**Marketing Strategy-The Kroger Company**

**Name of the Institution**

**Course Code and Name**

**Student’s Name**

**Instructor’s Name**

**Due Date**

**Executive Summary**

Kroger Company an American retailer was founded by Barney Kroger. Barney started a grocery store in 1883 in Cincinnati a downtown. It eventually grew to over 2000 stores which spread all over the country. It operates multi-department stores, retail food and drug stores, convenience stores and jewelry stores. It is the largest grocery store in U.S. The company serve under several names; City Market, Kroger, Dillons, Fred Meyer, Harris Teeter, Ralphs among others. It also operate through franchisees, convenience stores and online retail website. Considering Krogers profitability ratio, and its relatively expensive market, the company remains undervalued while it is a prospect for value play.

**Marketing plan Objective**

Bernard Kroger is the founder of Kroger Retail Company in America. The business goal for this company is positively impact people’s life by eliminating hunger and food waste across the company and the global community. The company is run by a simple motto which states; “Be particular. Never sell anything you would not want yourself.” To achieve this goal, the company have put in place marketing plan objectives which includes; capturing the attention of the target market, educating the prospects, and converting them to clients.

Capturing the attention of the prospects requires the company to have a strategic and implementation plan. Likewise, educating prospects is the process of providing the right information to the target audience. During their buying journey, people will need information about the solutions that your company offers to guide them in decision making. Therefore, the company should prove that they are an expert through giving correct information otherwise the prospects will turn to their competitors. Finally, converting prospects to clients entails giving prospective buyers a specific, simple to understand, and a low-risk way to facilitate their decision making. This is achievable through providing information where and when they need it most. Could be through; blogs, case studies, reports, e-books among other marketing platforms/materials s for them to access the information as they wish.

**Situation Analysis**

Is a process of analyzing the key marketing and environmental factors of a business/company. Changes in this factors can impact both Kroger Company and other participants in the Grocery Stores Sector. The external factors impacts the Porter Five Forces that form the competitive landscape. The factors affect the overall profit and the company’s competitive advantage. PESTLE analysis gives details of the challenges faced by Kroger in the prevalent macro environment. It assist a company to evaluate growth, and the state of the business, define potential clients, and the competitors.

Political Factors

Political factors has a significant part to determine The Kroger’s Company long-term sustenance in a particular market/country. This is because Kroger operates its grocery store in over thirty countries and it is a national wide spectacle which exposes it to different type of political systems and environment. To be successful in that kind of dynamic grocery stores across countries, Kroger diversifies the risk of political environment through performing an analysis of the following factors before entering in a market;

* The importance of Grocery Stores in the economy of the country,
* Political stability of the country
* Trade tariffs and regulations related to the service
* Risk of military invasion
* Bureaucracy in Grocery Stores Sector in the government
* Trading partners who are favoured
* Taxation-incentives and tax rates
* Mandatory employees benefit
* Industrial safety regulations in Grocery Stores sector, among others.

All these factors are influenced by government decision and could impact the company in a huge way. Also increase of such political uncertainty affects the society and the market at large. The market condition for Kroger could be changed or affect by the change in leadership in different countries. On the contrary some political systems could be of benefit for Kroger hence critical analysis would be useful for it to take advantage of such scenario.

Economic Factors

Inflation rate, interest, savings rate, economic cycle, and foreign exchange rates are some the macro environment factors that determine the aggregate investment and demand in a given economy. Kroger can use state’s economic factor like grocery consumer spending, and industry growth rate to forecast the growth of the organization or even the Grocery sector. When conducting external analysis Kroger consider the following factors:

* Stability and type of economic system in the prospect country
* Stability of exchange rates of the country currency
* If financial markets are efficient
* Discretionary income
* Business cycle
* Productivity and labour cost of the country
* Interest and inflation rates
* Quality of infrastructure in grocery store sector, among others.

The above factors would affect Kroger’s retail sector. Inflation, cost of living wage rates and exchange rates are potentials for recession which are a risk to Kroger’s company. Market price also determines the benefits to the shareholders hence influencing image and brand value of the company. Also Kroger should be beneficial to the economy growth and to improve the living of the citizens.

Social Factors

The way of doing things and societal culture has an impact to an organization in a certain environment. Attitudes and beliefs that are shared by the company’s marketers and the population are so important since they help them to understand the market needs. The marketers also will know how to design the marketing information to consumers. Kroger company analysis the following factors before investing in the country;

* Power hierarchy, and class structure in the society
* Skill level and demographics of the population
* Environmental and health consciousness
* Culture( social and gender conventions)
* Leisure interests, among others

This analysis help them to serve and attract the right consumers, as well as selecting the right stock products and marketing strategies. This is because different people react to new products in distinct ways and therefore correct measures should be taken accordingly. Offending potential customers, through any marketing strategy would lead to protest and demeaning of the company. The company may also suffer financial losses and damage of goodwill. Investing on loyal customers, Kroger is able to boost its profits as well as sustaining the business for long run.

Technological Factors

The dynamic technology disrupt many industries across the board. Transportation industry for instance have been transforming over the last five years. The established players in the industry does not even get chance to cope with the changes.

Kroger, should not only conduct the technologies analysis but also how fast it disrupts the Grocery Sector Industry. Slow speed of technology is favorable as it give more time to the company to cope as compared to fast speed where by the company has less time to cope and be profitable. Kroger in its analysis should understand the following factors in a country;

* The current development in technology by its competitors
* The rate at which technology diffuse
* The impact of technology on offering products
* Technology impact cost structure in the sector

These analysis help Kroger to adapt to the updated payment methods, ordering system which will help in reducing stock queues in the store. Also delivering services could give Kroger an upper hand in market sustenance since people get attracted to ordering online during the pandemic period.

Legal Factors

In various states the legal institutions and framework are not full-bodied to protect the organizations’ property rights. An investor should conduct a careful evaluation before entering such markets to avoid theft of the company’s secret sauce and meet a competitive edge. Kroger should consider the following legal factors before investing in a new market:

* Discrimination law
* Anti-trust law in the country, especially in the Grocery Stores
* Data protection
* E-commerce and consumer
* Employment law
* Copyright, patents law
* Health and safety law

Not adhering to these laws could result to litigation charges and lawsuits which would lead to damage of the company’s goodwill as well as, reducing growth and profit aspects.

Environmental Factors

Different markets have various environmental standards and norms which can affect the profit level of an organization in the market. Even if a company is within a country, states can have different liability and environmental laws. Kroger should consider the following environmental factors before starting a new business in an existing market or entering a new market.

* Weather and climatic changes
* Laws that regulate environment pollution
* Recycling and waste management in the sector of Service
* Endangered species, among others

By observing these measures, Kroger can be sure of participating in corporate social responsibility which as a result increase the company’s goodwill. This will help Kroger Grocery Store to sustain for a long term.

**Market Review**

Kroger was established in 1883 and later incorporated in the year 1902. It operates 2,757 retail supermarkets in the United States of America and the rest of the world. Its arguably one of the leading grocery and retail brands in the whole world. Out of the 2,757 supermarkets, 2,270 and 1,567 have pharmacies and fuel stations respectively. Kroger also operate an online retail brand that provides delivery and pickup services from 1,989 retail supermarkets. It runs 35 food processing plants that mainly deal with dairies and bakeries. The company is without any doubt among the top leading retail and grocery brands in the world.

Kroger like other supermarkets and grocery retail stores, its main target market are customers falling in the age group of 18-44 years. Majority of them being in the middle class and upper middle class, including families and individuals. They target consumers from all races, data from their website shows that their customers cut across all races in the world. Their focus on quality organic products has helped them grow their market share significantly in the affluent shoppers in the United States of America. Their use of technology has also enabled them win many tech-savvy customers who prefer to shop online by making orders and waiting for the deliveries at the comfort of their homes or offices. This group mainly falls in the age group of 18-30 years.

Kroger leads in the sales of personalized products and services. They are commonly known for selling private label grocery brands. The company produces the largest part of the products it sell and outsources some to external producers under strict production terms. This and the use of digital technology has given them a competitive advantage over their competitors. Financial reports indicated that as at February 2020 the company had generated $122.3 billion in net revenues.

Marketing strategies are the strategies used by companies to promote their services and products. They aim at encouraging the target market/consumers to buy their goods and services. Effective marketing strategies will create great awareness about a company’s products features, benefits, and their specifications. A company should consider the following points before choosing a marketing strategy; define the targeted population, test the buying behavior of the consumers, choose an appropriate strategy, and evaluate the identified strategies. Generally, there are two main types of strategies; Business to Business (B2B) marketing strategies and the Business to Consumer (B2C) marketing strategy.

Kroger mainly applies the Business to Consumer (B2C) marketing strategy in its operations. In this line, below are the company’s 7P’s marketing mix;

* Product; the company’s primary product is organic food and groceries. Sale of this products account for almost 94% of the total revenues for the company. The company ensures that they produce, process and sell top quality organic food and groceries. The companies Our Brands product portfolio that leads in the production of private label products gives Kroger a competitive advantage over their competitors.
* Place; the company runs 2,757 grocery retail stores, 44 distribution stations as well as 35 food processing plants. Their head office is located in Cincinnati, Ohio State, USA. The company used a hybrid sales model i.e. online and offline sales channels. Kroger also operates through subsidiaries via local banners.
* Price; the company’s processing model aims at winning a wider market share. The prices of its products and services are very affordable to all classes of people in the economy. Over the last years the company has gained a significant market share through its low pricing strategies, purchase discounts, and sales offers.
* Promotion; there exists a very stiff completion in the United States. To overcome this Kroger has invested in digital technology promotions and advertising. This has seen the company gain an increased market share.
* People; Kroger ensures that all its employees are well qualified and equals the tasks assigned to them. Selection and training are done to all its employees to ensure that they possess the necessary skills to handle the duties assigned to them. Ensuring favorable reward systems and employee satisfaction is also a key top priority factor that Kroger identifies with. Employees with great work morale are more productive and hence more revenues to the company.
* Processes; Kroger has relied on technology to make sure that all its operations are effective and more efficient. The company’s distribution Omni channels has made shopping with them faster and a little easier.
* Physical evidence; Kroger commands a great physical presence in the United States. This gives the consumers more confidence to trade/shop with the company based on the physical evidence of their existence. Their presence is enhanced by the big, appealing, and clear branding of their retail supermarkets and grocery stores.



*Image 1.0 An image of Kroger’s branded retail supermarket*

**Competitive Review**

Competitor’s rivalry is present in the market. Grocery stores compete on provision of quality services to consumers. There are so many substitute for products hence consumers choose from what is available in the market. New entries in the industry are at a higher risk since they need huge capital for starting the company. Kroger is faced by low power of buyers since consumer factor in the price of a commodity before purchasing the product. The company also have low power of supplier because most of its income from a new market is used in promotion, stocking and slotting fees.

Competitor analysis

Walmart is considered to be the biggest competitor for Kroger Company. It is the biggest brick-and –mortar discount retailer. Its headquarters are in Bentonville, and operates in discount stores Hypermarkets, and grocery stores under 55 different names. Walmart internal strategies (strengths and weaknesses) shows the capability of its sustain in the long run.

Strengths

Walmart’s strengths are related to its size of the business. This helps the company to overcome threats in spite of its low prices of products. Its global organization size yield the company deep pocket to finance for expansion and growth. Further, Walmart’s global supply chain helps the business to evade from market- specific risks, like disruptions from local supply chain. Also, the supply chain is high efficient because of the use of advanced technologies in controlling and monitoring the movement of products. These business and organizational strengths provides competitive advantage for Walmart.

Weaknesses

Walmart’s weaknesses pose challenges on the company to overcome its threats. The weaknesses are in relation with the firm’s generic strategy and how it implicate business development, resources, capabilities, and profit margin. The cost leadership strategy for Walmart result to the following weaknesses; low profit margin, competitive disadvantage against the high-end specialty retailers, and its business model can be easily be copied. Walmart rely on sales volume, its selling prices are minimal which leads to minimal profit margins. Similarly due to its cost leadership generic strategy, Walmart business model is easy to copy since it does not have huge competitive differentiators. In addition, the high-end specialty have an advantage of attracting buyers who focus on quality other than the price of a commodity. These weaknesses illustrate how Walmart business is vulnerable to the disruptions in the industry and innovative competitors.

Kroger’s competitive advantage

Kroger’s main aim is to remain competitive than to keep the prices low. The company focuses on fresh products and total consumer needs. How the customers are treated by the associates, the clients experience and how long the client stay in line are important factors that Kroger focus on and constantly improve. Kroger posit that a customer will not make decision on what and where to shop by factoring one dimension. Thus all the mentioned consumers’ considerations give the company a competitive advantage.

Kroger’s corporate brand portfolio give it an upper hand in differentiation among the competitors. The brands; HemisFares, Simple Truth, and Private Selection gave about 26% of sales dollar in the first quarter. This is to illustrate how Kroger has excelled in innovation. Kroger company changes and moves in response to shifts among competitors and consumers. As stated by Rodney McMullen chairman and C.E.O., “What we know is that by focusing on our associates and our customers will be a winning formula in the future as it has been in the past.”

**Financial Analysis**

Below is a financial analysis for Kroger when entering a new market. The company will need initial capital and may be financing from other financial institution. When budgeting the company may consider how much they can afford and the competitors spending. For a start, can spend 40000 US dollars from their retained earnings and a loan of 60,000 US dollars from a bank which will be guaranteed by their assets.

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| **Start**-**up** **Requirements**   |  |  | | --- | --- | | Start-up Expenses | US $ | | Stationery | 1,000 | | Legal Fees | 1,000 | | Expensed Equipment | 3,000 | | Rent | 5,000 | | Other | 8,000 | | **Total** **Start**-**up** **Expenses** | **18**,**000** | |  |  | | Start-up Inventory | 40,200 | | Cash Required | 15,200 | | Long term Assets | 15,000 | | Other Current Assets | 11,600 | | **Total** **Assets** | **82**,**000** | | **Total** **Requirements** | **100**,**000** | |

The below table and chart show the sales forecast for the next three years. I believe this is an achievable forecast.

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Sales Unit** | | | **Unit Price** | | | **Sales Revenue US $** | | |
| **Sales** | **Year 1** | **Year 2** | **Year 3** | **Year 1** | **Year 2** | **Year 3** | **Year 1** | **Year 2** | **Year 3** |
| Vegetables | 9345 | 9453 | 9453 | 10 | 11 | 11 | 93450 | 103983 | 103983 |
| Cereals | 8674 | 8976 | 9010 | 15 | 15 | 16 | 130110 | 134640 | 144160 |
| Fruits | 6569 | 6770 | 6772 | 4 | 6 | 6 | 26276 | 40620 | 40632 |
| Granola | 3980 | 4120 | 4100 | 7 | 8 | 8 | 27860 | 32960 | 32800 |
| Nut butters | 4667 | 4600 | 4670 | 2 | 2 | 4 | 9334 | 9200 | 18680 |
| Pastries | 5790 | 5790 | 5891 | 2 | 4 | 4 | 11580 | 23160 | 23564 |
| Dried Herbs | 4673 | 4689 | 4768 | 8 | 8 | 9 | 37384 | 37512 | 42912 |
| Fresh herbs | 3578 | 3590 | 4320 | 10 | 12 | 12 | 35780 | 43080 | 51840 |
| Pizza | 567 | 680 | 650 | 9 | 11 | 12 | 5103 | 7480 | 7800 |
| **Total** | **47843** | **48668** | **49634** |  |  |  | **376877** | **432635** | **466371** |

|  |  |  |  |
| --- | --- | --- | --- |
| **Direct Cost of Sales US $** | **Year 1** | **Year 2** | **Year 3** |
| Vegetables | 30234 | 31635 | 31635 |
| Cereals | 45863 | 47628 | 49827 |
| Fruits | 4555 | 4827 | 4973 |
| Granola | 14357 | 16829 | 15978 |
| Nut butters | 6788 | 6382 | 6845 |
| Pastries | 7857 | 7857 | 8178 |
| Dried Herbs | 12456 | 13679 | 13973 |
| Fresh herbs | 23467 | 24178 | 26489 |
| Pizza | 3457 | 4578 | 4256 |
| **Total cost** | **149034** | **157593** | **162154** |

Break-even analysis can simply be defined as the process of determining the level of production where the cost of production is equal to the revenue generated. Below is a preliminary breakeven analysis;

Break-even Analysis:

First year break-even analysis is US $. 37, 675

Assumptions:

Average variable cost is US $ 3.12

Estimated Annual fixed cost is US $ 179,334

The formula for calculating break-even analysis is fixed cost divided by sale price per unit minus variable cost per unit. First, I calculated the average sale price per unit, then the average variable cost per unit. The fixed cost I arrived at by adding up the rent, legal fee, salaries and wages, the average loan repayment for the other loan guaranteed by the company’s assets.

**Challenges and Contingency Plan**

Kroger Company have over 1200 stores spread in the United States. Annually, the company ship and buy billions of perishable goods which have a 3 to 45 days shelf life. Thus, Kroger is faced by tremendous puzzle that they try to put together every day. These are some of the ways the company solve the waste, logistics, and distribution problems that they have.

For compliance and safety issues, the company is in liaise with FDA and USDA, local health department, and local and state agriculture department. The company have a series of guidelines and procedures to follow. The challenge that occurs with this sector is that there is a disparity in departmental guidelines and the company has to work under all the realm. To combat these challenges, Kroger has a developed quality assurance program. The quality assurance staffs evaluate product quality, goes out to the stores to monitor quality levels, shelf life, temperature, and all the types of bacteria.

**Recommendations**

Kroger should continue sending monthly personalized emails to its customers. Most of its competitors have already withdrawn from this exercise. I’d recommend that they continue sending the personalized store circulars to their customers. They should not follow what other market players are doing as long as they are doing the right thing. This will to some extent help them maintain and win the loyalty of their clients.

The company should consider opening up new pick up slots and increase online delivery stations. In the wake of this pandemic, they should invest more on digital selling channels. They should focus more on ecommerce since the current situation calls for a shift of sales from stores to digital channels.

Due to the harsh economic environment presented by the pandemic, the company should welcome business partnerships and mergers whenever an opportunity presents itself. More subsidiaries and franchise will help the business expand and get a greater market share amid the tough economic environment.