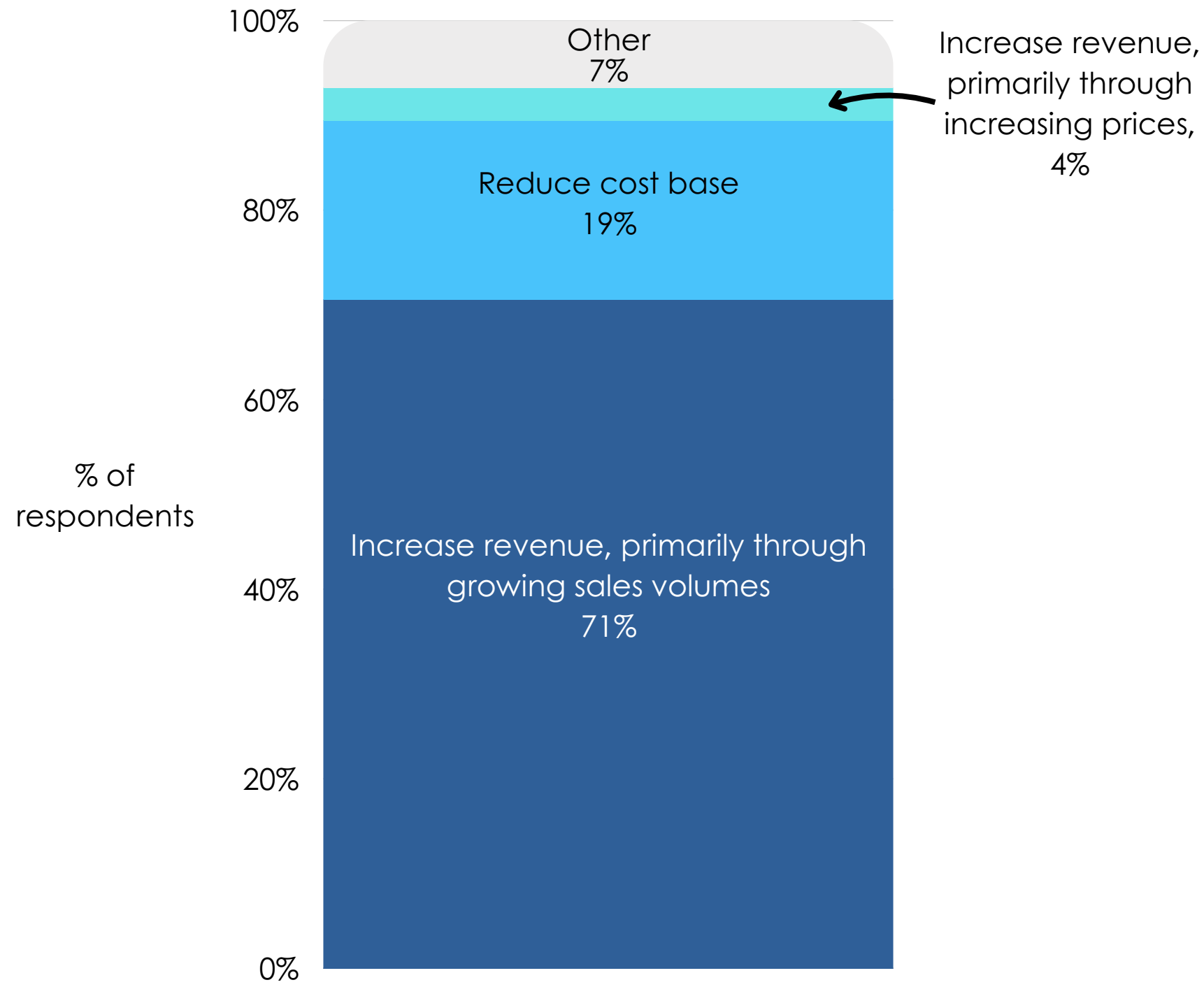
Restructuring remains a core tool in the arsenal...

For many businesses, retrenchment is still a common approach when performance dips, with organisational transformations to increase operating efficiency likely this year

...but many traditional growth initiatives are taking centre stage in building resilience

Firms are looking to utilise proactive growth initiatives to shore up the balance sheet. Whether that is through evaluating and optimising sales and pricing strategies, building and bringing new products to market or stealing market share from competitors, finding pockets of growth and capitalising on them will be key to building resilience in 2025

What is most likely to grow or protect your organisation's profitability in 2025?



Resilience through growth: the key to profitability?

Sales growth outweighs all other priorities

The view from the corporate world is clear: after a year of weathering market shocks and staying afloat amidst dwindling consumer demand, a focus on driving sales volumes as a means of protecting profitability will be key in 2025

Growth may be more cautious than previously

Cost reductions and price hikes may be unavoidable for some firms and whilst expansion is a priority for 2025, a leaner, more cautious approach should be expected

*“The industry has hit already the bottom of the tank; **if you’ve taken the right actions to mitigate the impact of the last two years, right now it’s all about growth**”*

Supply Chain Strategy Director, Beverages Manufacturer

Are there aspirations for inorganic growth?

A rebound for M&A in 2025?

After a sharp slowdown in corporate M&A and private equity activity, the final months of 2024 began to show signs of recovery in deal volume and value.

Given uninspiring forecasts for organic growth in some sectors, and the continued desire for business expansion, M&A could become a lever of choice for firms to increase market share and outmanoeuvre rivals.

So will 2025 see a wave of new M&A activity, and which markets will be most prolific?



A better year for deals

Both large corporates and private equity are expected to be more active in the UK M&A space

Corporates

As small- to mid-sized players struggle to make headroom growth in stagnant markets, large corporates could look to **snap up distressed assets at a discount to quickly consolidate market presence**

*“Conglomerates will likely **look to leverage M&A in 2025 in order to carve out a greater market share in stagnant markets** with little headroom”*

Global Supply Chain Director, Food Manufacturer

Private equity

2024 saw a much better year for deals in the UK - with 40% more volume and 56% more value compared to 2023

*“The 2024 rise in UK deal volume is amplified by a lacklustre 2023, but **there are reasons for cautious optimism in 2025**. High volumes of dry powder remain, as does a backlog of long-held assets potentially coming to market if macroeconomic conditions and fundraising improve as forecasted”*

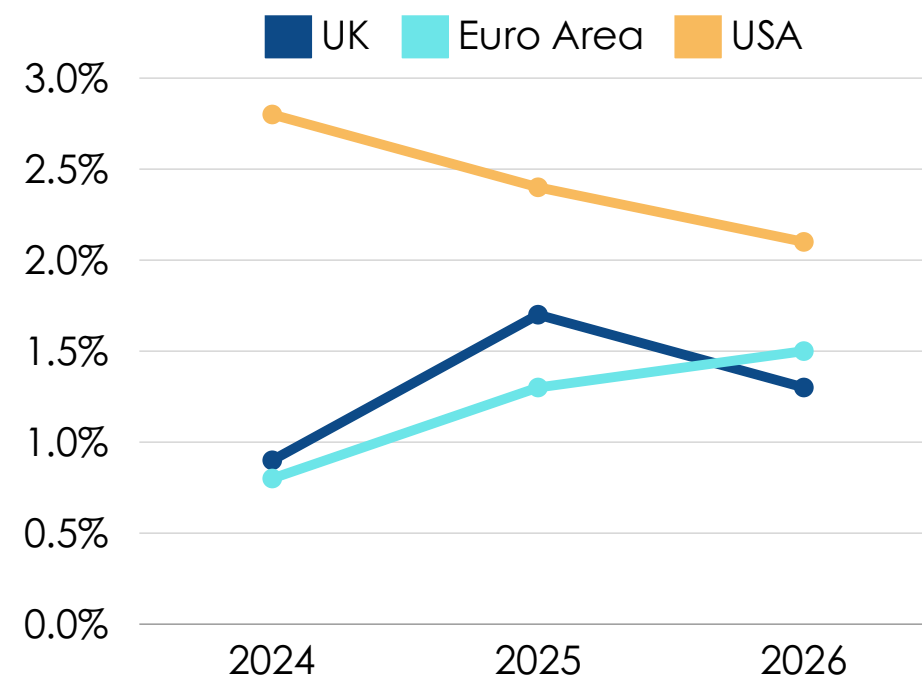
Ben Martin, Global Head of Transaction Advisory, Palladium Digital



Incremental improvements in the economic outlook

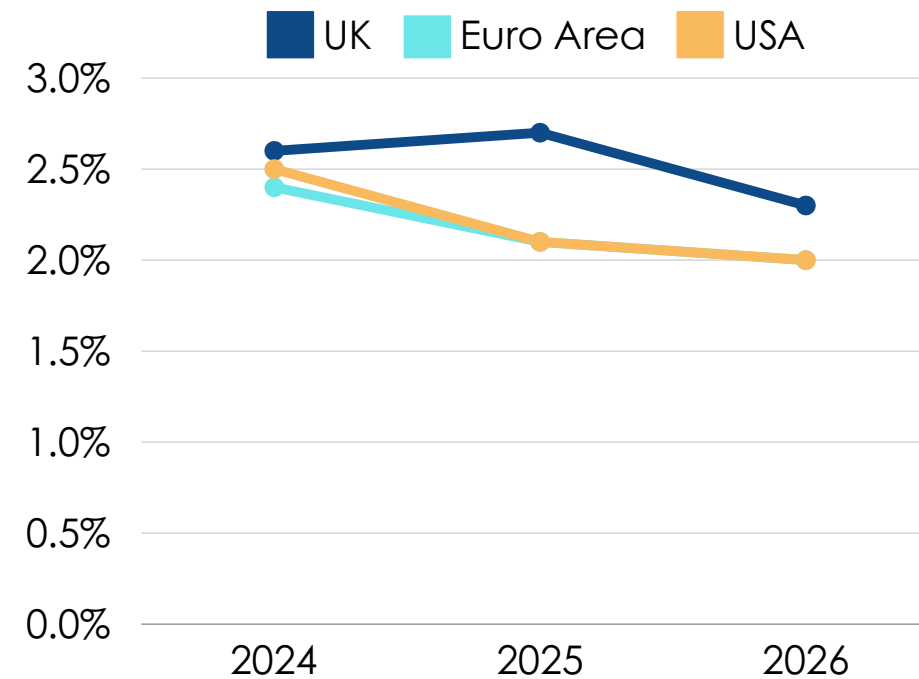
Headwinds are easing slowly, with moderate GDP growth projections and a gradual decrease in interest rates likely to spur growth in M&A activity

GDP Growth Rate



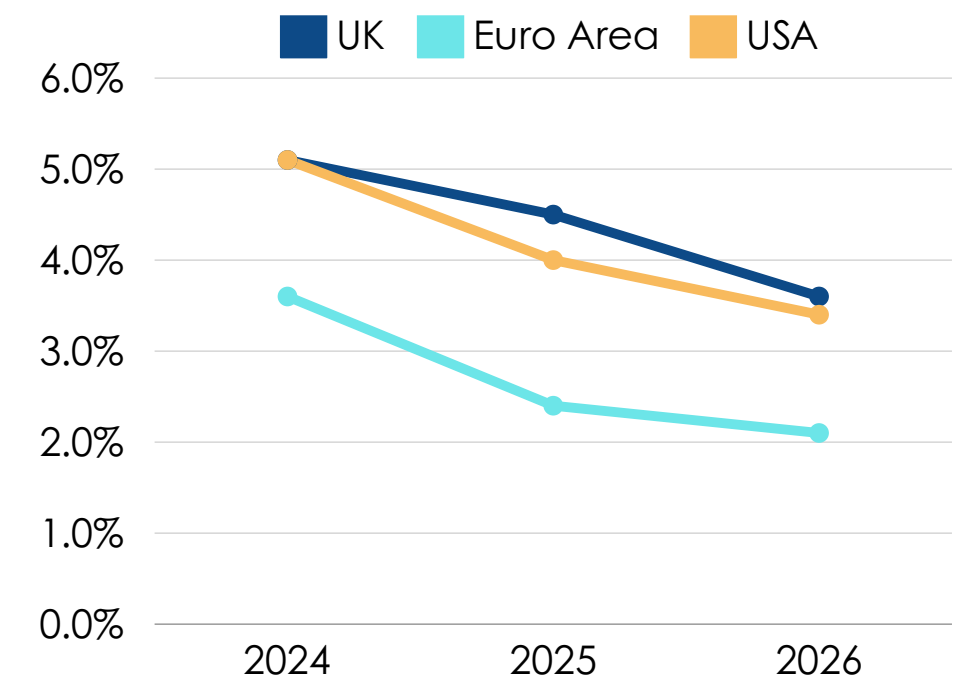
Growth shortfall of UK GDP will inhibit opportunities for organic, market-led growth, leaving M&A as an attractive lever to gain a march on competitors

Inflation



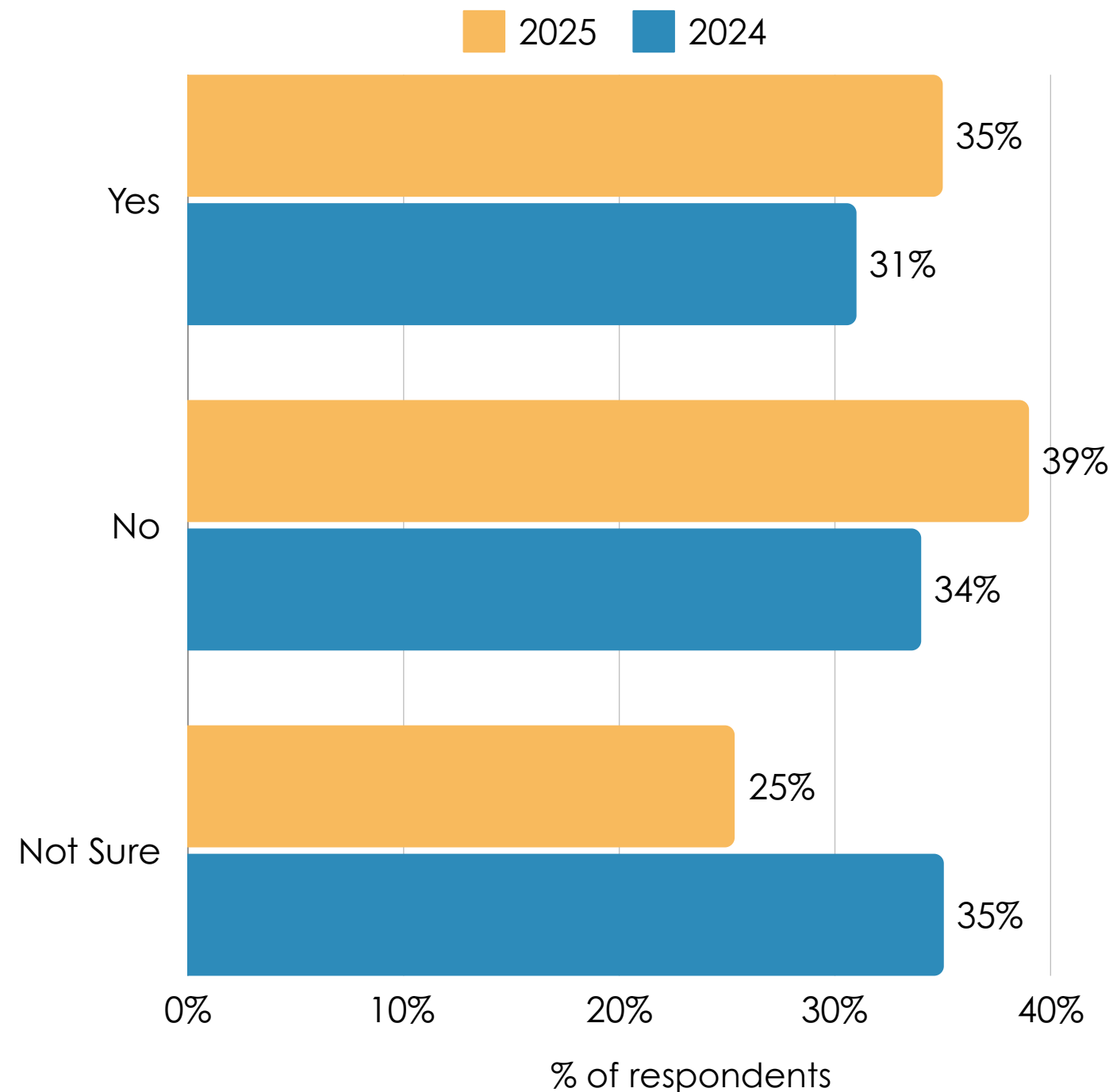
Expected interest rates decreases are likely to increase purchasing confidence, spurring acquisitive activity in the corporate and PE spheres

Interest rates



M&A: A mixed view for 2025

Do you expect your organisation to make any acquisitions in the next year?

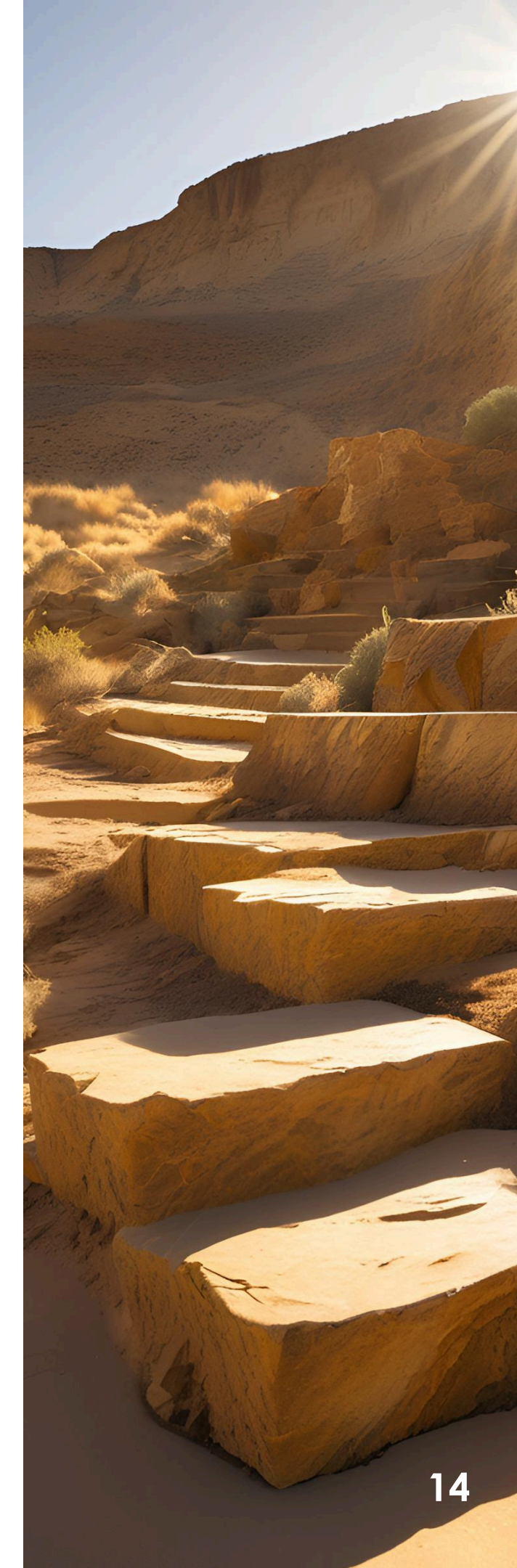


Diverging opinions among firms on M&A

Our survey shows businesses have more mixed views than macroconditions suggest, with M&A attitudes likely sector-driven. While some markets show growth, others still remain stagnant, M&A will be an attractive lever for achieving growth ambitions here

*“There might be **areas of the market which aren’t growing much organically**, so one approach companies are looking at is how to grow inorganically through M&A”*

Director, Sustainability Strategy Consulting, Engineering & Consulting Firm

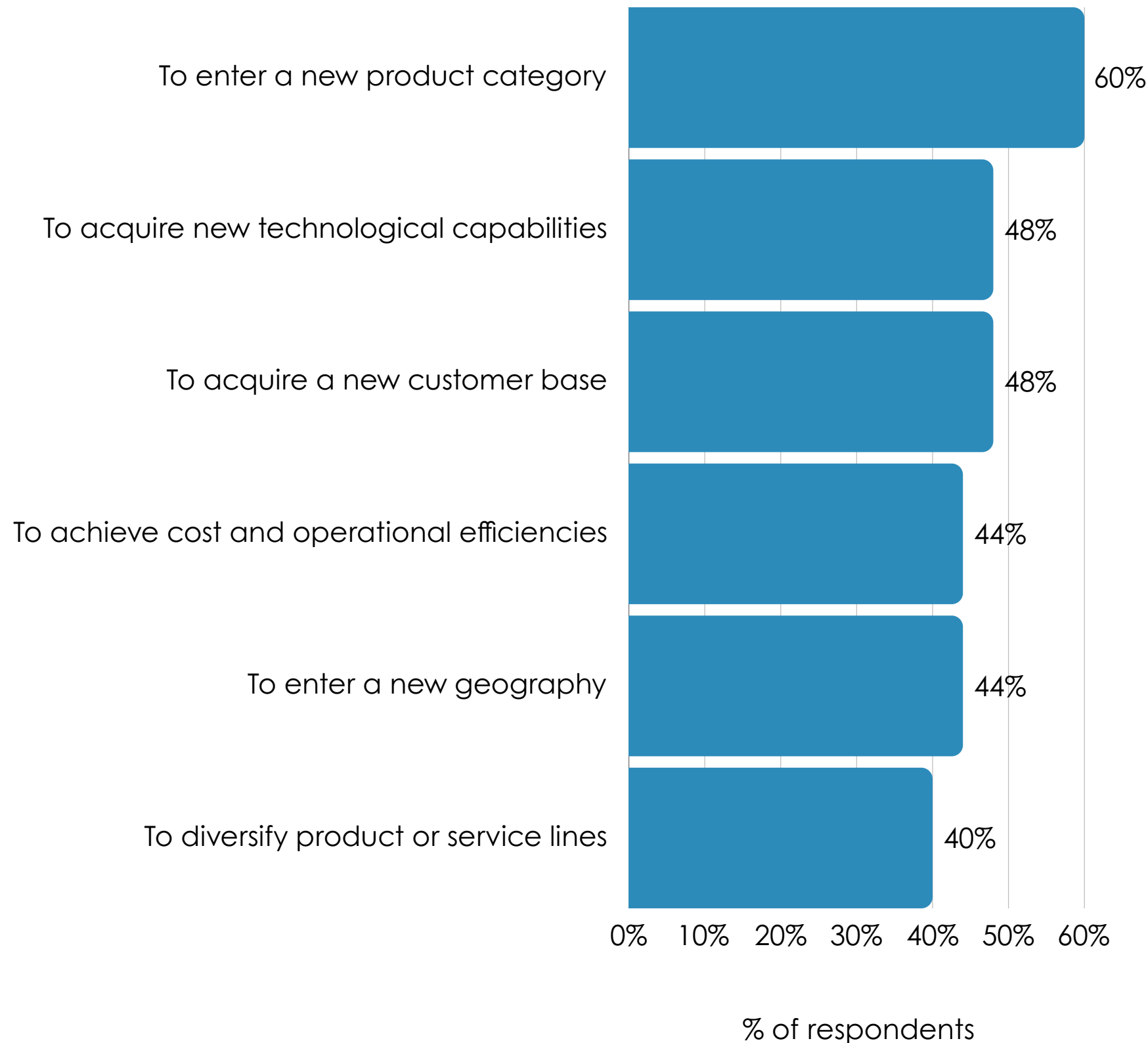


“There are a lot of new trends emerging rapidly for which large organisations don’t currently have a suitable product offering. M&A will be a crucial tool to get up to speed in these areas quickly”

Supply Chain Strategy Director, Beverages Manufacturer

Why M&A?

What are the main reasons for M&A in the next year?



Diversification

M&A to enter new business areas will reduce firms' exposure to individual markets, providing opportunities to access buoyant markets within different categories, customer groups and geographies

New technologies

M&A enables companies to integrate new capability with minimal development time, allowing them to swiftly access new customers and markets and keep up to speed in a fast-changing technology landscape

“Big companies don’t always have the time and agility to build from scratch, so smaller firms who have already developed next-gen tech, such as gen AI, will be attractive targets”

Director, EMEA PR and Communications, Tech Firm

What could M&A mean for the market?



A tough road ahead for smaller to mid-sized corporates?

Market consolidation is likely to be driven by corporates with significant cash reserves which could result in emergence of megabrands with increased operating synergies.

These firms' ability to thin margins through economies of scale will increase their competitive edge, eating into smaller brands' profitability and risking further market consolidation.

What can be done?

Whilst megabrands could pose threats to smaller players, there may be an opportunity to quickly find and pointedly target a niche of their own:

USP: What can we do differently and how can we leverage innovation to grow market share?

Agility: How can we position ourselves to quickly capitalise on emerging trends?

Target market: Where is the white space in my segment and how can I access it?

In focus: paper & packaging

Cross-geography megadeals in the fibre space expected to continue

The M&A scene within the paper packaging industry was thrown into the spotlight in 2024 with a number of high-profile deals as firms look to capitalise on opportunities offered by the transition to sustainable packaging



Shareholder approval for \$9.9bn acquisition of DS Smith by International Paper, with the move expected to produce \$370m of operational synergies across the combined network



\$12.7bn merger between Smurfit Kappa and WestRock, aimed at combining complementary offerings to diversify geographical reach and product coverage

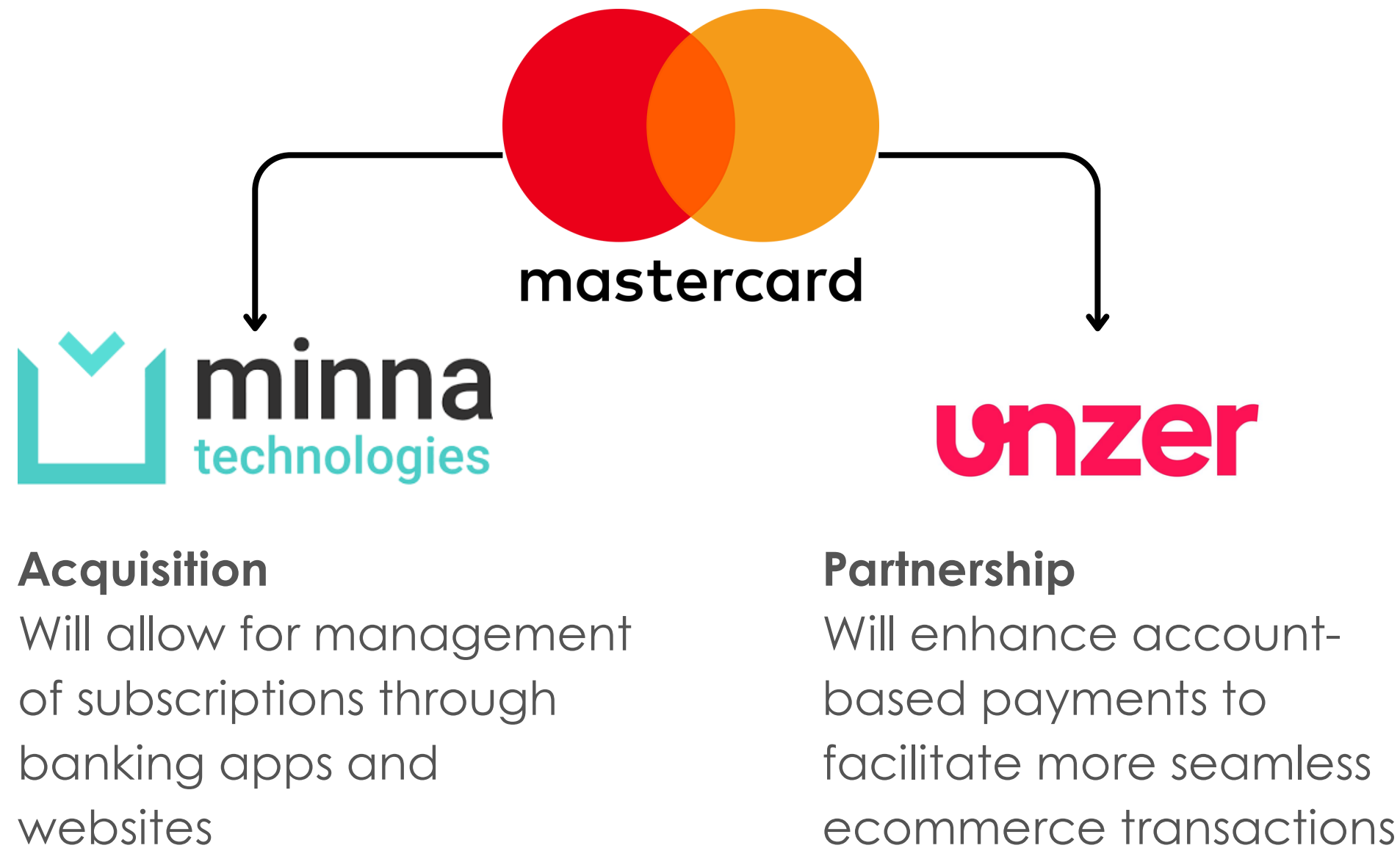
*“Consolidation in the packaging space is set to continue, with the **megadeals of 2024/5 flowing through to a series of smaller transactions across the market.** While regulatory pressures are incentivizing innovation, the macroeconomic situation remains tough. We’ll likely see some corporate divestment as players look to focus in on core areas of business to deliver sustained growth in a complex regulatory and economic landscape”*

Sophie Lyall, Director, White Space Strategy

In focus: financial services

M&A and partnerships will be a crucial tool for facilitating ever-closer integration across the financial ecosystem

Mastercard are leveraging acquisitions and partnerships to drive their open banking and seamless payment initiatives



“An ever-increasing focus within the financial services industry is the desire for cross-platform integration; M&A will be a key tool to drive this, allowing large firms to integrate novel technology into their offering to provide increasingly seamless banking and payments services”

Hal Smart, Engagement Manager, White Space Strategy

What organic growth activities are being pursued?

Product innovation, market expansion and digitisation

In markets where inorganic growth won't be prioritised, firms will focus on organic growth options to achieve their expansion goals instead.

As businesses battle to capture emerging market niches and mitigate risk, key questions around R&D, new market entry and innovative technologies will be at the forefront of decision-makers' minds. But where else will businesses focus this year?

Short-term activity

Which activities is your organisation expecting to pursue this year?

Change on 2024	Popularity ranking	Activity
↑ 1	1	Developing and launching new products
↑ 2	2	Integration new automation tools
↓ -2	3	Incorporating new digital capabilities
↑ 1	4	Building new operational capability
↑ 1	5	Targeting new customer segments
↑ 1	6	New partnerships and joint ventures
↓ -4	7	Increasing sales and marketing
→ 0	8	Repricing
→ 0	9	Entering a new market



Businesses' top priorities for 2025

Developing and launching new products

Expanding product lines will help to target fast-growing market subsegments and spread risk across sales channels

“Investing in enhancing the quality of our product is likely to be a key pillar for revenue growth next year. Developing our products to deliver a more experiential proposition is a priority”

Operations Director, Beverages Manufacturer

Digital capabilities and automation

Technology investment will help to streamline processes, reduce operating costs, and build new capabilities that will enhance and expand existing value propositions

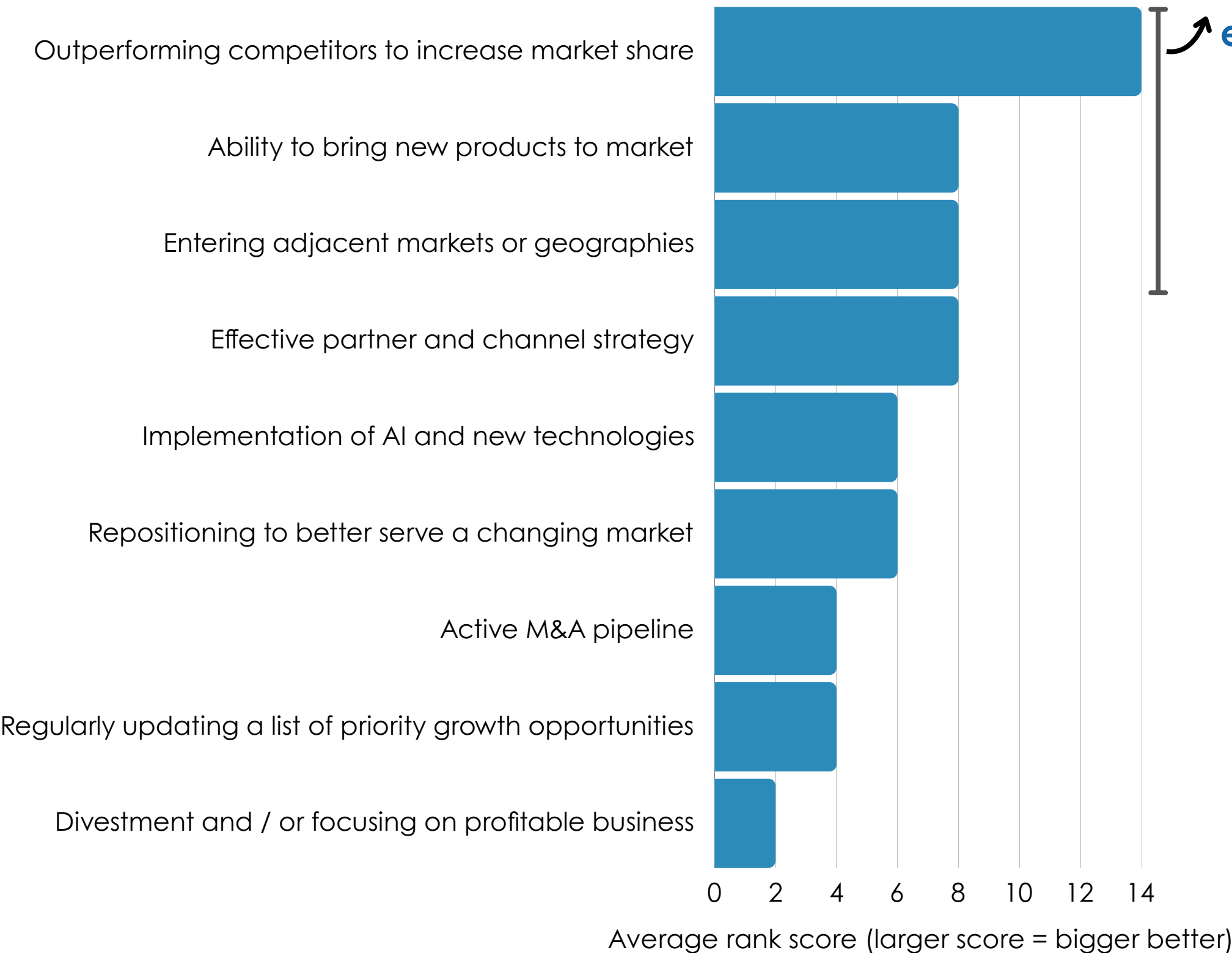
Building new operational capacity

Expanding manufacturing and supply footprints will enable businesses to support organic growth ambitions and increase adaptability to shifts in demand shape

Longer-term growth

What do you expect will drive your organisation's longer-term growth?

Businesses view their main priority as a push for organic expansion through R&D and market growth



Outperforming competition

Channelling resources into new technologies, upskilling and operational efficiency will help businesses gain a competitive edge

Product development

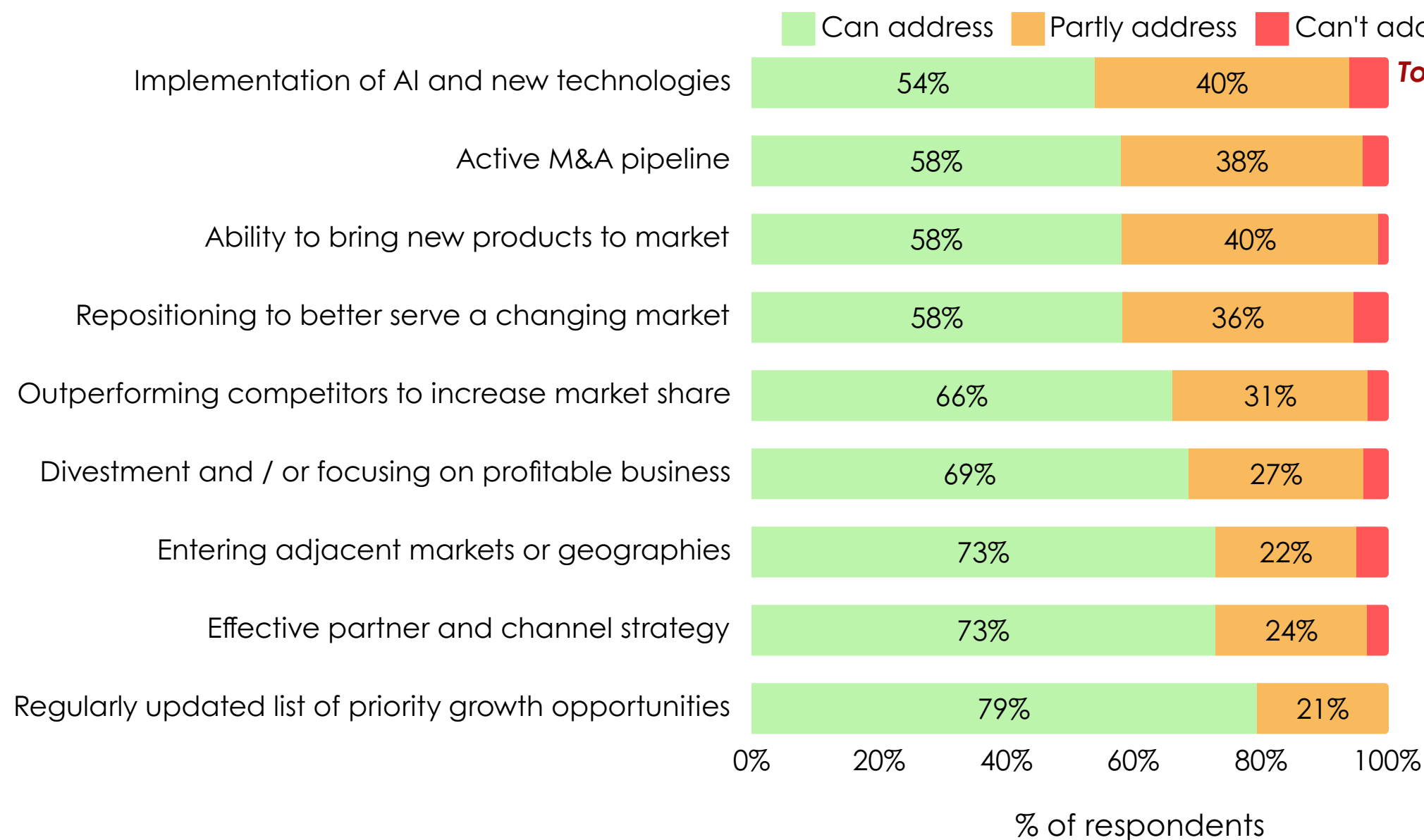
Focusing on innovation to target emerging needs will ensure continued market relevance and help re-engage target customers

New markets

Entering untapped regions and new customer bases will diversify revenue streams and enable access to fast-growing economies

Are businesses well-placed to grow?

Which of the following long-term drivers of business growth do you feel your organisation can adequately address?



Top 3 growth drivers



Businesses are still working out a plan of action for key growth drivers

Product development

Businesses cited product innovation and market entry as key priorities for the years ahead, but fewer than 60% feel properly positioned to reap associated benefits

Having a clear roadmap for these drivers will be critical as businesses look to capitalise on new growth opportunities and avoid over-reliance on core markets

Outperforming competitors

Despite outperforming competitors being regarded as the major long-term growth driver, 1/3 of businesses still feel unable to fully address this opportunity

What are the threats to growth?

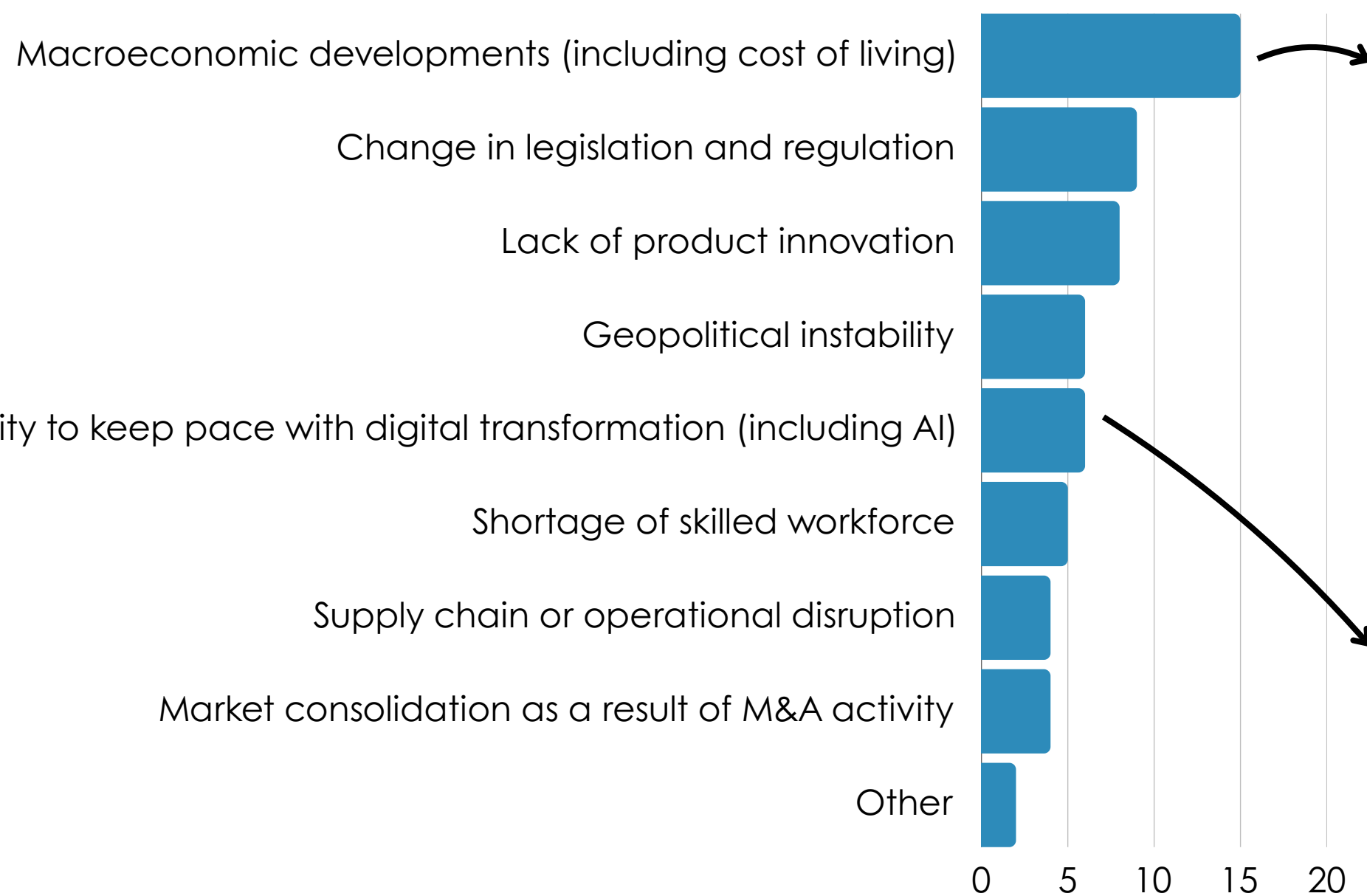
Macroeconomic challenges linger into 2025

Whilst the volatility of recent years has lost some of its sting, 2025 is still expected to be a challenging year for business. Dealing with lingering macroeconomic challenges and introduction of new legislation may hamper some growth efforts.

Business leaders feel well placed to mitigate some of the lower priority risks posed to their business, but there are gaps in addressing some of the most pressing threats.

Rocky times ahead?

What do you feel are the 3 biggest threats to your organisation's performance over the next 12 months?



Average rank score (larger score = bigger better)

Macroeconomic concerns continue

Whilst the concern from the cost of living crisis, inflation, and high interest rates has receded slightly compared to 2024, macroeconomic challenges still remain the eminent threat in 2025

“The requirements around national insurance and higher tax levels will put new pressures on businesses to tighten their finances over the coming months”

Operations Director, Beverages Manufacturer

Workforces worries abate

In 2024 a shortage of skilled workforce was the 2nd biggest threat to business. Whilst still a mid-level priority in 2025, concerns have eased considerably

What do you feel are the 3 biggest threats to your organisation's growth over the next 12 months?

Change on 2024	Popularity ranking	
0	1	Macroeconomic developments
1	2	Change in legislation and regulation
3	3	Lack of product innovation
0	4	Geopolitical instability
2	5	Ability to keep pace with digital transformation
-4	6	Shortage of skilled workforce
-2	7	Supply chain or operational disruption
N/A	8	Market consolidation as a result of M&A activity
-1	9	Other
-1	10	Natural catastrophe or climate change

Emerging threats

Two threats have emerged as key challenges for 2025:

Lack of product innovation

As companies prioritise diversifying their offerings to target growth niches and spread risk, R&D capabilities are crucial

*“With product development a core focus to attract new revenue, a big fear businesses currently have is **whether their innovation functions are up to scratch**”*

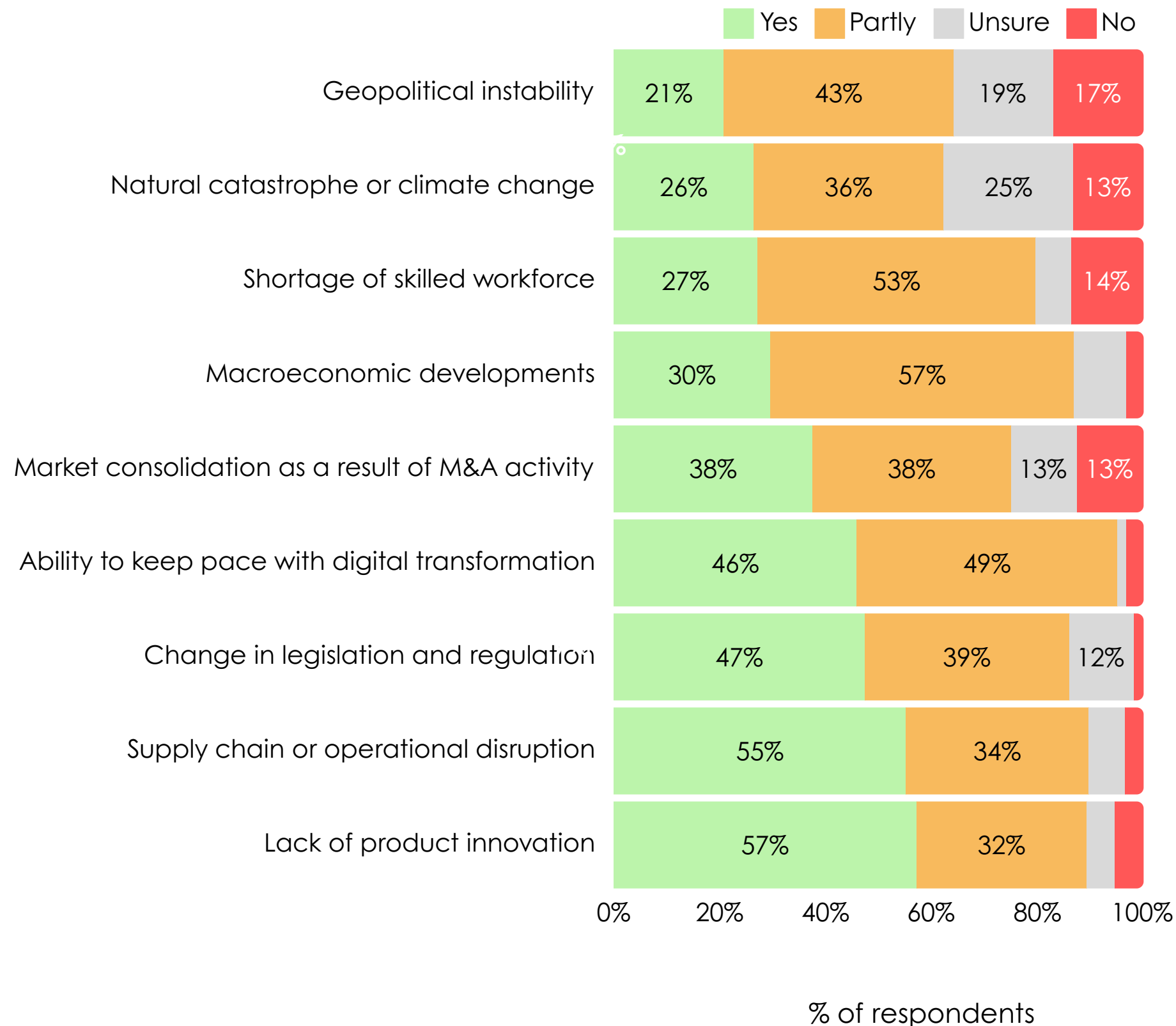
Supply Chain Strategy Director, Beverages Manufacturer

Ability to keep pace with digital transformation

Sustained innovation in artificial intelligence and process automation will continue to revolutionise markets, with firms fearing a loss of competitive edge if they feel to keep pace with new developments

Can we mitigate the threats?

For the threats that are relevant to your organisation, do you have plans in place to suitably mitigate them?



Top 3
Threats

Businesses don't feel fully prepared for any of the key threats identified

Macroeconomic developments

Economic headwinds have eased, but not fully dissipated, leaving many firms still plotting their roadmap for the year ahead

Changes in legislation

Legislation changes presents new challenges for business in 2025. For example, UK businesses will need to adapt to national insurance and minimum wage policies announced in the Autumn Budget

Lack of product innovation

Product innovation is seen as a more addressable threat, but almost 40% of firms still feel at least partially unprepared



Final Thoughts

Headlines are painting a tough but improving business environment in 2025. Our research shows that many businesses plan to face these challenges by building resilience with positive, proactive growth initiatives to get ahead of competitors and expanding into available opportunity areas.

This will include strategic focuses on product innovation, market expansion, and activating M&A pipelines to diversify core offerings and rapidly tap into burgeoning industry trends and growing markets.

To implement these strategies effectively for 2025, a clear view of primary customer needs and market drivers will be absolutely critical, alongside an extensive real-time view of the key competitive and macro threats likely to shape your market.



White Space Strategy

White Space Strategy are a global strategy consultancy based in the UK. We support clients by tackling their most strategic growth issues - everything from opportunity identification and competitor analysis, through to proposition development, partner identification and go to market strategy. We are recognised by the Financial Times as one of the UK's leading consultancies. White Space are part of the Palladium Group and Next 15 Group plc

www.WhiteSpaceStrategy.com



Palladium

Palladium identifies and drives opportunities for digitally led change, providing a platform for accelerated growth. From identifying digital, data and technology opportunities and risks during due diligence exercises to extracting value through the development of new digital products and services, Palladium are experts at growth execution

www.PalladiumDigital.com

Our Services

White Space Strategy support businesses with all of the key themes mentioned within this report

WE DELIVER

FOUR CORE TYPES OF SUPPORT



Find and Access Growth Opportunities

- Growth Opportunity Identification & Assessment
- Market Prioritisation & Analysis
- Market Entry & GTM Strategy
- Market Penetration Strategy



Optimise Investments

- Capital Allocation Strategy
- M&A Origination
- Commercial Diligence (CDD & VDD)
- Complex Customer Referencing



Build Something New

- New Proposition Testing
- Product, Service or Business Model Innovation
- Customer Needs & Value Proposition
- Market Positioning & Pricing



Unlock Barriers to Performance

- Profitability & Margin Analysis
- Competitor Strategy
- Divestment Strategy
- Implementing Sales Excellence

Our Clients





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