

## **Kroger: Consumer Behavior Perspective on Improving Customer Experience**

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## Introduction

For the final project, JHCR Agency is prepared to audit the grocery retail company, Kroger, to provide a consumer behavior perspective. By conducting an analysis of consumers' perceptions of Kroger, JHCR Agency will make recommendations as to how Kroger can improve consumer perceptions and attitudes towards the brand.

## Overview

**Relevant History and Current Ownership:** “Founded by Bernard Kroger in 1883 in Cincinnati, Ohio, Kroger operates 2,721 grocery retail stores under its various banners and divisions in 35 states and the District of Columbia. The Kroger Company is the United States' largest supermarket operator by revenue and fifth-largest general retailer. The company is one of the largest American-owned private employers in the United States. Kroger is ranked #17 on the Fortune 500 rankings of the largest United States corporations by total revenue” (Wikipedia, 2022, para. 2).

Kroger is owned by 79.07% institutional shareholders, 1.70% Kroger Co insiders, and 19.23% retail investors. W. Rodney McMullen is the largest shareholder, owning 3.42M shares or around 0.48% of the company. The largest institutional investor is the Vanguard Group, which owns around 10% of the company. Currently, the largest shareholder of Kroger is BlackRock Inc., with 10% of the total shares. Berkshire Hathaway Inc. is a close second with 8.4% of the total shares in Kroger and State Street Corp with 5%. Since 2014, Rodney McMullen has served as Kroger's CEO, and he has around 300,000 shares in Kroger (Zippia, n.d.).

**Marketing Successes & Failures:** A successful marketing campaign that Kroger has experienced was a new brand transformation campaign that celebrated the grocer's customers and associates, a “food-first” culture, and its long history in grocery. The new branding will include a refreshed logo and a new tagline, “Fresh for Everyone.” All Kroger banners across the U.S. will incorporate the new brand attributes while continuing to operate under their existing names. The campaign's goal was to stand out from the “sea of sameness” and create an egalitarian brand that captures Kroger's commitment to offering fresh, affordable food to everyone (Dumont, 2019). This campaign has helped Kroger remain one of the largest supermarket chains in the US.

A not-so-successful marketing situation that Kroger has experienced recently was staying current in the digital world. “Kroger, the Cincinnati-based grocery conglomerate that’s behind some 2,764 grocery stores in the U.S., is in a race with its competitors and the increasingly digital future of grocery they embody. Racing, but according to reports out in *The Wall Street Journal*, perhaps not quite keeping pace. While big and small players were making digital investments like online ordering and delivery services, the report notes that Kroger lagged behind and stayed focused on its stores. Kroger has struggled in its efforts to get started, having recently tried and failed three times to partner or acquire three retail-connected start-ups: Shipt, the online grocery delivery service; meal-kit company Plated; and Boxed.com, a bulk online retailer” (PYMNTS, 2022).

**Product Lines & Brands:** “Kroger’s “Our Brands” private label portfolio includes Kroger’s Simple Truth, Private Selection, Home Chef, and Heritage Farm, among others. Grocery retailers have reported growing sales of private label items in recent months as inflation-pressed consumers trade down from their favorite brands to save money” (Adam, 2022). Kroger’s brand of items ranges widely across the store’s grocery section, including various types of nuts, frozen pizzas, chips, milk (dairy and non-dairy), frozen desserts, salad dressings, crackers, seasonings, and more.

**Competitors:** “The biggest Kroger competitors are Walmart, Target, Albertsons, Publix, and Meijer because they offer low prices on quality products such as groceries, clothing, household goods, and pharmacy services for customers as of 2022. Aldi and Dollar General are great competitors to Kroger for the budget-minded consumer but don’t have as much product selection” (Thomas, 2021, para. 3). Essentially, any grocery store chain that offers pharmacy services, clothing, household goods, as well as grocery essentials, competes with Kroger and its brand.

**Main Audience Issues:** The current shopping conditions damage the brand’s reputation. Reinforcing Kroger’s customer’s needs to create a more optimal shopping experience will widen their audience and encourage better sales. Some of the primary audience issues within Kroger are as follows: Employee shortages, overcrowded departments, poor setup of the store, messy shelves, stocking issues, no specific area designated to health/organic food, lack of available shopping carts, constant rechanging of store sections, and filthy bottle rooms that always seem to be full. These issues can lead to unhappy and agitated customers during their grocery shopping experience. Lack of product consistency which translates to running out of products such as toilet paper, produce, meat, etc., and not having the same product continually have made consumers angry.

With rising inflation, many consumers are struggling to afford their basic essentials. Also, the Kroger Plus card becomes an issue if consumers don't use their points. If they don't use them, they lose them forever. Points expire on the last day of the month they were earned, which can be considered an issue if a consumer earned many points on the 29th of any given month.

## Product

To understand Kroger's in-store experience for customers, a more in-depth analysis of the store's influences on its consumers will be discussed below. A SWOT Analysis, **Figure 1** in the appendix, of Kroger's in-store experience will help provide strengths, weaknesses, threats, and opportunities the brand is currently facing.

**External Influences:** With a wide array of supermarket options, from fresh baked goods, organic products, and pickup and delivery, Kroger caters well to a wide variety of consumers. A recent study found "slightly less than half of all US shoppers are Kroger customers" (Rueter, 2021, para. 4). Having diverse inventory and supplying quality food options at valued prices connects the supermarket with many. Whether you are male, female, or of various age groups, there are plenty of choices. "Kroger, the largest U.S. supermarket chain, placed third for overall value but won first place for the cheapest organic produce. After Amazon bought Whole Foods in 2017, the Cincinnati, Ohio-based supermarket stayed competitive in part by investing in private-label brands and organic produce" (Min, 2019, para. 6).

With the pending merger agreement with Albertsons, Kroger hopes to accelerate their commitment to providing customers with quality, value, and convenience. In order to stay competitive with big-box retailers like Walmart and Costco, this merger will help keep their prices lower for their customers and make products more available to their diverse demographics and household members. "The companies say that they will be able to use \$500 million in cost savings from the deal to reduce prices for shoppers and tailor promotions and savings. They will also invest \$1.3 billion in Albertsons, including lowering prices. Our expanded portfolio, along with more personalized promotions and benefits, will help customers save... and help to relieve the inflationary pressures facing shoppers across the country," Kroger CEO Rodney McMullen said Friday (Meyersohn, 2022, para. 10-11).

**Internal Influences:** While Kroger provides products and services to many consumers, their shopping experience doesn't always serve their customers well. While their desired image of quality, value, and convenience is their brand's signature, the in-store experience has many opportunities to recapture customers. Since the pandemic, many of the stores have experienced an employee shortage. There is not enough help to manage and run the various departments and keep the store clean and orderly. A lack of support

contributes to a lack of management behind the bakery, deli, meat market, and floral departments. The employee shortage also contributes to the messy shelves, stocking issues, lack of carts, and dirty bottle return rooms.

Since COVID, "Nearly 6.3 million retail workers quit their jobs in the first 10 months of 2021, and by the end of October, their employers were still trying to fill 1 million openings. Many of these openings, and perhaps the ones that sting the most, are in the grocery aisle" (Pearson, 2022, para. 3). The effects of the pandemic are still stinging the grocery business. Unfortunately, Kroger is working to regain its in-store experience.

The effects of Kroger's idealistic marketing campaign versus what their customer is being subjected to in the stores diminish the returning shopper. While their diversity in inventory exceeds other grocery stores, lack of consistency, messy shelves, and a poor checkout system sours the shopping experience. Having to wait long or utilize the self-checkout counters with large orders can annoy any shopper!

**Situational Influences:** While Kroger stores do cater to various usage situations, their physical surrounding, overcrowding of shelves, and poor customer service generally produces negative effects on their consumer. Kroger does provide a wide variety of grocery items for any usage situation, but its unpleasant store atmosphere influences the consumer's judgment of Kroger's quality and image. "Cincinnati might be home to a few brand spanking new stores and "shopping concepts," but there also are several Kroger stores that are unsafe and in disrepair. One local resident took to Reddit to complain about their neighborhood Kroger, and what ensued was a pure, unadulterated bitching session. As it turns out, hardly anyone actually likes the Kroger in their neighborhoods, and many people drive to other "nearby" Kroger stores" (CityBeat Cincinnati, 2022, para. 1-2).

**Decision Process Influences:** Kroger's current competition is Walmart, Target, Aldi, Amazon, and Costco. Typically, consumers who shop at these stores look for value in their purchases. Consumers looking for a "good buy" are influenced by Kroger's value system. Kroger performs well for this target market but could do better. "Kroger isn't just in a dogfight; Kroger is in a fight against a three-headed dog named Walmart, Amazon and Aldi intent on ripping Kroger's customers and market share away. Applying my former Amazon experience, my advice to Kroger was to evolve as a retailer with a focus on three key areas: supply chain, digital, and competitive position" (Ladd, 2018, para. 7). While Kroger is focusing their efforts on upping their game in these areas, consumers are still turning to other competitors that can offer even better value through their strength in these critical areas.

**Product Integrated Marketing Communications (IMC) Recommendations:** To improve Kroger, understanding the customer experience with the product is

extremely important. Focusing every connection point the customer has with Kroger needs to be the center of future IMC marketing plans. From the in-store experience, advertisements, and digital marketing efforts, Kroger needs to continue to create cost-efficient and “Fresh For Everyone” options for their audiences. To compete against its biggest competitors, focusing efforts to make in-store enhancements like cleaner and more organized stores and promoting better online offerings will help enhance the shopping experience and better the product and brand's reputation.

## Market Segmentation

To understand Kroger's customers, product needs, and decision-making process, a market segmentation analysis will further detail its target market.

**External Influences:** “Kroger's typical shopper is a married suburban Baby Boomer who has at least some college education and an annual income of more than \$80,000. Additionally, they typically live in two-person households and have a roughly similar likelihood of being white or Black. The typical customer visits Kroger at least once a week — about 54 trips per year — and picks up 12 products for a total cost of about \$44 per trip. Kroger offers more than 15,000 private label items, and the typical shopper often prefers to buy from that selection. They also fill their carts with products from Kraft, Coca-Cola, Lays, and Dole. Some of their favorite categories to buy from the store include frozen seafood, baking chips and bars, as well as dish and laundry detergents” (Reuter, 2021, para. 5-8).

Although the grocery store market appeals to various cultures, subcultures, and demographics, Kroger tends to lean toward social-strata groups with higher incomes and dual household lifestyles. Even though more women tend to be the average grocery shopper, Kroger is female and male-driven. See more on the typical Kroger shopper, **Figure 2**, in the appendix.

Because Kroger's consumers are professionals, the lack of customer service in the in-store experience currently hinders long-term success.

**Internal Influences:** Kroger's consumers are influenced by their lifestyle motives. Since a large portion of Kroger's audience is college educated and from a suburban household, there are specific aspects of their life that are important when connecting with the brand and their shopping experience. As they value respect, safety, and security, they are emotionally pulled to brands that encapsulate those qualities. See **Figure 3** in the appendix.

Overall, Kroger does emulate those characteristics in their marketing campaign, but the shopping experience and lack of customer service leave many consumers unsatisfied.



**Situational Influences:** Kroger is a grocery store primarily focusing on food options. Unlike a big-box store that offers food, clothing, and all of the above – Kroger is appropriate for customers looking for grocery items. Whether a customer needs a quick bouquet or a weekly shopping trip for the household, Kroger is a suitable option for these situations and people.

**Decision Process Influences:** When shopping at Kroger, customers are influenced by the type of grocery items they need. Consumers looking for clothing, jewelry, and grocery items, choose one of Kroger's big-box competitors instead. "While 8.6% of a Kroger shopper's total dollars are spent at Kroger, they spend more at Walmart with 10.9%" (Reuter, 2021, para. 8).

**Market Segmentation IMC Recommendations:** The biggest takeaway for future marketing considerations focused on market segmentation should be targeting the audiences Kroger is not currently reaching as well as the Baby Boomers. Creating a more vibrant, clean, customer-friendly store and advertisements while offering value and ease of shopping (including online/pickup options) will help appeal to the younger generations and keep them long-term. Continuing to focus promotional efforts on a diverse and youthful audience will help entice the younger generations!

Recently, "Kroger worked with Grammy-award-winning singer-songwriter Colbie Caillat to record a special rendition of "Iris," originally written by the Goo Goo Dolls in 1998. The song reached #1 in Australia, Canada and Italy; #3 in the U.K.; and #9 on the U.S. Billboard Hot 100" (PRNewswire, 2022, para. 3). With Colbie Caillat's connection to the younger generation, this helped Kroger reach the Millennial and Gen Xer audiences. Finding these types of opportunities to help widen their market is important for the brand's longevity.

## Product Position

Positioning is the strategy that influences how a particular market segment perceives a brand, good, or service compared to its competition. Positioning will also determine if a product is functional, symbolic, or experiential.

**Internal Influences:** Kroger is notorious for its slogans and taglines. Some of these include "Right Store, Right Price", "More value for the way you live", "Low prices plus more", "Your total value leader", and "Let's go Krogering" (Logo & Taglines, 2018). These phrases coined by Kroger are ways to implant strategic, semantic memories in the minds of their consumers. Because their taglines are catchy, they are easily remembered and stored in the brain. As previously mentioned in the market segmentation section of the audit, "Kroger's typical shopper is a married suburban individual from the Baby Boomer era". However, there is not much advertising toward Generation X or Millennials. Low pricing is the cohesive string that ties Kroger's taglines together, which appeals to their primary consumers. "They're much more about switching chains based on price, and

much more about pre-planning the trip and very much in-store shoppers — traditionalist, so to speak,” said Jonna Parker, principal of the Fresh Center of Excellence for Chicago-based IRI. “Whether it be how you pick what goes in your feature ad, how you leverage displays in the store, how you utilize price, promotion as a combination of feature and display are all strategies anchored around Baby Boomer and frankly, Gen X” (Park, 2021, para. 2).

**Decision Process Influences:** “The simple decision-making process, routine behavior from past reinforcements and learning experiences, is made up of a series of steps: need recognition, information search, evaluation of alternatives, selection, purchase decision, post-purchase behavior, and disposal options” (Niosi, 2021). The evaluative criteria used in the purchase decisions for Kroger consumers are availability, pricing/affordability, presentation, quality, quantity, functionality, and product evolution. The decision rule most prevalent in Kroger consumers is the “If-Then Statement.” If customers purchase Kroger brand products and find them satisfactory, they are likely to buy the same items again. As explained in the “pricing” section below, price is the most critical weight for Kroger consumers when considering a purchase.

**Product Position IMC Recommendations:** Since the primary consumers at Kroger locations are Baby Boomers, Kroger's current strategies have been working well. However, this generation is of an age where they are reaching the final stages of their lives. New product positioning through generational marketing is paramount to engaging Generation X and Millennials. These generations are much more focused on sustainable and organic products that benefit society and the environment. They enjoy coupons, loyalty programs, reading reviews, and innovation (Lister, 2022). Kroger should use these as opportunities to expand on their “earth-friendly” products and refresh their taglines. Some of these slogans could be “Kroger...better for you, better for Earth”, “Kroger – Don't panic, we have organic”, and “Kroger Cares.” These phrases can be placed on mailers, coupons, and stores. The best way to dictate Gen X and Millennial purchase motivations would be through perceptual mapping. These displays will explain these demographics' perceptions in relation to product characteristics.

## Pricing

Like many other grocery stores, Kroger bases their prices on variables such as location, demographic of consumers, and competition from other big-box grocery stores. While this practice is common, it is frustrating to consumers, especially with the higher-priced store items caused by recent inflation. Pricing and product purchases are dictated by external, internal, situational, and decision-process factors, as illustrated in the section below.

**External and Internal Influences:** Similar to other large grocery chain stores like Walmart, Meijer, Aldi, and VG's, Kroger allows customers a variety of options for

payment, including cash, credit, check, gift cards, and food stamps, e.g., EBT cards through SNAP (supplemental nutrition assistance program) and WIC (women, infants, and children) through SNAP. However, individual states appoint WIC-approved retailers; therefore, not all Kroger locations accept cards through this program (Thomas, 2021). Kroger has product sections of its stores geared explicitly toward people using EBT or WIC cards. Although this offers convenience for these customers, it could potentially make them feel stigmatized by other shoppers.

According to Statista, women are the primary shoppers for their households, men are the secondary shoppers, and in shared shopping, men on average take on more of the responsibility. See **Figure 4** in the appendix. “Supermarkets may find it tricky to appeal to the very different — and sometimes contradictory — shopping habits of men and women. But there are some clear steps retailers can take to capitalize on the distinctions. Since men like to determine what they buy before shopping, online and print ads may resonate more with them. Female shoppers, on the other hand, may be more receptive to in-store marketing efforts that capitalize on their tendency to browse” (Wells, 2017, para. 5).

Kroger uses product placement in various sections of its stores via conspicuous consumption. An example of this is their wine and champagne section. Lower priced “cheaper” brands of wine and champagne are located at one end of the aisle, and higher priced brands and products at the other. While this is a typical placement style for liquor, e.g., “top-shelf” liquor on the top shelf, brand name on the second, cheap on the bottom, wine should be sectioned by type, not affordability. This segregation of wine may have a discriminatory effect on customers purchasing lower-priced wine and champagne, as they are shopping in only one section of the aisle.

With inflation on the rise, product pricing is directly impacted and is changing how people shop. Inflation can significantly impact consumer spending habits. “As prices rise, people will stop to consider the things they need versus the things they want. This tradeoff happens in every aspect, as consumers find they need to stretch their dollars, and the *wants* get pushed off until prices retreat. When it comes to food, people simply must have it. Still, this doesn't mean consumers will continue with the same food shopping habits now as they had when prices were lower. Many consumers will look for sales or shop at discount retailers that offer a better value” (Q., 2022, para. 4). This is true for Kroger customers and other grocery stores. However, Kroger offers fuel points, one point for every dollar spent, that may be used for money off fuel at Kroger gas stations.

**Situational Influences:** Geography, local demographics, and community wealth determine how Kroger prices its items. “Charging the same amount, no matter what the shopper's income, may seem only fair. But a pair of economists point

out that the practice increases the wealth gap -- and also represents lost revenue for the store. That's because shoppers in wealthier neighborhoods might pay more for items on their grocery list, while poorer customers might be able to afford more items if prices decreased" (DePillis, 2017, para. 4).

In 2018, *The Courier Journal* in Louisville, Kentucky monitored prices on five staple items across more than 20 Kroger locations, both online and in-person, to see how costs varied between neighborhoods. Their review found that prices for these items were consistently higher at Kroger locations that serve as an area's primary store option (Loosemore, 2018). "Customers who picked up a gallon of milk, a dozen eggs, a bag of sugar, a pound of butter and a handful of bananas at the Kroger in Portland, 520 N. 35th St., could expect to pay \$8 for their cart. Meanwhile, shoppers at the Kroger on Buechel Bypass in Bashford Manor — located near a Walmart, Target and Costco — could expect to pay \$6.85 for the same items. Prospect in Jefferson County's east end, where Kroger has no competition from other big-box grocery stores, customers faced the highest prices at \$10 for the five products" (Loosemore, 2018, para. 10). This data shows that Kroger is charging higher prices for the same items in locations where they have the least competition from other stores, regardless of poverty in the area.

**Decision Process Influences:** Problem recognition occurs when a consumer becomes aware of differences between a desired product or state and if those desires activate the decision-making process. Lower prices certainly can trigger this response. Kroger brand products are typically priced lower than brand name items, which creates higher revenue for the brand and company. However, lower pricing can often backfire, making consumers perceive the product as of lesser quality. "85% of consumers find the price the primary factor when deciding on a purchase. Therefore, the importance of pricing is evident and it's understandable why business owners need to pay attention to this issue" (Novkovic, 2021, para. 1).

Consumers respond to in-store price reductions, but not with the drastically reduced prices we may think. "Traditionally, managers have believed that you need to approach a certain threshold of some 15-20% discount before consumers will respond significantly to sales. More recent research shows that a large segment of the population will apparently respond to "negligible" discounts. For example, if a product is reduced in price from \$3.98 to \$3.96, a large number of consumers will "bite." A store manager similarly found that just placing a sign saying "EVERYDAY LOW PRICE" randomly among store products increased sales of the affected products by some 20%" (Perner, n.d.).

**Pricing IMC Recommendations:** Kroger should mix products priced for EBT and WIC card users with regularly priced products to deter any customer impressions

of stigmatization or discrimination. Likewise, if Kroger mixed their liquor and wines by type instead of price, this may also help with customer impressions. Kroger should be more cognizant of who their shoppers consistently are so they can market and price their items accordingly. This can be done through surveys and gathering digital data via Kroger Plus customer cardholders.

Inflation affects everyone, so lowering prices across the board to retain current and future customers may not be a reasonable approach. However, Kroger could offer incentives via the Kroger Plus card to offer two or three-time fuel points during specific dates and holidays, as this is generally when consumers are likely to spend more money. Using the Louisville, Kentucky review as an example, Kroger should price their items more equally for all locations. This will create a better shopping environment for consumers who live in impoverished areas and allow opportunities for them to purchase more items.

To increase revenue through in-store price reduction, Kroger should lower prices on staple items such as bread, milk, eggs, butter, etc., by minimal amounts. This is visually stimulating to the consumer because they are getting a discount, and beneficial to the company. Very small decreases in pricing will cost the company less because they will consistently sell higher product volume.

### Distribution Strategy

Kroger's distribution strategy is key to the company's long-term financial success in competing with other big-box stores.

**External Influences:** Kroger's corporate offices are located in Cincinnati, Ohio. However, the company operates directly and through its subsidiary locations. The chain has more than 2,700 operational supermarkets and is in almost all states within the US. Kroger distributes and runs its business through its supermarkets, superstores, and departmental stores.

**Internal Influences:** Kroger's customers are mainly considered middle-class individuals within the baby boomer generation. "Middle-class and upper-middle-class consumers, including individuals and families, are among the core customer group of Kroger's. However, the company's focus on organic grocery products has helped it grow its appeal among affluent shoppers in the US. Investing in digital technology has helped Kroger grow its appeal among the young tech-savvy consumers in the 18-30 age group" (Pratap, 2022).

A distribution system consistent with the lifestyles of middle-class baby boomers is an internal influence on Kroger. Also, a tech-savvy aspect is important as times continue moving forward, and this is achieved through online ordering and curbside pickup at various Kroger locations.

Also, Kroger would benefit from a distribution system that has an emergency plan. As mentioned above, Covid-19 had a major impact on many individuals

country-wide. If another pandemic were to occur, Kroger could stand out from other grocery store chains with an emergency plan to keep products on their shelves even if there is a public panic.

**Situational Influences:** Kroger's distribution system's Features vary based on situations, as observed in the year 2020. "From toilet paper to cleaning supplies, shoppers were rocked by major shortages in 2020 as a result of the pandemic and everything that came with it" (Coleman, 2022, para. 1). Shelves in grocery stores across the country were bare. Suppliers could not keep up with the demand of consumers stocking up for what they thought was an upcoming apocalypse.

The Covid-19 pandemic is a great example of unexpected situational influence for Kroger, but there are also expected situational influences, such as the holiday season. "Holidays are notoriously busy times for grocery stores. Grocers prepare months ahead of time for Thanksgiving, Christmas, Easter, and the Fourth, as they will be packed for days, or even weeks, before the actual holiday. All holiday celebrations involve food and beverage traditions, meaning that grocers will see a large increase in traffic around these times" (Goodwin, 2022, para.1). In this case, grocery stores like Kroger have plenty of time to prepare for the surge of shopping that is going to occur before any given holiday to prevent a lack of product on their shelves.

**Decision Process Influences:** Inventory management software makes product decisions at Kroger stores. "This software manages stock lists in real-time. This software scans products in when received at the backdoor. Then keeps track of what gets sold through the register. Some stores even use automatic purchasing systems that reorder when items get low" (Campbell, 2021, para. 3). This system is used for all of Kroger's basic and essential grocery items that are constantly purchased and re-purchased in the store.

Seasonal or more unique grocery items that Kroger is looking to present for the first time within their stores would go through approval by upper-level representatives and would be monitored to see the success rate of the specific item. It may not be around for long if it is not popular amongst consumers.

**Distribution IMC Recommendations:** Kroger needs to stay on top of technological use in today's society. This includes improving the online ordering and curbside pickup process, and these systems are relatively up-to-date for now. Still, as time continues and technology evolves even more, Kroger needs to keep up with it in order to remain convenient for customers.

As mentioned above, an emergency distribution plan would benefit instances such as Covid-19. If another illness were to plague the country similar to Covid-19, a plan should be intact, so grocery store shelves don't go bare again. Kroger locations should have a system in play with their suppliers that if another

pandemic situation were to arise, then the plan should kick into full gear. Limits should be made on specific products each household can purchase so that there is enough for other households as well. Even in a public panic, there is no reason Kroger's shelves should be empty.

### Promotion Strategy

JHCR Agency took a look at Kroger promotional strategies with regard to "the customer experience" and found that customers are growing dissatisfied with Kroger since the pandemic, including the overall customer experience. Although Kroger has not scaled down promotions since the pandemic, they have ramped up promotions to get new customers and keep returning customers. For example, Kroger has continued their monthly personalized coupons for all Kroger customers, weekly deals, savings, online, delivery, pick-up orders, and money off consumers' gas purchases. Some channels Kroger uses to communicate both verbal and non-verbally are TV, radio, social media, print ads, and in-store floor promotions and signage.

The promotional commercial titled *The Magical Cookbook* (see **Video 1** in the appendix) was published by Kroger in October of 2022 (YouTube, 2022). In this commercial, it shows a grandfather reflecting on memories with his wife who has now passed away. It shows him remembering her homemade apple pie as he flips to the recipe in the cookbook she left behind. This external memory of his wife choosing Kroger for her ingredients triggered him to go to Kroger and buy the ingredients to her most cherished recipes. The internal influence tied him and his family to the "good ole cooking" his wife used to do as it reminded them of how much she is missed thus creating a self-concept of her. All of these factors contributed to the consumer decision process. The external influence of the grocer his wife used for ingredients, to the internal influence of the feelings he and his family had for his late wife's apple pie recipe drove him to go to Kroger and buy the necessary ingredients to remake the memory.

Since the pandemic, consumer perception of Kroger has diminished leaving consumers second-guessing their expenditures with Kroger and deliberating on which local grocer to use for daily needs and wants. Complaints of poor customer service, lack of common products, rising prices and long lines have been of great concern to consumers and their shopping experience with Kroger (Kroger Complaints, n.d.). JHCR Agency identified external, internal, and situational influences, giving Kroger the upper hand in providing consumers with a better shopping experience with America's favorite grocer.

**External Influences:** "External influences are brought on by culture, subcultures, demographics, social status, reference groups, family, and marketing activities" (Mothersbaugh, Hawkins & Kleiser, 2020, p 24). External influences that motivate

Kroger consumers are economic, reference group, family, social status, and demographic. The pandemic and war has driven both product and gas prices up at Kroger, to rates that some consumers can't afford. Groups of two or more people who previously have had a bad experience will spread the word to others persuading them to lean toward their dislike for Kroger. Examples include coworkers, church, or consumers of competitors. Family members who try to convince another family member not to associate, purchase or frequent Kroger because of the bad experience they may have had previously. Social comparison across social statuses shared beliefs of how one perceives Kroger and the customer experience determine what may or may not be affordable to the specific social class. Age, gender, occupation, cultural background, and family status are characteristics that play a part in the purchasing history of consumers. According to *Business Insider* "the average Kroger consumer is a married, suburban, baby boomer, who earns \$80,000 per year" (Reuter, 2021, para. 1).

**Internal Influences:** Opinions or experiences from corporate culture, staffing, finance, customers, attitudes and current technology all play a part with Kroger's customer experience. Violating child labor laws, which left a "bad taste" in consumers' mouth. Kroger doesn't have an international presence. Unlike Kroger's competitors, Kroger is only offered in the US in "35 states with over 2800 locations" ("Kroger About," n.d.). Going abroad will help in increasing revenue for Kroger after incorporating international locations; this will help in backing the new slogan suggested by JHCR Agency of "Fresh for Everyone." Kroger also has high operating expenses. This can lead to low profits for Kroger. "Kroger spent \$134,441 Billion in expenses and employs half a million employees who eat at company profits" (Momin, 2022, para. 16).

**Situational Influences:** Based on the data from Marketing Principles, there are five situational influences that affect consumers buying decisions (Marketing Principles, v.1.0, 2012):

1. The consumers' physical situation
2. The consumers' social situation
3. The consumers' time situation
4. The consumers' mood
5. The reason for consumers' purchase

For example, the pandemic brought many situations for consumers and one being health. Since the pandemic, consumers have been more interested in getting healthier and doing right by their bodies. One of the best ways to get healthy is to eat healthy. By Kroger living up to its new suggested slogan "Fresh for Everyone" keeping up with supply and demand, stocking healthy and most common health foods made available to all consumers shopping at Kroger will keep consumers coming back.



**Decision Process Influences:** Ads help to grab the audiences' attention and increase consumers' perception of Kroger, which will build a belief toward Kroger and the products that are offered. If the perception and belief are a positive one, then consumers will be more apt to adopt Kroger as that consumer go-to grocer. According to *Guru* (2018, as cited in Stump & London, 1981), "the likely factors to influence promotional decisions include the decision-making process, attributes of decision-maker, promotional policies of the organization, the supportive system, other organizational elements, environmental context"(para. 6).

**Promotional IMC Recommendations:** Taking into consideration the above information JHCR Agency would recommend the following promotional strategies to help with the overall customer experience and bring the perception of Kroger to a higher quality standard. In-turn, this will bring more consumers online and in-store to complete their daily and weekly shopping, growing Kroger's ROI (Return on Investment) higher and painting a better perception than in the past. We would recommend that Kroger understand why consumers need a great shopping experience by clearly identifying Kroger USP's (Unique Selling Points). Create content and messaging to help consumers become aware, interested, and support the store's image and brand. By creating promotions around the new suggested slogan "Fresh for Everyone" and incorporating the new logo, this will help address that Kroger and its products are for everyone. Then, reevaluate advertising promotions related to the above suggestions through a cost/benefit analysis to determine which promotional channels should be used.

In order to address in-store customer issues, focus promotional efforts on the importance of putting the "customer 1<sup>st</sup>" bringing back the basic traditions that Kroger has lived by for years and was previously known for. Also, create ads to show the customer that they do come first. By doing this, Kroger will let their customers know that they are caring and efficient.

In-turn, this will bring more consumers online and in-store to complete their daily and weekly shopping, growing Kroger's ROI (Return on Investment) higher and painting a better perception than in the past.

## **Customer Satisfaction and Commitment**

Everything rises and falls on the customer's experience. That said Yael Cosset, a SVP & Chief Information Officer for Kroger stores stated: "Whether Kroger consumers shop for a last-minute dinner, their weekly shopping list or freshest ingredients at the right price, Kroger provides a relevant and personalized experience to every shopper" (Abasto, 2022, para. 4). Some of the factors of

Kroger that lead to satisfaction with regards to the “customer experience” are store navigation, store brands, online shopping, Boost/Kroger Plus Cards, pick-up experiences, and product freshness.

The factors that can cause customer commitment to Kroger are price and perception, on-shelf availability, customer service, shorter checkout times.

## **Conclusion**

JHCR Agency has concluded its audit of the grocery retail company Kroger and provided a consumer behavior perspective with a recommended future marketing plan to better the company. By conducting an analysis of consumers' perceptions of Kroger, JHCR Agency has also made recommendations as to how Kroger can improve consumer perceptions, attitudes, etc., towards the brand. As Kroger is one of the largest and most popular grocery chains in the United States, they are clearly doing very well at providing the public with their grocery needs. However, if they focused more on customer services, they would grow as a company and become even more well-loved by their loyal consumers.



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## Appendix

### Consumer Behavior Insights for Kroger

**Figure 1**

*Kroger's In-Store Experience: SWOT Analysis*

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>Convenience</li> <li>Diverse Inventory</li> <li>Quality of Products</li> <li>Low Pricing/Value</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>Employee Shortage</li> <li>Poor Setup of Store</li> <li>Lack of Product Consistency</li> <li>Bad Checkout Experience</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>Cleanliness of Store</li> <li>Better Checkout Process</li> <li>More Customer Incentives: Kroger Plus Cards</li> <li>Recapture Customers</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>Inflation: Increase in Pricing</li> <li>Ongoing Employee Shortage/Labor Costs</li> <li>Supply Chain</li> <li>Legal Issues</li> </ul>

**Figure 2**

*Kroger Shoppers in the United States*

**Demographic profile**

The age distribution of Kroger shoppers and grocery store shoppers overall is fairly similar.

There is a fairly even split of male and female Kroger shoppers.

Consumers with a high income make up 36% of Kroger shoppers.

Kroger shoppers are more likely to live in cities and urban areas than grocery store shoppers in general.

**Consumer lifestyle**

Similar aspects of life are important to Kroger shoppers and other grocery store shoppers.

Science and technology are relatively prevalent interests of Kroger shoppers.

Tech and computers are relatively popular hobbies among Kroger shoppers.

**Consumer attitudes**

55% of Kroger shoppers state that they actively try to eat healthy.

15% of Kroger shoppers are innovators or early adopters of new products.

A relatively high share of Kroger shoppers think that crime is an issue that needs to be addressed.

**Marketing touchpoints**

Kroger shoppers access the internet via a tablet more often than the average grocery store shopper.

On social media, Kroger shoppers interact with companies more often than other grocery store shoppers.

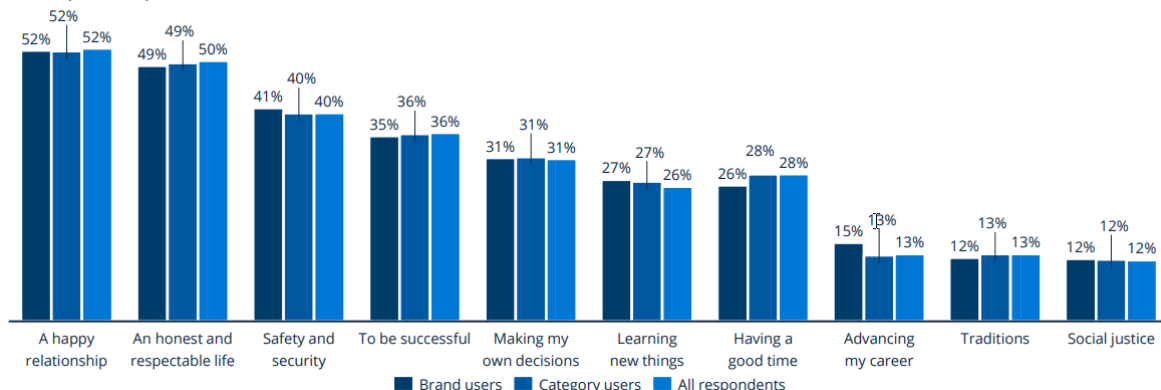
Kroger shoppers relatively frequently consume traditional types of media, like TV and radio.

Note: From "Grocery Stores: Kroger shoppers in the United States," *Statista Consumer Insights*, <https://www-statista-com.ezproxy.emich.edu/study/65539/grocery-stores-kroger-in-the-united-states-brand-report/>. 2022.

**Figure 3**

*Aspects of life that are important to Kroger Shoppers*

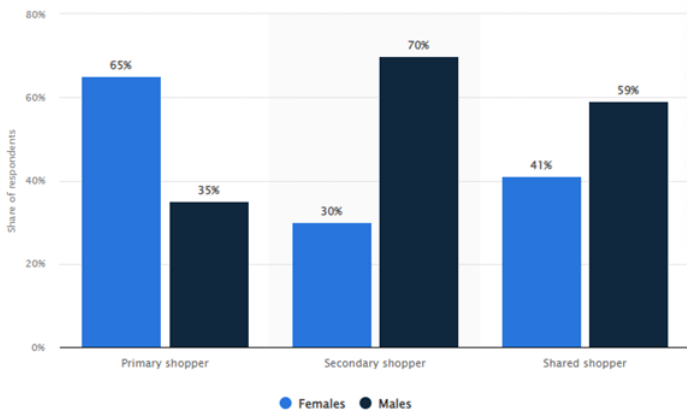
Most important aspects of life for consumers in the U.S.



Note: From “Grocery Stores: Kroger shoppers in the United States,” *Statista Consumer Insights*, <https://www-statista-com.ezproxy.emich.edu/study/65539/grocery-stores-kroger-in-the-united-states-brand-report/>. 2022.

**Figure 4**

*Co-shopping split of groceries in multi-person households in the United States in 2018, by gender*



Note: From “Grocery Shopping Responsibility Share U.S. 2018,” by D. Tighe, 2020, <https://www-statista-com.ezproxy.emich.edu/statistics/817500/grocery-shopping-responsibility-share-us-by-gender/>

**Video 1**

*The Magic Cookbook*

**The Magic Cookbook Video**

<https://www.youtube.com/watch?v=uaa5CpamkTE>