



MERGER ANALYSIS

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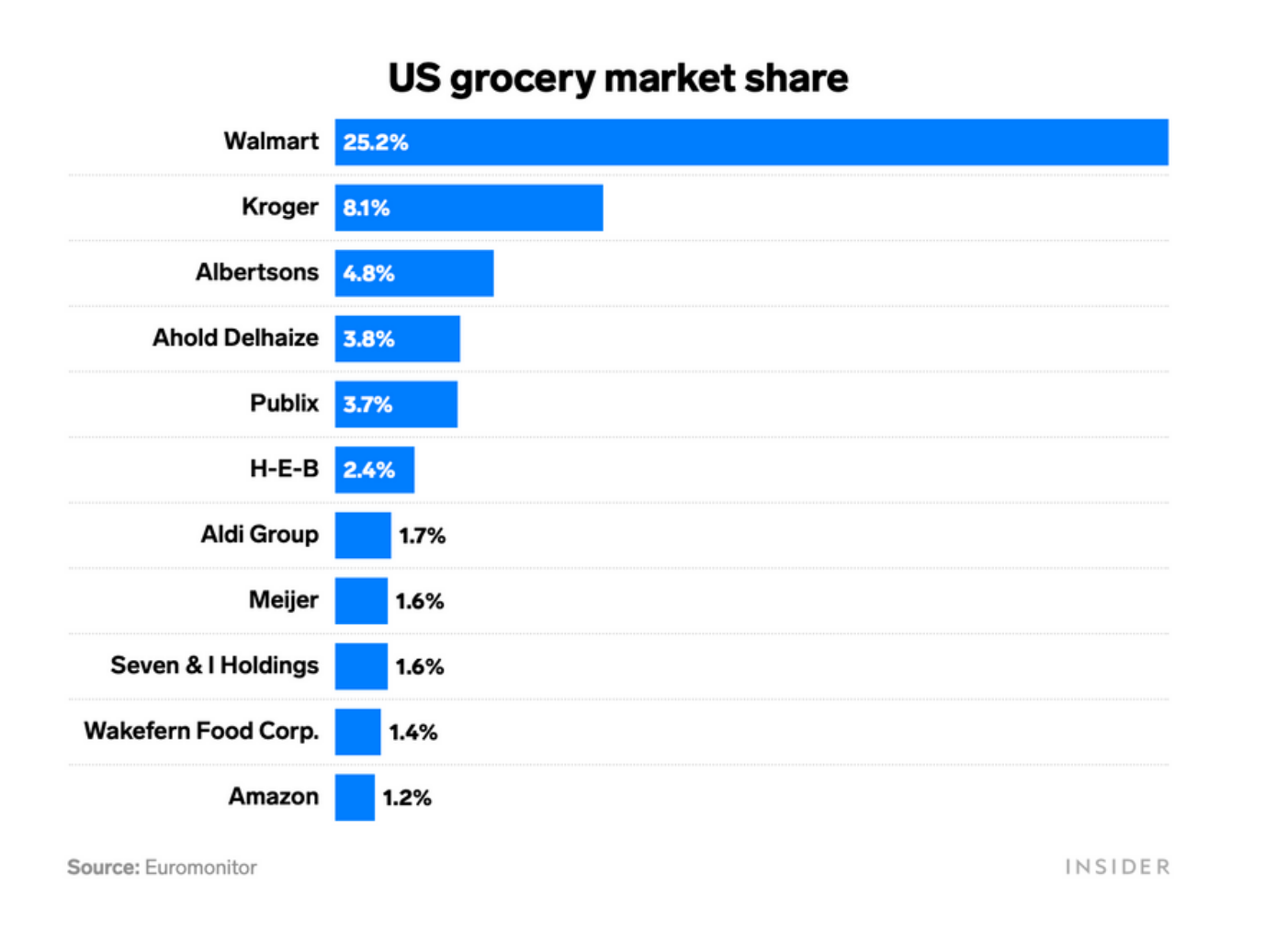
MERGER BACKGROUND

KROGER TO ACQUIRE ALBERTSONS COMPANIES

Kroger proposed the acquisition in October 2022

The acquisition would combine the 2nd and 3rd largest grocery retailers by market share

Growth through acquisition has been common practice



KROGER

8.1%
Market
Share

500,000
Employees

\$148.3B
Total Revenue

2,700+
Stores

Kroger FAMILY
OF
COMPANIES



ALBERTSONS COMPANIES



4.8%
Market
Share

\$77.6B
Total Revenue

107,300
Employees

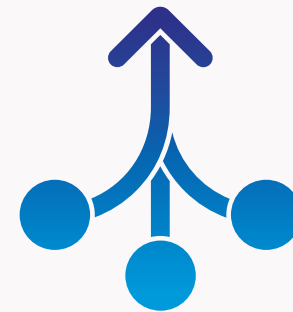
2,000+
Stores

WHY MERGE?



GROWTH

- Internal growth challenges.
- Accelerate market entry and customer acquisition.
- M&A as a strategy for rapid expansion.



CONSOLIDATION

- Sector overcapacity.
- Balancing supply with demand.
- Enhances market efficiency.



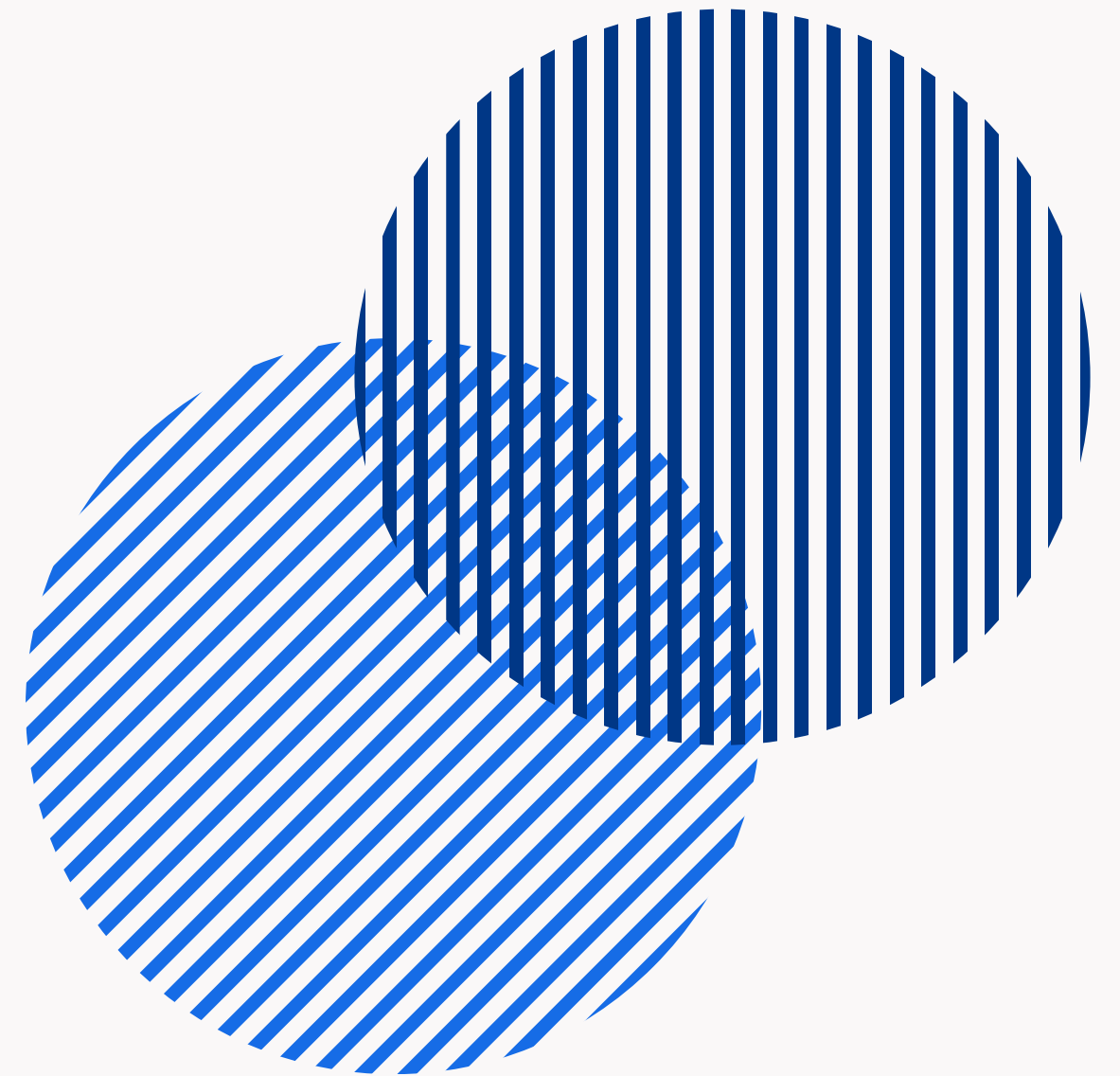
COST EFFECTIVENESS

- Achieving economies of scale.
- Reducing redundancies and costs.
- Competing in a tough market environment.

M&A LOGIC

5 TYPES OF MERGERS:

- **Conglomerate** - Disney & ABC
- **Horizontal** - Exxon & Mobil
- **Market Extension** - Marriott & Starwood Hotels
- **Vertical** - Amazon & Whole Foods
- **Product Extension** - Google & Youtube



M&A LOGIC

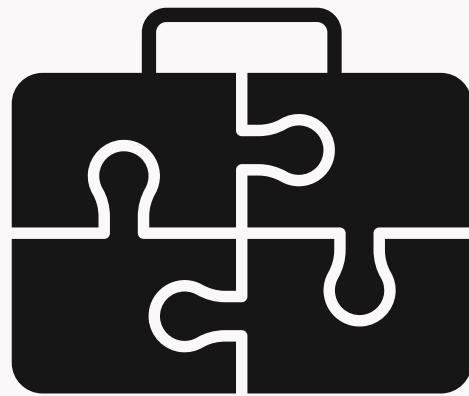
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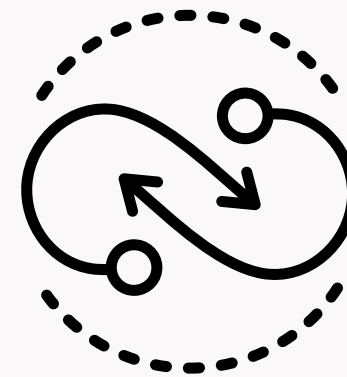
HORIZONTAL MERGER

- Merge to dominate market share.
- Build economies of scale and reduce competition.
- Increased regulatory scrutiny and stringency.
- Risk of value loss if integration is incomplete.
- Goal: Create value greater than the sum of the parts ($1 + 1 > 2$).

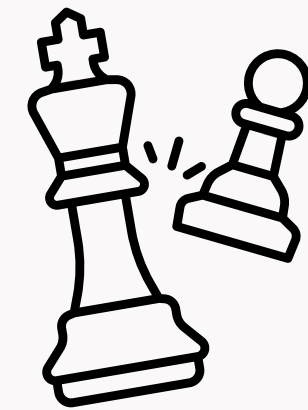
KROGER X ALBERTSONS: HORIZONTAL MERGER



**MARKET
CONSOLIDATION:
GROCERY SECTOR**



**SYNERGIES:
ECONOMIES OF SCALE**

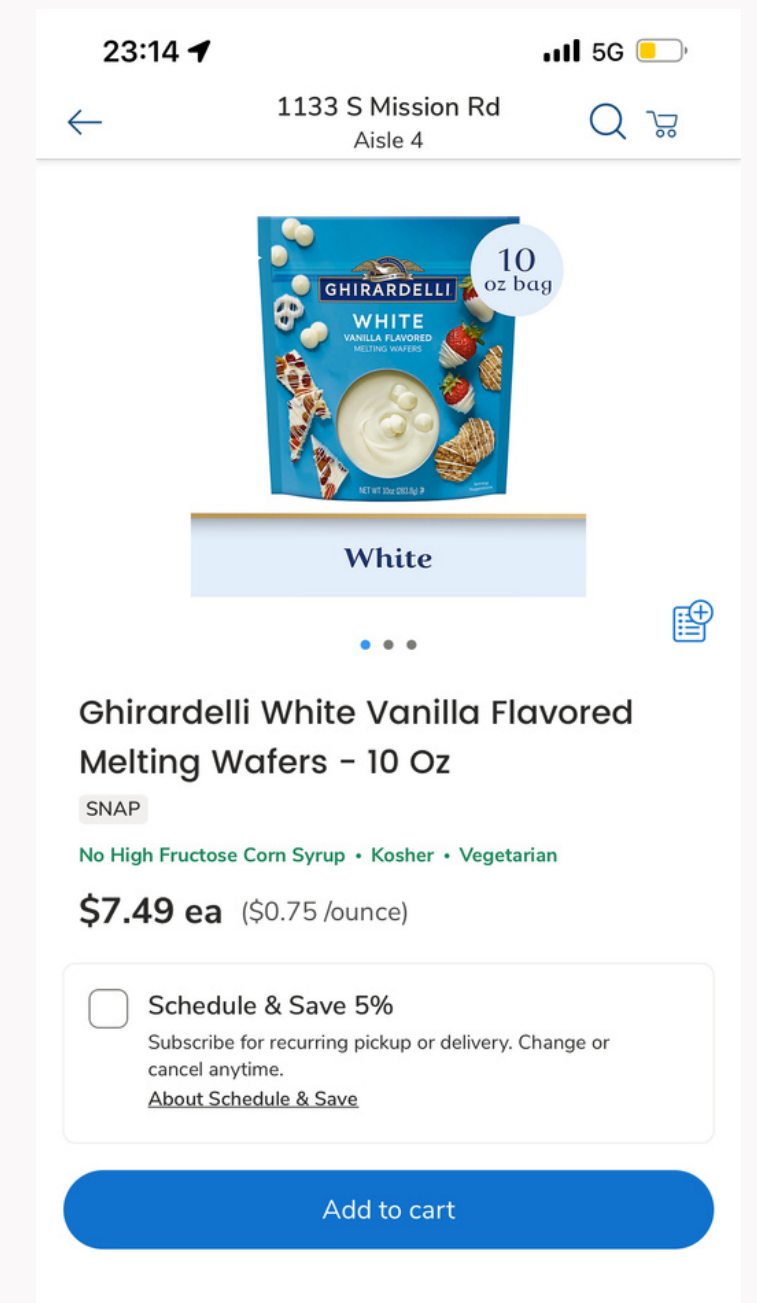
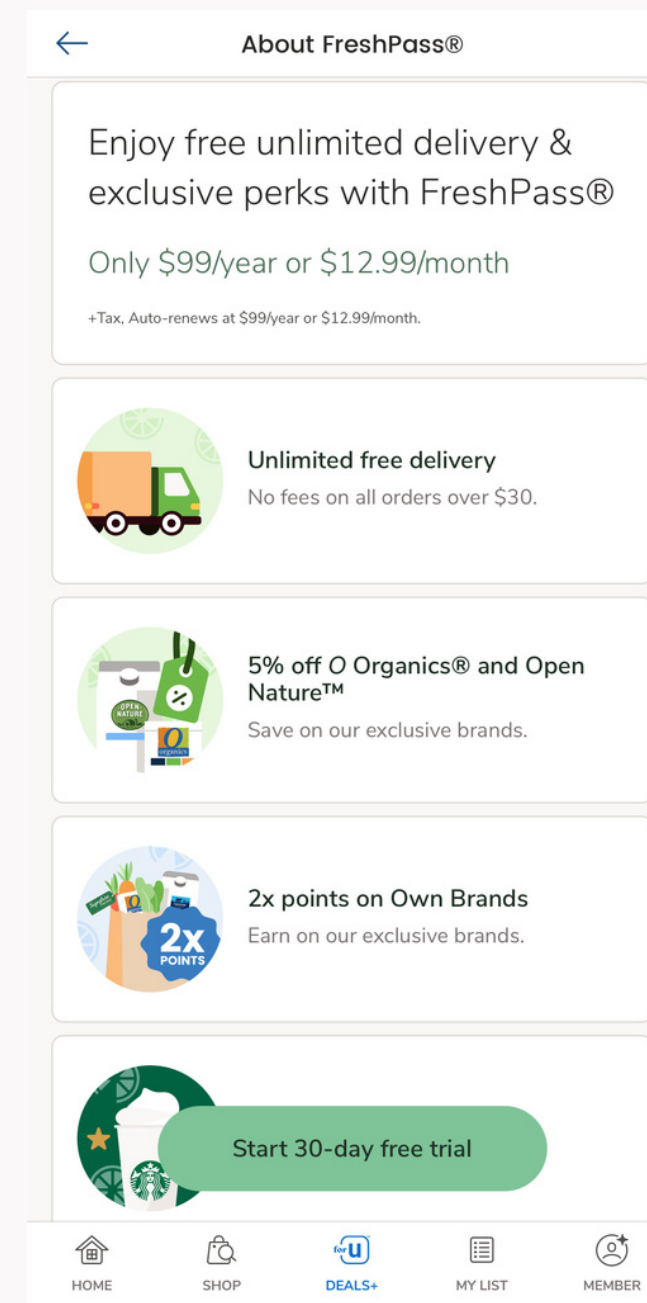


**BETTER
COMPETITOR:
VS AMAZON, COSTCO, WALMART**

ALBERTSONS INDUSTRY 4.0

Partnerships with Google AI, Adobe

- Drive Up and Go (DUG)
- Temperature Controlled Pickup Kiosks
- Two-Hour Fulfillment
- Remote Controlled Delivery Robots
- Shoppable Maps
- AI Powered Conversational Commerce
- Predictive Grocery List Building
- Micro Fulfillment Centers (MFC's)
- Natural Language Processing Technology
- FreshPass



KROGER INDUSTRY 4.0

- Re-Stock Kroger
- Scan, Bag, Go Program
- Autonomous Vehicle Delivery
- Smart Shelves Technology
- 84.51 Precision Marketing
- THE HIVE
- AI and Advanced Robotics
- Drone Delivery
- Hub-and-Spoke Delivery Model



COVID-19: RAPID CHANGE AND ADOPTION

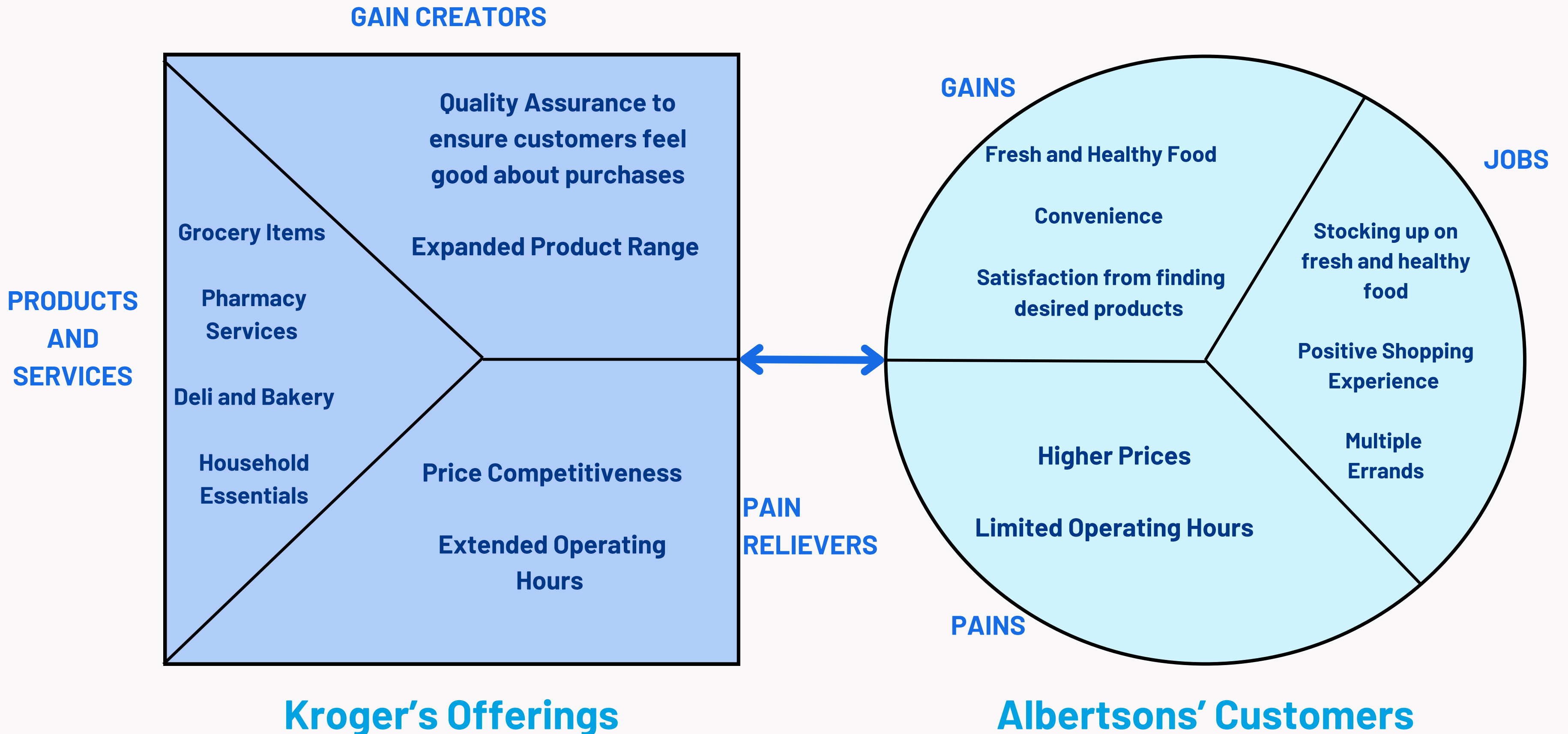


Prior to Covid, 98% of grocery shopping was done in store

Peak Covid saw that number go down to 85%



BUSINESS MODEL FIT - VALUE PROPOSITION



FIRST 100 DAY INTEGRATION

Focus: Key integration areas to ensure smooth consolidation of operations, cultures, and customer experiences

1

UNIFIED LEADERSHIP & COMMUNICATION STRATEGY

- Set up Integration Management Office
- Ensure transparency and reduce uncertainty

2

CULTURAL INTEGRATION & EMPLOYEE ENGAGEMENT

- Blend organizational cultures
- Retain talent and maintain morale

3

REGULATORY COMPLIANCE & CUSTOMER ASSURANCE

- Comply with all regulatory approvals
- Communicate benefits of the merger

COMMUNICATION STRATEGY

Merger dedicated website to communicate to stakeholders valuable information and updates

Kroger | Albertsons Companies

Home Benefits of the Merger Resources Comprehensive Divestiture Plan Support for the Merger

Lowering Prices and Serving More of America with Fresh, High-Quality and Affordable Food

Kroger | Albertsons Companies

Home Benefits of the Merger Resources Comprehensive Divestiture Plan Support for the Merger

Merger Information

- Merger Information
- Commitment to Lowering Prices
- Grocery Industry Landscape
- Food-Retail Competition & Antitrust Law
- Debunking Common Merger Myths

Press Releases

FEBRUARY 26, 2024
Kroger Issues Statement on FTC Decision to Block Proposed Merger with Albertsons Companies [Download PDF](#)

FEBRUARY 13, 2024
Kroger to Lower Prices Following Merger with Albertsons Cos [Download PDF](#)

JANUARY 15, 2024
Kroger, Albertsons and C&S Statement on Merger Timeline to Close [Download PDF](#)

SEPTEMBER 19, 2023
Kroger Pledges to Increase Shelf Space Dedicated to Local Products [Download PDF](#)

FIRST 100 DAY INTEGRATION

These priorities are designed to ensure a smooth transition, maintain business continuity, and leverage synergies between the merged entities, setting a solid foundation for future success

4

IT SYSTEMS & CYBERSECURITY INTEGRATION

- Assess and integrate IT systems
- Strengthen cybersecurity to protect data

5

OPERATIONAL & FINANCIAL SYSTEMS INTEGRATION

- Merge supply chains and distribution networks
- Identify cost-saving synergies

6

HR & WORKFORCE MANAGEMENT

- Align HR policies, benefits, & compensation plans
- Implement training for new systems

RISK ANALYSIS

RISK MATRIX		IMPACT			
		LOW	MEDIUM	MAJOR	HIGH
PROBABILITY	VERY LIKELY		REGULATORY APPROVAL DELAY	FLUCTUATIONS IN FINANCIAL MARKET	WORKFORCE INTEGRATION CHALLENGES
	MODERATE		CUSTOMER RETENTION		SUPPLY CHAIN DISRUPTIONS
	UNLIKELY				

RISK MITIGATION & CONTINGENCY DEVELOPMENT

Risk Scenario	Color Code	Mitigation	Contingency	Responsible
Regulatory Approval Delay	Yellow	Create a detailed plan to communicate with employees	If approval is slow, look into selling parts of the business	Legal and Compliance Team
Customer Retention	Yellow	Communicate benefits of the merge for customers	If customers start leaving, start loyalty programs	Marketing and Sales Team
Supply Chain Disruptions	Orange	Find key suppliers and assess their vulnerability. Diversify sources and establish backup plans	If there are disruptions, use backup suppliers	Procurement and Logistics Team
Workforce Integration Challenges	Red	Develop a comprehensive communication plan for the employees	If any problems occur with integration, introduce it in stages	HR and Integration Team
Fluctuations in Financial Market	Red	Monitor market conditions closely. Use strategies to protect losses	If market instability increases, review finances and update investment	Finance and Treasury Team

DUE DILIGENCE



SYNERGIES

- \$1 Billion Cost Savings
- \$200 Billion Value
- 13.5% Market Share
- 5,000 Stores
- 24 Distribution Centers
- 700,000 Employees



Synergies	Sales Synergies			Cost Synergies		
	Cross and Up Selling	New Geographies	Strategic Growth Opportunities	Scale	Scope	Optimization
Customers	✓	✓		✓		
Workplace				✓	✓	✓
Real Estate		✓	✓	✓	✓	✓
Supply Chains		✓		✓	✓	✓
Private Label	✓		✓	✓	✓	
Investments			✓			✓

Via Progressive Grocer and Kroger-Albertsons Website

RECOMENDATIONS

- **Advance Merger with Strategic Initiatives:**
 - Move forward with the Kroger and Albertsons merger, incorporating Industry 4.0 innovations and leveraging pandemic-induced shifts in consumer behavior.
- **Proactive Regulatory Strategy:**
 - Develop a detailed plan to proactively address and mitigate FTC concerns in due diligence, emphasizing the consumer benefits and competitive necessities of the merger.
- **Optimize Operations with 'The Hive':**
 - Deploy 'The Hive' operations technology to streamline in-house processes and enhance customer service, driving cost efficiencies.
- **Comprehensive Stakeholder Communication:**
 - Craft a multifaceted communication plan targeting current and prospective customers to transparently outline the merger's impact, ensuring brand loyalty is maintained.
- **Internal Alignment and Workforce Morale:**
 - Implement an internal communication strategy that emphasizes the value of employee contributions post-merger and reinforces the company's commitment to its workforce.
- **Capitalize on E-Commerce Growth:**
 - Leverage the expanded market footprint to boost online grocery shopping offerings, positioning Kroger x Albertsons firm as prime competitor against e-commerce giants like Amazon.





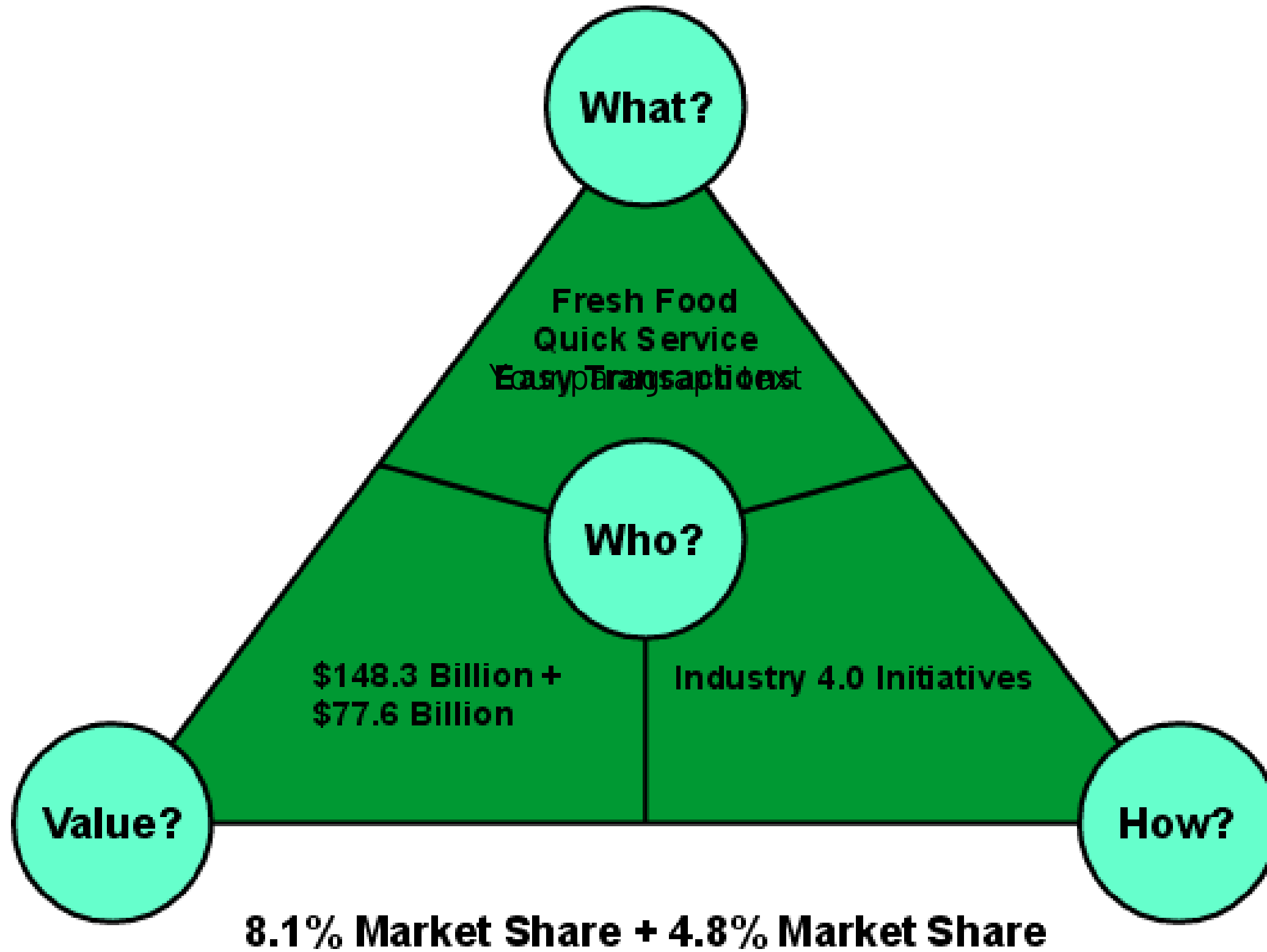
**THANK
YOU !**



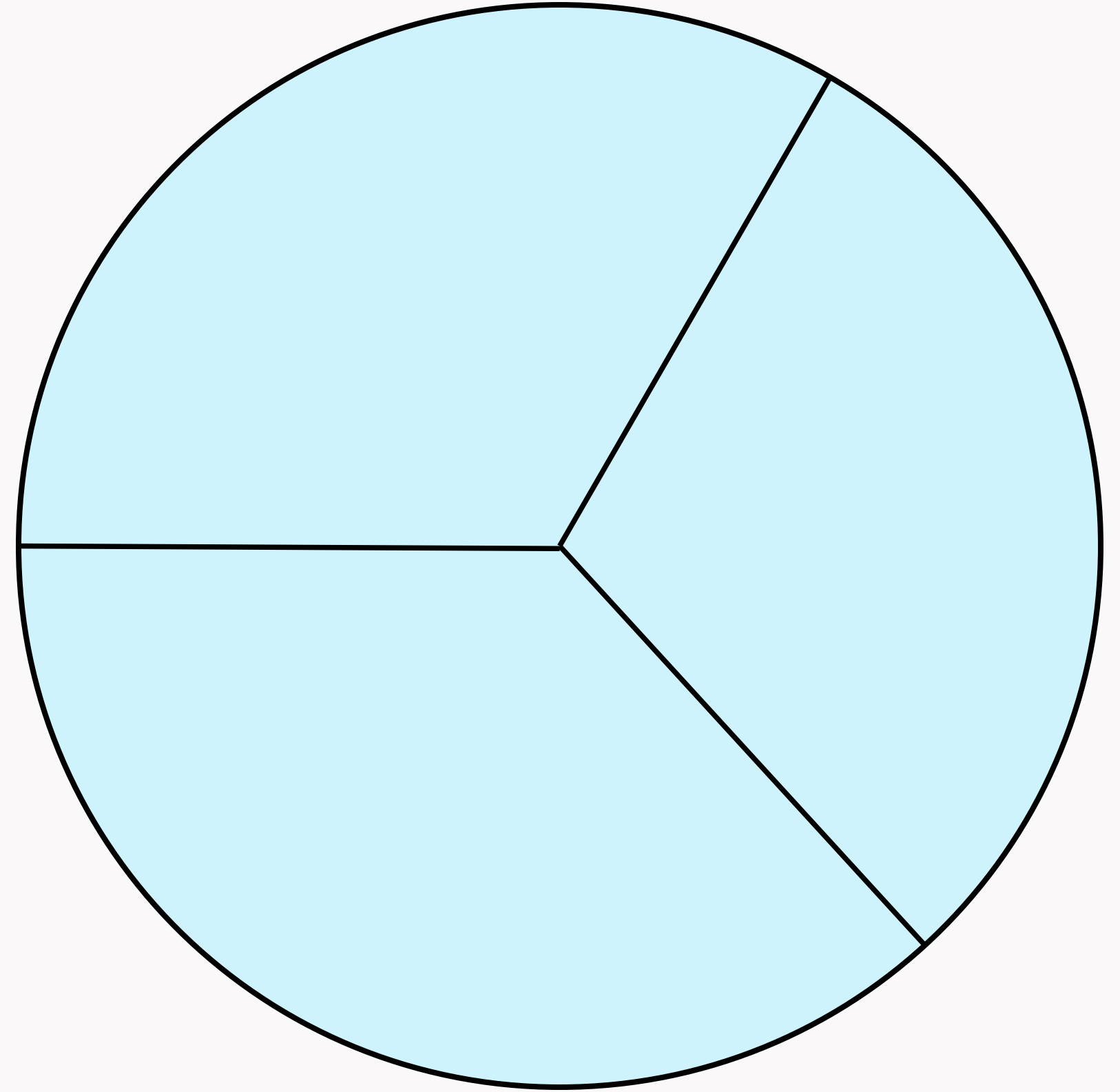
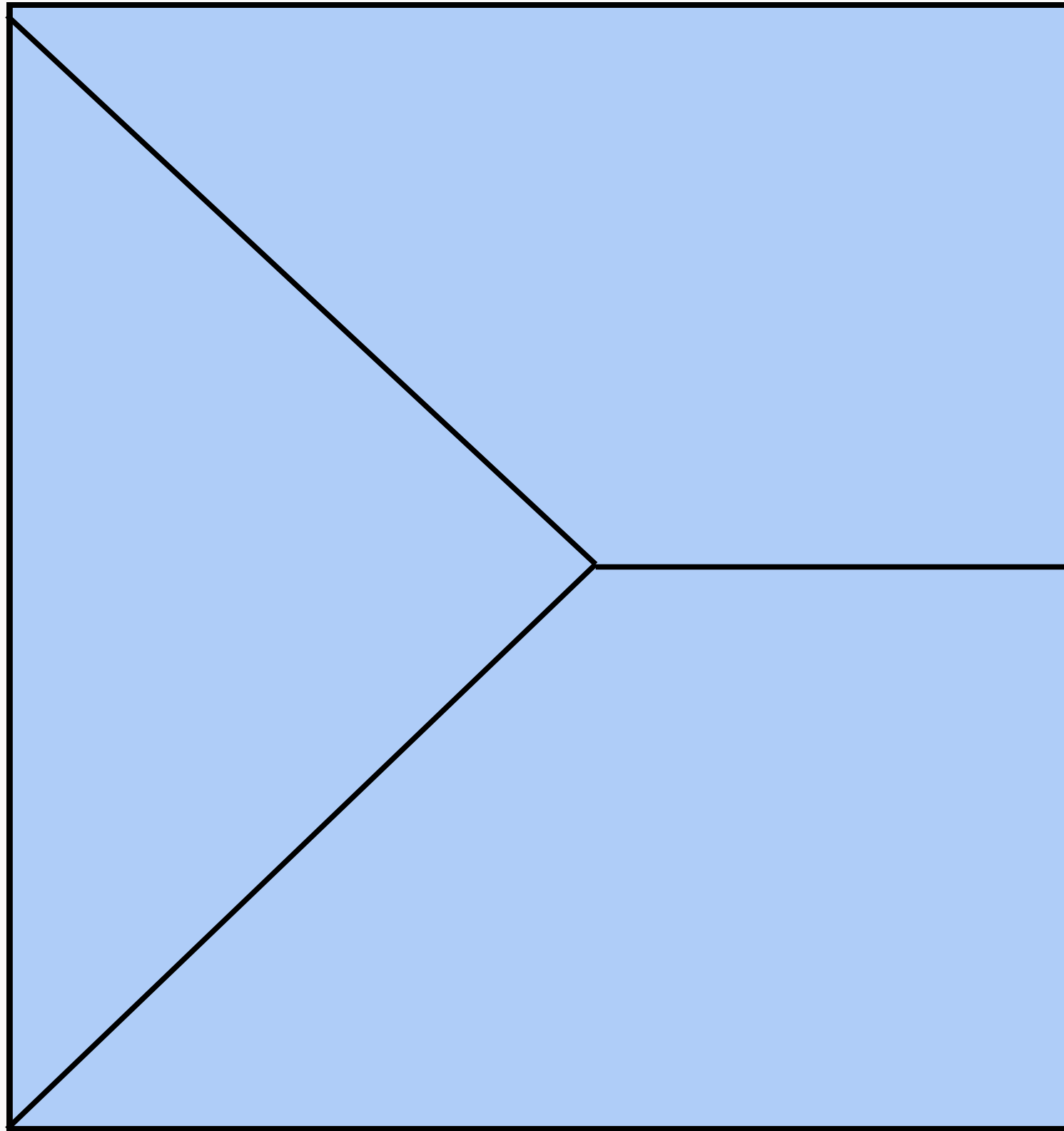
APPENDIX

St. Gallen Business Model

Kevin to add more text



VALUE PROPOSITION CANVAS



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