

PERFORMANCE IMPROVEMENT

Grocery Spotlight

July 2024 UPDATE

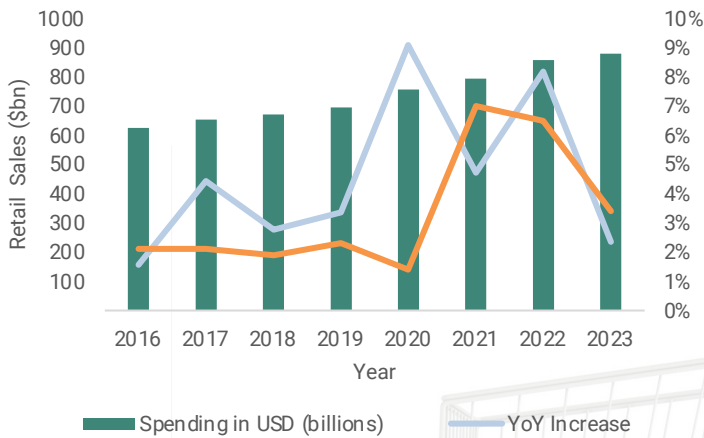


U.S. GROCERY INDUSTRY OVERVIEW

In 2023, U.S. shoppers spent \$878.2B on groceries, representing a 2.3% increase over 2022 and a 26.5% increase compared to pre-pandemic (2019).

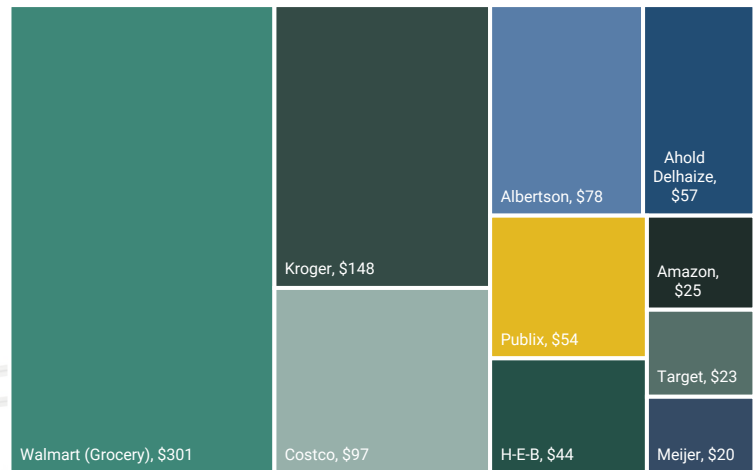
The largest U.S. grocer in 2023 was Walmart, who had higher sales than the next 2 companies (Kroger & Costco) combined.

U.S. Grocery Retail Sales by Year



Source: St. Louis Federal Reserve

Largest U.S. Grocers by 2023 Sales (\$bn)

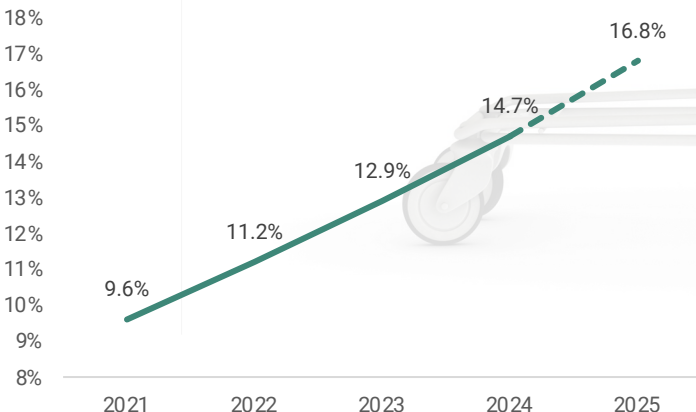


Source: Food Industry.com

E-Comm sales as a percent of all grocery sales remained high and are continued to grow steadily over the next several years.

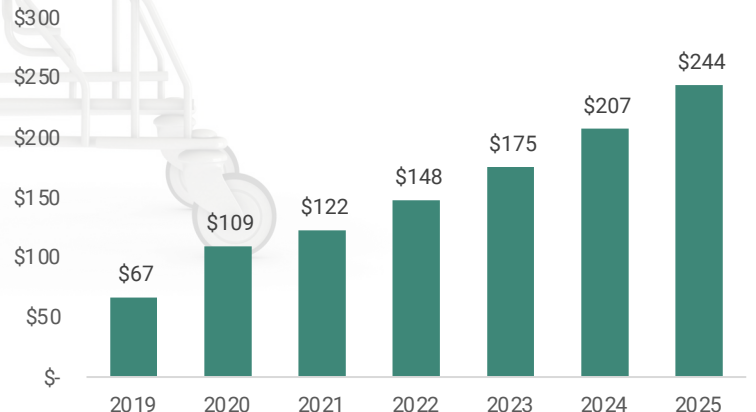
Grocery sales through E-Commerce channels rose sharply in 2020, during the COVID-19 pandemic.

E-Comm Sales as % of Total Grocery Sales



Source: eMarketer & U.S. Department of Commerce

Grocery E-Comm Sales (\$bn)



Source: eMarketer & U.S. Department of Commerce



LOYALTY & REWARD PROGRAMS



Consumers are becoming increasingly interested in grocery loyalty programs, to provide deals and increase personalization while shopping.

Interest in loyalty programs in grocery is higher than across other consumer retail sectors.

DISCOUNT GROCERY



Discount grocers have seen market share increase as consumers search for better deals.

Every Day Low Price grocers like Trader Joe's and Aldi have seen revenues increase steadily the last several years. Aldi plans to open 800 new U.S. locations by the end of 2028.

INFLATION CONTINUES TO IMPACT SHOPPERS



Inflation rates have continued to rise, as has the price of groceries over the last several years, driving consumers to change their purchasing behavior.

More than half of U.S. shoppers have switched to buying less expensive options when shopping for groceries.

E-COMM / ORDER ONLINE CONTINUES TO GROW



The COVID-19 pandemic drove customers to shop for more groceries online.

Online purchases for groceries have remained high since then and are projected to continue to grow over time.

THE BIG STORY

In October 2022, Kroger and Albertsons announced their intent to merge the two organizations in the largest supermarket merger in history, valued at \$24.6 Billion. The combined company would operate 5,000 stores across 48 states and employ 700,000 people.

As part of the proposed merger, the two organizations would spin off 579 locations (up from the original plan of 413), valued at \$2.9 billion, to C&S Wholesale Grocers, based in New Hampshire. C&S will also gain certain infrastructure assets, personnel, and access to private-label brands, expanding its footprint to 17 states where it operates retail locations.

ABOUT THE COMPANY

Kroger, based in Cincinnati OH currently operates over 2,700 locations in 35 states, across multiple banners. Over 2,200 locations contain pharmacies. The company also operates 700+ convenience stores. Fiscal 2023 revenue was \$150B, making them the second largest supermarket retailer in the United States behind Walmart.

THINGS TO NOTE

The Federal Trade Commission (FTC) has sued to block the merger, believing that the combined entities would potentially limit consumers' options, raise prices, and impact quality. Kroger and Albertson's believe the merged companies put them in a better position to compete against Walmart, Costco and Amazon.



WHAT IT'S LIKE TO WORK WITH ANKURA PERFORMANCE IMPROVEMENT (PI)

Ankura PI approaches its projects as partnerships. We succeed when our clients succeed. In addition to leveraging the breadth of experience within the Performance Improvement team, we leverage the breadth of Ankura's multiple operating groups to provide unparalleled subject matter expertise.

Our projects are typically a flexible model of in-person work coupled with remote data analysis and research. We flex our coverage to support your business, teams, and goals.

DRIVING STRATEGIC BUSINESS TRANSFORMATION, MARGIN, AND EBITDA

Comprehensive evaluation of **Retail** budgets, processes, merchandise assortment breadth & depth, planning & allocation, finance & accounting, distribution & logistics, procurement & supply chain, technology & strategic plans to support customer and employee satisfaction

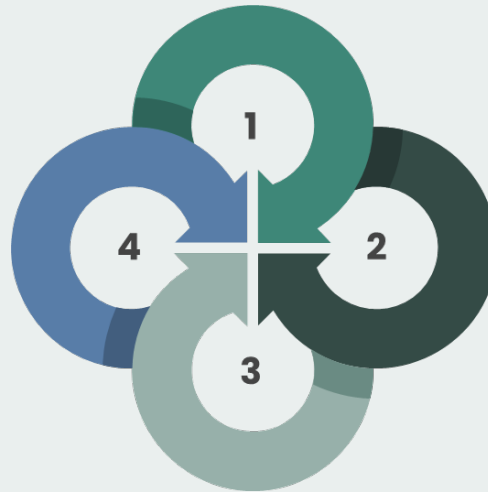
ANKURA CONSULTING LEVERAGES OPERATING GROUPS TO SUPPORT PERFORMANCE IMPROVEMENT

1. PERFORMANCE IMPROVEMENT

- Strategic Planning & Transformation
- Budgeting and Financial Modeling
- Cost Takeout & Optimization
- Organization & Labor Planning
- System Identification & Automation
- Customer Relationship Management
- Services & Offering Analysis
- Distribution & Logistics

4. REAL ESTATE & CONSTRUCTION

- Location and Network Portfolio Analysis
- Manufacturing Footprint
- Construction Management
- Disputes & Litigation



2. OFFICE OF THE CFO

- FP&A
- Financial Reporting
- Monthly, Quarterly, Yearly Book Closing
- AP & AR Automation
- Working Capital Management

3. DIGITAL & TECHNOLOGY

- Technology Stacks
- Contract & License Negotiation
- Automated KPI Reporting & Measurement
- AI Assessments & Applications

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