

# Kroger cuts prices to keep pace in fight for US consumers' grocery dollars

Article

**The news:** Kroger's efforts to lower grocery prices resonated with [deal-seeking shoppers](#) in Q2, allowing it to grow comparable sales more than expected and raise its full-year guidance.

- Excluding fuel, identical sales grew 1.2% year over year (YoY), outpacing the average LSEG analyst estimate of 0.93% growth.
- Profits also beat expectations: Adjusted earnings per share (EPS) reached \$0.93, surpassing LSEG’s forecast for \$0.91.
- Kroger now expects identical sales (minus fuel) to grow between 0.75% and 1.75% in FY 2024, an upgrade from its prior estimate of 0.25% to 1.75% growth.

**The strategy:** Kroger CEO **Rodney McMullen** credited the grocer’s solid performance to “a compelling combination of affordable prices and personalized promotions on great quality products,” which enabled it to both expand its customer base and increase store visits.

- Kroger’s ability to offer lower prices is key to its long-term strategy, per McMullen, as it draws in more shoppers, which then fuels “alternative profit businesses”—i.e., retail media—and creates greater efficiencies within the organization.
- That strategy is why the grocer is so keen to acquire **Albertsons**. The deal would not only give Kroger more power to negotiate with suppliers and (in theory) deliver lower prices for shoppers, but also create a **much larger retail media network** with a reach of roughly 85 million households—not to mention access to a huge trove of customer data.

**Zoom out:** Kroger’s Q2 results underscore the broader price sensitivity underpinning consumers’ grocery choices. While grocery prices were flat month-over-month (MoM) and up just 0.9% YoY in August, shoppers continue to rate **food inflation** as one of their biggest concerns, which is driving them to seek out cheaper brands and retailers.

- **Roughly 7 in 10 consumers (69%) are very or extremely concerned about retail food inflation**, per FMI’s latest **US Grocery Shopper Trends 2024** report.
- As a result, **79% say that getting good value is their top priority when grocery shopping**, while 63% continue to look for deals and are adjusting where they shop and what they buy to manage expenses.
- That includes trading down to **private labels**, which accounted for nearly one-quarter (24%) of unit volumes across 10 major product sectors tracked by **Numerator** for the 12 months that ended in June.
- Kroger pointed to the shift to store labels as a reason for its improved profitability in the quarter, helped by the expansion of its Smart Way brand—which, per Numerator, is the

fastest-growing private label by unit sales. **Over 90% of households that bought items from the grocer in Q2 purchased private label products**, McMullen said.

**Our take:** While Kroger’s price-cutting efforts are winning over consumers, it faces a difficult operating environment—not least due to fierce competition from **Walmart** and **Amazon**, the latter of which is also cutting prices to sharpen its appeal to cost-sensitive shoppers. Still, the retailer expects its positive momentum to continue into the second half of the year, helped by its efforts to lower prices, as well as by the trend of more households eating at home to save money.

**Cost Saving Measures That US Adults Have Recently Taken While Grocery Shopping, April 2024**

% of respondents



Note: ages 18+  
Source: Civicscience as cited in blog post, Apr 9, 2024

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