

Free case study on kroger

[Business](#), [Company](#)



**ASSIGN
BUSTER**

KROGER

1-Introduction

This case analysis will portray a good image of the Kroger Co. in the market as it the leading retailers' of the grocery store. Start of the Kroger Co. goes back in 132 years from now. That is, in the year 1883; Barney Kroger started the business by investing his life savings of \$132 for opening a groceries store in the downtown street of Cincinnati, USA. The credo of doing business for the Kroger Co. was and is " Be particular, never sell anything you would not want yourself." (Kroger, 2015a). With this credo working behind the success of stores, the Kroger Co. offers the products for every type of shopper.

Kroger or The Kroger Co – as on United States Security and Exchange Commission (US-SEC) form 10K (SEC, 2014) – is the world's largest retailer of fresh groceries. The sales of the fiscal year 2014 were amounting to \$108.5 billion (Kroger, 2015b) from numbers of stores that is more than 2,600 in the 34 states of the USA (Kroger, 2015a). The Kroger Co. has a New York Stock Exchange presence with a ticker of KR. The Kroger Co. stores family is widespread in many states of United States of America (USA). The store format of The Kroger Co. is very large i. e. they had the store formats of grocery stores, multi-departmental stores, discount and convenience stores, and jewelry stores.

Kroger even though, has been performing well, but the company is facing competition from the competitors. The increasing competition is offering threat to the company and therefore, it is important for Kroger to modify its strategy to compete in a better way with the increasing competition.

2-Overview

The overview of the company is that the company is very promising in providing the fresh and quality grocery to its customers with the attainable low price. The business has expanded in a vast manner in response to the customers who want everything under a single roof so that they do not have to go to other places. They own 780 convenience stores and 327 fine jewelry stores. Their intention to keep low prices has led to operating 2,117 pharmacies and 1,342 supermarket fuel centers that give a feel of all available under a roof (Kroger, 2015c). With such a large variety of network, the company still does not have an appropriate online store from where customers can directly purchase the products. The competitors in the market have formed online presence and are using it to take advantage and increase their market share. Thus, it is critical time for Kroger to enhance its online presence to make the most of the opportunities.

3-Internal Analysis-SWOT, Financials, Products, Strategies:

SWOT analysis:

Strengths:

After Wal-Mart, the biggest general retail store network in the USA.

Strong market position at the time of recession as the market share is always on the rise.

Three tier is working and branding strategy i. e. it addresses the customers in a wide range.

Weakness:

Food manufactured at the facilities holds a risk of contamination as the food items are perishable.

The workforce is unionized.

Product recalls due low-quality control at the vendors.

Production of the stores is not easily matched.

Opportunities:

Expansion into the new sectors of the market like financial markets.

Demand is growing for private labeled products.

Organic food item are building high demand.

Demand in the online market is growing.

Threats:

Competition is rising in the retail industry of USA.

Labors are increasing their wages through unionization

High level of debts faced due to restructuring, and remodeling and or restructuring the stores previously owned.

Competitors are using online market to enhance their market share.

Financials:

The financials of the company for the quarter ended on 31stMarch 2014 are as follows:

(Fortune, 2014)

(Fortune, 2014)

Strategies:

The strategy followed by the Kroger Co. is the filling-in strategy of the retail market, i. e. where it sees the opportunity to open the workplace it tries to

avail it (Hamstra, 2013). Along with growth strategies, it uses the market penetration pricing strategies for penetrating inside retail market of the new state by offering the low daily prices of the product (Hunt, 2013). The major strategy for such humongous growth of the business is the customer first strategy. Such strategy leads the customers' satisfaction to the higher level and ultimately it leads to the growth of business and higher revenue than before. These strategies have been successful for Kroger, however, it is the right time for them to have an appropriate online store.

Products:

The products offered by the Kroger Co. are gluten-free, natural and organic foods. The products that they carry are general grocery, cereals, dairy foods, beverage and snacks, frozen foods, deli and bakery foods, meat and seafood, personal care, vitamins, and supplements.

External Analysis: Five forces, Key Competition, and industry standards:

The key competition in grocery retail market of USA is as follows:

Safeway &

SUPERVALUE

Porter Analysis

Threat of Entry:

Economies of scale are low as they are achieved by having a large volume production at low cost (Barney, & Hesterly, 2010), so the threats of entry are low.

A government policy designed by the Food and Drug Administration (FDA)

recently poses a new restriction to print some calories in the ready to eat foods at groceries stores implemented on 23rd March 2011. This increases the barriers of entry and thus, it makes the threat of entry to a lower level.

Threat of Rivalry

Large number of competitors is present in the retail industry.

Fixed costs for operating the grocery stores are very high as the grocery storage is the very expensive part of doing business.

Very low level of product differentiation can be done for grocery retailers.

Under the light of above points, it can be said that the threat of rivalry is moderate.

Threat of Substitute

Substitutes of the grocery are not easy to be found. Ketchup can not substitute the grocery need of the consumer for purchase a tomato for salad. Therefore, a threat of substitutes is very low.

As discussed earlier, the threats of the substitute can come from a non-grocery item like ketchup is an item that is available at the convenient store rather than the grocery store. Again the threat of substitute in the retail grocery market is low.

Power of suppliers

The power of Agricultural suppliers limits to the location of doing business by the grocery stores owners. If it is far from the farm, then the supplier have the power to negotiate his terms. And it also depends on the season of

grocery as some grocery items are seasonal i. e. for off the season grocery items the supplier can charge more than in season.

Power of Buyers

The power of buyers is moderate as it depends on the piece of land available where they can grow the organic groceries at their home instead of buying from the groceries stores.

Industry standards:

The industry of retail grocery operates in a high-cost margin and low return margin. The profitability of the industry depends on the high volume of sales and customers preferability. To gain the customers' preference, the big giants like the top competitors in the industry offer the wide variety of the products to the customers, and local companies cater the more local customers by their products.

5-Strategic Issues

Kroger is operating well in the market despite of competition in the market. However, the competitors have started focusing a lot on using online arena to engage the customers. The competitors are using social media networks to engage and convey the message to the customers. In addition to this, the competitors have also formed online stores that are secured. Thus, customers can trust these online stores because of their high level of security and can purchase products online. On the other hand, Kroger is still in its early stage of online store and it needs to improve the online experience for the customers to generate sufficient sales. With the increasing competition, it is critical for Kroger to come up with effective and

proper marketing strategies that would include online marketing strategies as well as define how to use online store to generate sales.

Besides this, the other strategic issue the company is facing is about the behavior of the employees. There have been several complaints made by the customers visiting the stores of Kroger. They have risen complains about the behavior of the employees and how they treat the customers (Watson, 2014). Thus, such behavior could influence and hurt them in satisfying the customers.

The strategic issue that Kroger is facing that the company has significant portion of debt in its capital structure. Total assets of the company are worth \$30, 556 million and out of these assets, the portion of liabilities is \$25, 114 million. Thus, showing that the liabilities of the company are more than 82% and the remaining of the assets are raised from equity which is only \$5, 442 million (SEC, 2014). Thus, significant debt shows that the company has high risks and can become bankrupt, if the debt is not managed properly.

6-Recoomendation for the Strategic Issues:

The other issue of the behavior of the employees can be managed by effective and proper training sessions. Kroger needs to train its employees particularly employees that are directly dealing with the customers to satisfy the customers. If the behavior of the employees is better in treating the customers, then there are higher the chances of satisfying them. Thus, the company should start training sessions in training them to explain the importance.

The other strategic issue of higher debt in the capital structure can hurt the company as too much debt in the capital structure could increase the risk.

Therefore, it is important for the company to increase its equity so that the debt could be reduced. Higher debt can influence the company in its working capital as well as it increases the fixed cost of the company, therefore, by increasing equity, the company would be able to reduce its fixed costs even though, the earnings per share may increase.

7-Conclusion:

The study concludes that the Kroger have a declining rate of return as the competition stiffens and the number of competitors increases. With the financials elaborated it is clear that the Kroger has improved its profitability from the last year. After that, the Porter analysis and the industry specification are presented. In the end, the issues of strategies are elaborated with the solutions and it is found that the company is lacking behind from the industry in terms of online presence and online market. Therefore, the company needs to come up with an online store and formulate effective online marketing strategies.

References

- Hamstra, M. (2013). Kroger Moves Ahead on Fill-In Strategy. Super Market News, Retrieved July 12, 2015 from <http://supermarketnews.com/retail-and-financial/kroger-moves-ahead-fill-strategy>
- Hunt, J. (2013). Kroger changes pricing strategy, phases out double coupons. Charleston Daily Mail, Retrieved July 12, 2015 from <http://www.charlestondaily.com/News/201304300195>
- Barney, J. B., & Hesterly, W. S. (2010). Strategic Management and Competitive Advantage: Concepts. Upper Saddle River, NJ: Pearson

Education Incorporated

Kroger.(2015a). History of Kroger. Retrieved July 12, 2015 from <http://www.thekrogerco.com/about-kroger/history-of-kroger>

SEC. (2014). The Kroger Co. Retrieved July 12, 2015 from [http://www. sec.gov/Archives/edgar/data/56873/000110465915024557/a15-1850_110k. htm](http://www.sec.gov/Archives/edgar/data/56873/000110465915024557/a15-1850_110k.htm)

Kroger.(2015b). About. Retrieved July 12, 2015 from <http://www.thekrogerco.com/about-kroger>

Kroger.(2015c). Operations. Retrieved July 12, 2015 from <http://www.thekrogerco.com/about-kroger/operations>

Fortune. (2014). Kroger. Retrieved July 12, 2015 from <http://fortune.com/fortune500/2014/the-kroger-company-24/>

Watson, B. (2014). Grocery store customers outraged at brutal attack; Kroger issues statement. WMC Action News, Retrieved July 12, 2015 from [http://www. wmcactionnews5. com/story/26469928/grocery-store-customers-outraged-at-brutal-attack-kroger-issues-statement](http://www.wmcactionnews5.com/story/26469928/grocery-store-customers-outraged-at-brutal-attack-kroger-issues-statement)