



US grocer Kroger is well placed to continue its ambitious expansion following its acquisition of Roundy's

# Kroger's quality drive helps to keep it ahead of its rivals

BY HOWARD LAKE, EDITOR, PLANET RETAIL

**ADDRESSING KROGER'S** investors' conference in October, the US grocer's finance boss emphasised its focus on ensuring the worth of its proposition.

"It's more about quality than quantity," said chief financial officer Mike Schlotman.

Kroger's third-quarter results would seem to attest to the merits of such an approach.

Total sales – when stripping out fuel – rose 5.5%, its 48th consecutive quarter of growth. Comparable store sales increased 5.4%, excluding fuel centres.

With sales growing, Kroger has been able to ensure the long-term success of its operations. This is evidenced by its acquisition of Chicago-area grocer Roundy's last month.

This \$800m (£530.1m) deal enables Kroger to continue its push into Greater Illinois and Wisconsin. This sits well with Kroger's strategy of growth via filling in already established markets, rather than making grabs for uncharted territory.

Kroger is cash-rich and keen to add more variety to its portfolio. Roundy-owned Mariano's Fresh Market stores will be of particular interest given Kroger's fast-developing passion for organic and artisan.

The urban format of Mariano's Fresh Market is also reported to have been a driver behind the acquisition of Roundy's.

Kroger is effectively buying in Roundy's expertise in the operation of smaller urban formats – an area where its own is lacking.

One of its most astute moves in recent years was getting ahead of the curve on rising US consumer appetite for organic and fresh offerings.

Given its high dependency on private label, such a sizeable and early commitment to the segment – via its Simple Truth and Simple Truth Organic brands – could have proved costly.

As it is, the company recently revealed organic and natural food lines represented \$11bn (£7.3bn) of sales in the past year.

Simple Truth is now the biggest natural food brand in the US.

We await with interest early performance indications for its international HemisFares premium own brand, rolled out in early October.

The brand shows Kroger's skill at upscaling its proposition without straying too far beyond price expectations of its core shopper.

It is this focus on constantly enhancing its offer, based upon a solid foundation of innovation, technology and customer focus, which lies at the heart of Kroger's unmatched ascendancy in US grocery.

Kroger appears to be sailing serenely on, with seemingly nothing to impede its progress.

A resurgent Walmart; the US arrival of Lidl, or another sharp economic downturn could potentially throw it off course, but Kroger appears to be equipped to weather all but the most perfect of storms.

**\$800M**

Acquisition cost of Chicago grocer Roundy's to Kroger