

# Kroger retailer swot analysis



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## Marketing Final Project

Executive summary

Kroger retailer, founded by Mr. Kroger in 1883 is the largest traditional grocer in the US. Kroger's mission is to lead in the merchandising and distribution of health, food, personal care, and other consumable products. The firm's aims to continually generate shareholder's value as well as using effective strategies to grow the business. Though the focus of the main goal, the company has been able to attain growth of sales growth and was able to generate the targeted profitability. The purpose of the analysis is to gather information on the strategies employed by the firm as well as the competitors' strategies and how Kroger outperforms them.

The strengths of the firm in the industry are based on the production of unique products through the use of highly-effective strategies. Its opportunities such as possible business expansion enable it to face its threats of high competition from the rivals. The recommendations suggested towards the firm are aimed to improve its performance in the future. The firm may take actions such as gaining sustainable competitive advantage so as to attain its long-term goals. Also, Kroger may adjust its marketing practices in a way to suit the needs of their customers. In conclusion, the major events that have happened in the past account to the success currently seen in Kroger. Considering its performance since establishment, the firm can survive in the industry as the management team always find ways to handle the negative forces.

History and background

Kroger is a grocery retailer that was founded in 1883 by Barney Kroger (Kroger, 2017). Mr. Kroger had been business oriented even at his tender age whereby he made small investments based on his limited capital. At the age of twenty, he opened his first grocery retailer using his life savings of \$372 located in downtown Cincinnati (Kroger, 2017b). The business was guided by the motto that stated: “ Be particular. Never sell anything you would not want yourself”. The motto represented the values under which the investor operated. The operations of the business were based on the provision of value and quality to the customers. Kroger is considered to be the largest traditional grocer in America. Due to the evolution, the retailer has faced, its operations have improved to become Omni channel retailer. These customers can visit Kroger stores to do their shopping or make their purchases online. In addition, orders are made through mobile devices after which the items are delivered to the consumers’ locations.

Kroger’s mission is to lead in the merchandising and distribution of health, food, personal care, and other consumable products. The firm’s goal is to generate shareholder’s value continually as well as using effective strategies to grow the business. Though the focus of the main goal, the company has been able to attain growth of sales growth and was able to generate revenue of approximately \$1.4 billion in the year 2016. In 2017, the growth of Kroger’s sales was from 0.5% to 1.0% excluding fuel sales. As such, the net earnings are between \$1.74 to \$1.79 per share (Kroger, 2017a). The anticipated profits of the firm are \$400 million in 2020 after an investment of \$9 million.

The major competitors in the industry are Albertsons, Publix, and Whole foods companies (Kroger, 2017b). The major events that have occurred in the retailer have caused significant effects to its success up to date. In the year 1990, Mr. Kroger identified an opportunity to produce its products. The investor took up the opportunity and started producing bread and other bakery products. The action enabled the retailer to reduce the competition margin and provide their products at a lower price to their customers. This is because the production cost was equally lowered. While Kroger started producing its products by running a bakery, the competing firms would purchase their products from other bakeries.

There was an improvement in the performance of the firm after beginning to produce their own bakery products. Thus, the investor expanded the manufacturing unit, and the firm started to produce most of the products sold in the stores. Currently, approximately 40% of the products sold in Kroger stores are manufactured in the firm's manufacturing plants. The Kroger manufacturers in thirty-eight facilities, producing goods such as bread, ice cream, and soda. The in house manufactured items account for approximately 26% of the total sales in the stores. This is one aspect that gives the retailer an advantage over its competitors (Kroger, 2017a).

Kroger uses various promotional and advertising strategies that enable them to attract many customers. The firm offers weekly promotions that enhance their efforts to promote the brand and develop loyal customers. Also, the firm gives its customer's loyalty cards for their continual purchases. In turn, the customers are rewarded for their loyalty by being given discounts.

Kroger also takes part in social activities and helps the community in the

ways they can use such as charity and donations. Several factors affect the industry in which Kroger operates. The forces influencing their operations include the technological factors and economic factors. Changes in technology ignite adjustments in different firm's operations including the distribution channels and marketing practices. On the other hand, changes in the economic situation of a country impact business operations based on whether the effects are negative or positive. In addition, culture has significant impacts on grocery retails. The effect is associated with differences in consumption of grocery products that might be related to their beliefs.

### SWOT analysis

#### Strengths

The firm has several strengths that play a vital role in yielding high performance of the firm. The company conducts its retail operations in forty-nine markets in thirty-four states. The topography in the markets where the firm operates from enables it to have support for its focused qualities. Having advantages such as creative configurations, private mark business, and client benefit center, the firm can keep up with its competitors such as Wal-Mart. In addition, the level of the firm's separation over its stores in thirty-five states expands its capacity to provide a wide client offer wallet (SOW). Kroger optimizes the use of its level and size of enhancement in order to encourage customer unwaveringness procedures. This, in turn, enables the firm to gather big offers of retail spending and shopper staple per client. Kroger is known for cross advertising and advancement practices

(Inman and Nikolova, 2017). Besides, the firm continually searches for more effective approaches to advance client SOW.

### Weaknesses

Kroger operates thirty-seven fabricating plants namely the bread kitchens, dairies plants, meat plants, and refreshment plants. For the company to be able to produce sustainably, there is a danger posed regarding nourishment pollution. A possible defilement can tarnish the firm's reputation and cause negative effects on the corporate image. Beyond, the company's procurement and merger system enable it to have a store extension and brand its lines in an easy manner. On the other hand, the practice costed Kroger as the firm used the billion-dollar seat in repurchasing it in FY 2016 (Kroger, 2017b). Kroger has faced a shortcoming in relation to huge obligation dimension due to comparative venture exercises and speculation. There is an anticipation that the firm may face great difficulties in the future in attaining capitalization and financing upon increase of its obligations in a way to affect FICO score.

### Opportunities

Kroger has extended to markets that are money-related with Kroger Personal Finance (KPF) dispatch (Kroger, 2017a). KPF works by providing personal back items and administrations such as prepaid charge, credit, reloadable platinum cards, and pet protection from felines and pooches. Also, KPF gives extortion insurance and ID robbery, in-store cash administrators, and credit observing administrations. Many of the US consumers have put the resources in private marks that indicate subjective qualities that they are

concerned with in retail staple products. As Kroger has an effective arrangement of private brands in the stores, the names will flourish equivalently together with the advancement patterns. The general private mark items revenues are high implying that Kroger will be able to create high income per unit.

### Threats

Kroger may face low net revenues associated with a recuperating economy that contains huge amounts of swelling that influence food cost and noteworthy fuels costs that impact transportation cost. The cost cognizant consumers may shift their purchasing propensities to ample and gourmet things that in turn lowers the edge nourishment items. In such cases, the other retailer firms such as Safeway, Wal-Mart, and Costco will increase their limiting exercises thus intensifying issues for Kroger. The firm also faces a threat related to the domain for the rivalry. The domain exists in electronic business channels. Such channels will be able to reach the customers in effective and efficient ways as opposed to the other channels. Computerized retailers in the industry include Amazon and Jet. The retailers pose a threat of overtaking the firm as many customers turning out to be internet based considering the advancement in technology.

### Competitive analysis

Kroger has a number of competitors within its retail operations in the industry. All the competitors and Kroger seek to position themselves well in the market having the highest competitive advantage. For this reason, all the companies make an effort to design and implement the most effective

strategies in conducting their operations. The strategies selected are those that are unique and inimitable and above all those that attract the highest number of consumers. The major competitor of Kroger is Amazon. The firm is the largest online retailer in the world and is continually improving its services by being physical to its customers. Amazon base its strategies on the belief that food is an effective platform for selling all consumer goods (Fortune, 2019). Studies indicate that people visit the grocery for a minimum of once every week. Amazon provides a wide variety of groceries so as to attract many customers who will, in turn, purchase the groceries together with other items.

Amazon is another competitor in the industry. The firm employs strategies such as the provision of a wide range of items whereby clients are able to acquire all the desired products. Also, the company provides household items at relatively lower prices as opposed to other items. The customers are then attracted by the lower prices for the household items, and they buy other consumer items along with them. Amazon and Whole Food Merger are fairly new in the industry. Regardless, they have been using effective strategies to attain new customers. Also, they have made efforts to convert the existing customers to shop with Amazon for all their products. Amazon has established firm online means of marketing and delivery operations. Therefore, the products can be delivered through Amazon prime now, Amazon fresh, and Amazon prime pantry (Fortune, 2019). All the services provided are aimed to enable the firm to serve its customers with speed and convenience.



Kroger has been making efforts to employ effective strategies in its operations so as it can outperform the competitors. The firm continually invests money in organic food provision. Before the announcement of the merger, wholefoods producers had lost some of their customers to Kroger due to their wide variety of provision at relatively fair prices (Forbes. com, 2019). Additionally, Kroger provides Click list service to its customers whereby the customers can make their orders online after which they are delivered at their cars once on the firm's parking lot. The strategy helps in saving time and providing convenience. Also, the strategy has enabled the company to attract many consumers so far as many people like to acquire items at their convenience rather than lining up in the stores.

Kroger has employed the use of promotional services to its customers. For instance, the company has been offering free deliveries to clients who spend \$35 or more in certain markets (Forbes. com, 2019). The aspect motivates consumers to make even more purchases in the present and in the future. In other words, Kroger has been able to acquire customers' loyalty through the use of the strategy. The particular type of service enables Kroger to compete with firms such as Amazon.

### Recommendations

Several recommendations are suggested to be used by the firm. The short-term recommendations can be to provide a wide variety of products to the customers in a way to satisfy their needs. The products provided should align with the demands of the customers. In other words, highly-demanded items should be produced in big numbers and high quantity than the items with

low demand. Secondly, the marketing strategies employed should be those that align with the current trends; both technologically and economically. This is because the factors highly influence marketing operations such as distribution and product delivery practices. The customers will buy the products from the firms that have embraced the current trends as they produced convenience.

Intermediate recommendations include the use of effective strategies that help Kroger to deal with the competitors. For instance, if the competitors have adopted a certain practice that is attracting Kroger's customers to themselves, the firm should design and implement effective techniques to attract customers. The long term recommendations encompass the use of strategies that enable the firm to establish long-term profitability. Such strategies are those that enable the firm to acquire a sustainable competitive advantage. For instance, the human resource of the firm should be trained so that they acquire unique skills that are inimitable by rival firms.

### Conclusion

Consequently, the retailer is seen to employ effective strategies in its business operations. The use of effective strategies has enabled the company to attain high performance amidst the stiff competition by firms such as Amazon for a long period of time. Primarily, the company is seen to employ unique strategies so as to reduce its margin. The idea of provision of a wide range of traditional groceries and Click list gives the customers an idea of the provision of unique products and services. In turn, consumers are attracted to the firm.

Market factors such as changes in the economy and government policies as well as technological advances are likely to cause impacts on the firm in the future. Possible changes in government policies will reflect the need to change the business operations in a way to comply with the policies while working towards the goals and objectives accomplishment. Changes in economy and technology will also influence the firm by propelling the need for change in order to align with the current trends. The retailer has what it takes to attain growth in the market because it only takes the implementation of effective strategies to acquire growth. Therefore, growth will be attained upon identification of the most efficient and effective strategies to venture in the industry.

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