

In 2024, Kroger/Albertsons is Not (Even Close to Being) a “Grocery Monopoly” Scott Moses – August 2024

There once was a time – decades ago – when supermarket grocers were the only place to shop for groceries. That time has long since passed. The grocery market has changed drastically; there is more grocery choice, competition, convenience and price transparency than ever before, particularly with the rise of online grocery obviating the need to go to different stores to price check.

We all know this, because the average family today shops at five different grocers on a regular basis. Somehow, the FTC thinks it reasonable to base its case attempting to block the Kroger / Albertsons merger on the willfully blind notion that these two supermarket chains are the only two grocers in many markets. This may have been the case many years ago; but in 2024, it is simply not true. Not. Even. Close.

The FTC excludes from its 1980s “grocery market” definition the top five global grocers – Walmart, Costco, Lidl, Aldi/Trader Joe’s and Amazon/Whole Foods – as well as many other strong West Coast grocers like Sprouts, WinCo, Grocery Outlet, Dollar General, Dollar Tree/Family Dollar, El Super/Smart & Final, Cardenas, Northgate, Vallarta, 99 Ranch, HMart, Metropolitan Market, New Seasons. Online grocery is ignored as if it hasn’t been invented yet.

The only way people can shop in the gerrymandered grocery industry the FTC describes would be to get a DeLorean, a Huey Lewis cassette and Marty McFly to take you *back in time* to the 1980s; it doesn’t exist in 2024.

WEST COAST GROCERY IS HIGHLY COMPETITIVE



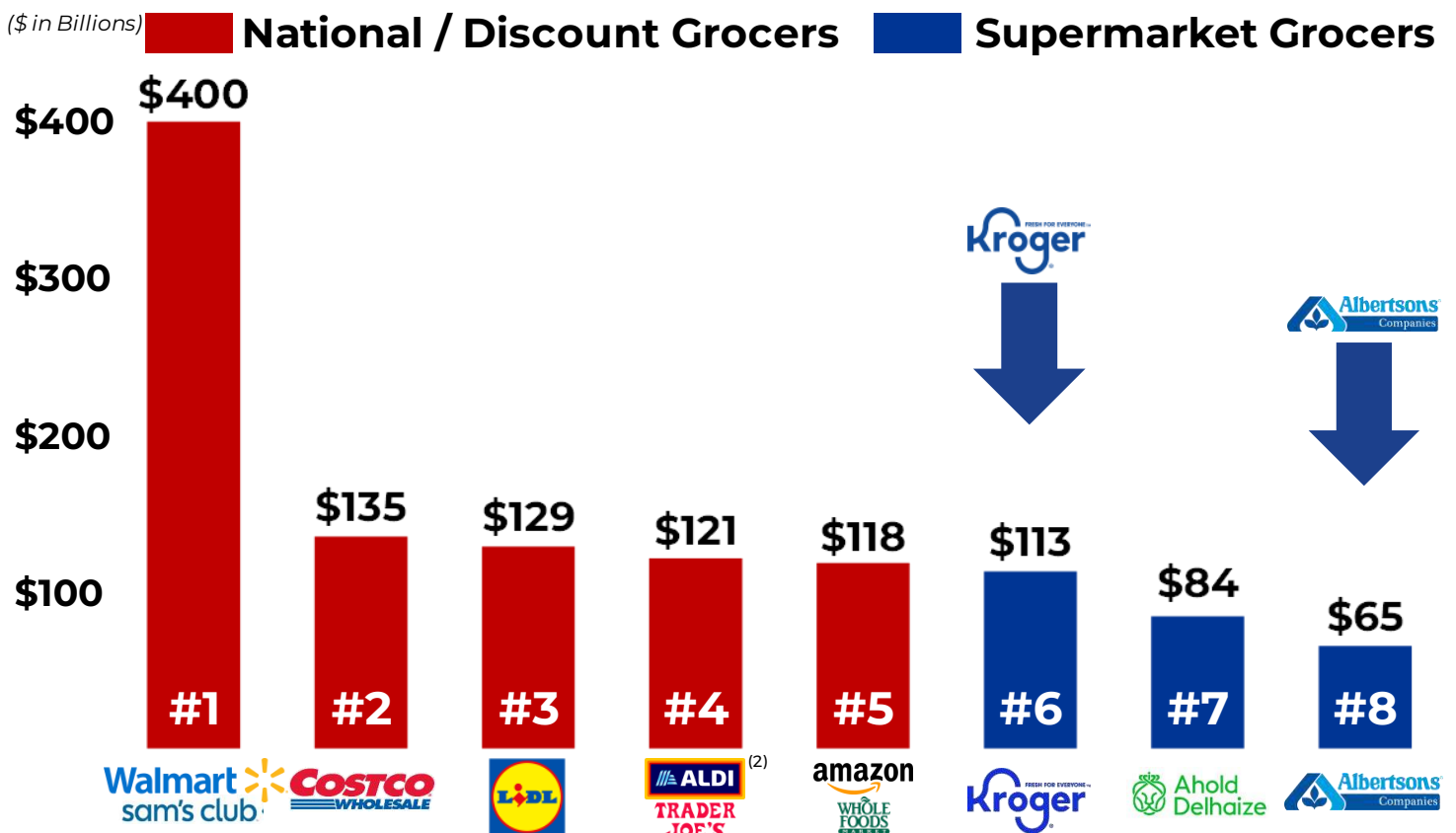
Intense Grocery Competition From Global Grocery Leaders

American grocery is now dominated not by supermarket grocers – which today have only about 34% U.S. grocery market share (and falling fast) – but rather by much larger “national / discount grocers” like Walmart, Costco and Aldi and Amazon/Whole Foods, which are the world’s #1, #2, #4 and #5 grocers, respectively (Lidl is #3).

Globally, Kroger is only ranked #6; Albertson’s is #8.

KROGER AND ALBERTSONS ARE RANKED JUST #6 AND #8 IN GLOBAL GROCERY SALES

GLOBAL GROCERY SALES RANKINGS (U.S. GROCERS) ⁽¹⁾



Source: Company Filings & Company Websites as of August 2024.

1) Among grocers with operations in the U.S.

2) Includes Aldi Sud 2023 & Aldi Nord 2022 figures, which represents the latest publicly available information. Pro forma for MW Dixie and Harvey's stores recently acquired.

These national / discount grocers, with extraordinary global reach and vast non-food sales to subsidize their enormous and continuously-growing grocery businesses, now have roughly 66% U.S. grocery share, having added over 30% market share in the past 20 years. The top four supermarket grocers – Kroger, Ahold Delhaize, Albertsons and Publix – have lost ~15% share, and there are still no national supermarket grocers.

TODAY, ENORMOUS NATIONAL / DISCOUNT GROCERS CONTROL 66% OF U.S. GROCERY; WALMART HAS NEARLY AS MUCH AS ALL SUPERMARKET GROCERS COMBINED

National /
Discount
Grocers
66%



Source: Company filings and Capital IQ as of August 2024.
Note: Reflects annual U.S. grocery sales, excluding pharmacy, fuel and other nongrocery categories. Amazon figures reflect 90% of North America sales (U.S. not reported).
Aldi figures include the recent acquisition of Winn-Dixie and Harveys stores.

Walmart is the world's – and America's – largest grocer, by a very wide margin. Its \$324 billion U.S. grocery business – with 30% national share – is almost as big as all U.S. supermarket grocers, combined.

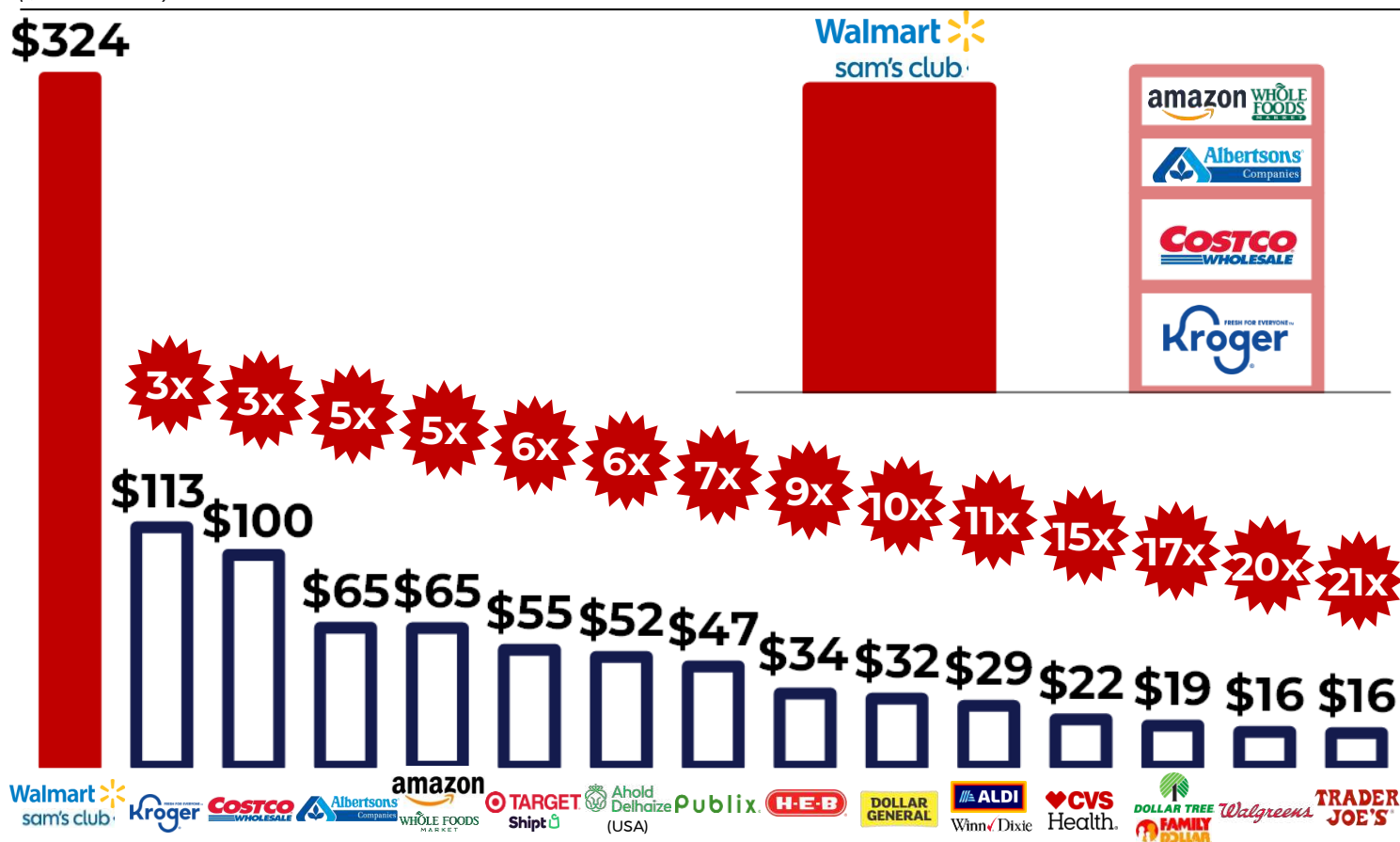
In fact, Walmart's U.S. grocery business is three times the size of Kroger's; twice as large as Kroger / Albertsons; and roughly as large as the next four U.S. grocers – Costco, Kroger, Amazon and Albertsons – combined.

WALMART, AMERICA'S #1 GROCER, HAS U.S. GROCERY SALES THAT ARE MANY TIMES ITS GROCERY COMPETITORS

U.S. GROCERY SALES

(\$ In Billions)

\$324



Source: Company filings and Capital IQ as of August 2024.
Note: Reflects annual U.S. grocery sales, excluding pharmacy, fuel and other nongrocery categories. Amazon figures reflect 90% of North America sales (U.S. not reported).
Aldi figures include the recent acquisition of Winn-Dixie and Harvey's stores.

Costco is the world's #2 grocer – #3 in the U.S. – just behind Kroger, but the #2 grocer on the West Coast (Walmart is, of course, #1). Most Costco sales are groceries and ~40% of U.S. households are paid members. Amazingly, the average Costco store sells 5x the groceries of the average U.S. supermarket. **Costco's U.S. grocery business is 50% larger than Albertsons'.**

Aldi is the world's #4 Grocer – #2 in Europe with over 13,000 global stores, including 2,800 in the U.S. (which is more than Kroger). Aldi is owned by Germany's Albrecht family, the 11th-wealthiest in the world; they also own Trader Joe's. Aldi's U.S. grocery sales are up 10x in 20 years, to nearly \$30 billion. Aldi's CEO Jason Hart recently said, "It's our goal to be America's first stop for grocery shopping," noting that 25% of U.S. customers now shop at Aldi, twice what it was just six years ago.

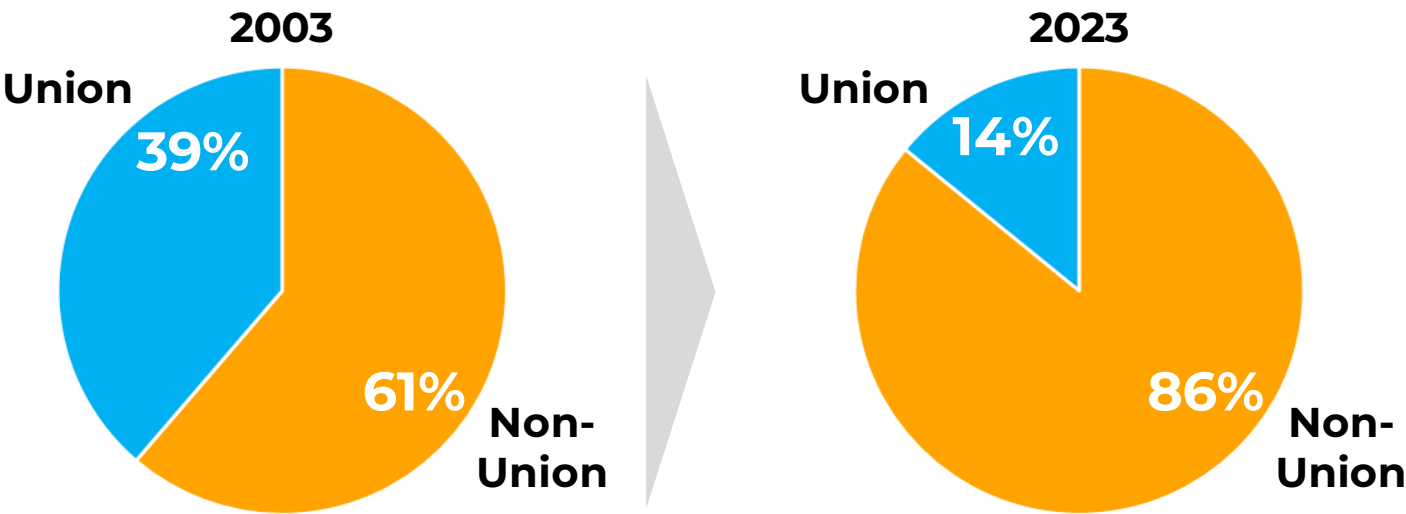
Amazon/Whole Foods is the world's #5 grocer – also #5 in the U.S., but soon to be #4 when it overtakes Albertsons. Amazon has clearly had the same epiphany as Walmart did 30 years ago: to be the world's #1 retailer, you need to be the #1 Grocer. In June 2017, when Amazon bought Whole Foods, FTC Chair Lina Khan herself predicted that Amazon would **"shut out or disfavor rival grocers,"** presciently warning of the dire consequences Amazon's grocery rise would have on regional grocers like Kroger and Albertsons (note you can't be a **"rival"** in something you're not).

Intense Labor Competition From Thousands of Non-Union Grocers and Other Employers

Since national / discount grocers are almost entirely non-union employers, unionized grocers have fallen from nearly 40% to 14% of grocery jobs at the top 15 Grocers over the past 20 years. Walmart, Costco, Amazon and other multinational corporations are not only taking market share, but taking millions of grocery jobs.

NON-UNION GROCERS HAVE TAKEN THE VAST MAJORITY OF AMERICAN GROCERY JOBS IN THE PAST 20 YEARS

UNION VS. NON-UNION JOB SHARE – TOP 15 GROCERS

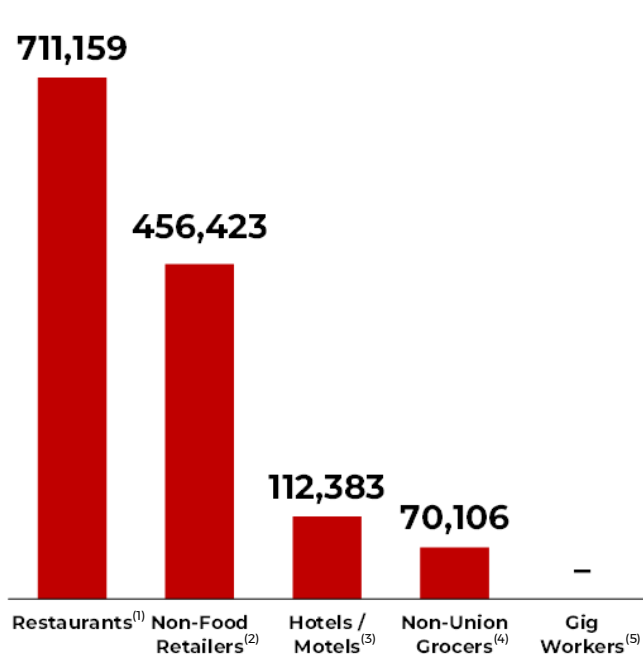


Note: Represents Top 15 U.S. Grocers in 2003 and 2023.

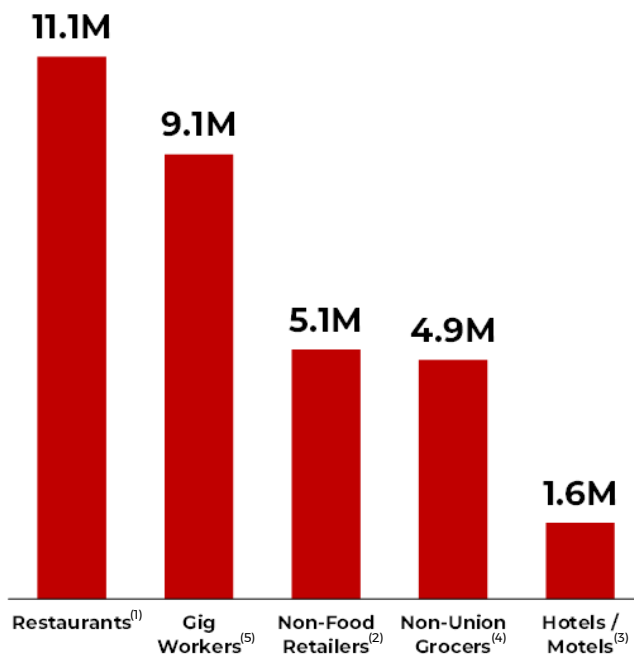
The FTC argues that unionized grocery employees – a sliver of American retail employees – are a rigid, monolithic class of workers that only seek grocery jobs. While I have been a staunch public supporter of our essential grocery teammates across the country, this is simply not accurate. In today’s labor environment, unionized grocers compete – every day – for employees with thousands of companies offering millions of jobs, including non-union grocers, fulfillment centers, restaurants, hotels, non-grocery retailers (like Macy’s, Ulta, Home Depot and Foot Locker) and popular gig economy leaders (like Uber, Door Dash and Instacart), among countless others.

SUPERMARKET GROCERS COMPETE FOR TEAMMATES WITH THOUSANDS OF COMPANIES EMPLOYING MILLIONS OF PEOPLE

STORES/RESTAURANTS/HOTELS



JOBS



Source: U.S. Bureau of Labor Statistics, IBIS and publicly available information as of August 2024.

1) Includes restaurants and other eating places per BLS. There are ~283,000 restaurant businesses in the U.S. per IBIS.

2) Includes health and personal care, clothing, clothing accessories, sporting goods, hobby, book, music, general merchandise and miscellaneous stores per BLS.

3) Includes hotels (excluding casino hotels) and motels per BLS. There are ~112,000 hotel and motel businesses in the U.S. per BLS.

4) Includes Walmart, Costco, Amazon, Target, Publix, CVS, Dollar General, HEB, Aldi, Dollar Tree, Walgreens, Trader Joe's, BJ's, Grocery Outlet, Smart & Final and Save-A-Lot, which operate 70,106 stores across the U.S.

5) Includes DoorDash, Instacart and Uber. Employee count represents the aggregate number of independent contractors; these companies employ ~53,000 full-time employees.



Union employees at larger, stronger grocers usually get better wages and benefits than those at smaller, weaker grocers that can't afford them. Let's be candid: the FTC's mandate is to protect **consumers**; all things being equal, higher costs mean higher prices for consumers at the checkout line. You can't have it both ways if you want supermarket grocers to continue to serve our communities in the long-run.

Lowering Prices and Strengthening Union Jobs While Preserving Supermarket Grocery in America

In short, supermarket grocers like Kroger and Albertsons are being marginalized by national / discount operators, just like America's department stores over the last 30 years. That example is neither theoretical nor disputable – we've all witnessed it. The crucial question is whether America's supermarket grocers should have to accept the same path to irrelevance. The answer – in our capitalist society – is obvious; **they must be allowed to respond**.

Supermarket grocers have been pillars of thousands of American communities for generations, providing great first jobs and careers, and helping us feed our families in crisis after crisis. They're a critical component of the fabric of this country, and they should be allowed to control their own destiny to avoid department stores' fate.

This is why Kroger and Albertsons are merging – to lower prices and protect union jobs.

A stronger Kroger will be better able to lower prices even more, to better compete with Walmart, Costco, Aldi Amazon/Whole Foods and its other national / discount grocery peers. Kroger has publicly committed to lower prices

by several hundred million dollars – Day One – and improve wages by a billion dollars, consistent with its 20-year track record of doing so, both company-wide and at acquisitions like Harris Teeter and Roundy’s.

Lowering prices is literally Kroger’s business model (“Customer 1st”); it is their only path to long-run relevance as grocery competition from larger global peers continues to intensify.

The merger is good for American grocery shoppers, teammates and communities. It will help preserve a place for local supermarkets in the grocery industry of tomorrow that Walmart, Costco, Aldi and Amazon are poised to continue to dominate. It will help prevent supermarket grocers from replicating the demise of department stores.

The FTC’s complaint suggesting that Kroger and Albertsons could somehow comprise a grocery monopoly – **in 2024 America** – ignores these undeniable mathematical grocery facts.

Fortunately, misleading talking points and anachronistic arguments requiring a time machine are not admissible in court, but facts are. And in 2024, we all have friends, families and colleagues who regularly shop at a long list of grocers.

In full disclosure, I am working with Albertsons on the merger (mainly to help educate folks on the significant changes our industry has experienced – about which I have been writing and speaking publicly for many years). But that fact does not make any of these grocery facts any less true.

KEY KROGER / ALBERTSONS FACTS

- 1. 2024 Grocery is Not 1980s Grocery**
- 2. Kroger’s Long Track Record and Clear Commitments:
Better Prices and Better Wages**
- 3. Supermarket Grocers Compete for
Employees with Thousands of
Companies Offering Millions of Jobs**
- 4. C&S Is a Strong Divestiture Buyer**