

# Opposition to the Kroger-Albertsons merger is growing

Article

**The news:** Albertsons reported Q4 revenues and same-store sales growth above analysts' expectations, but offered a cautious outlook due to inflation, rising labor costs, and economic uncertainty.

- Same-store sales rose by 5.6% year-over-year (YoY). Earnings per share came in at \$0.79, well above the \$0.68 expected by analysts.
- But gross margins declined by 90 basis points due to falling demand for COVID-19 vaccinations, inflation, shrink, and other factors including higher costs related to ecommerce fulfillment.

**The merger:** Albertsons' earnings statement made no mention of its **acquisition by Kroger**, but the deal is still on track to close by early 2024, the latter's CEO **Rodney McMullen** said on the company's most recent earnings call.

- Kroger and Albertsons have repeatedly defended the deal by insisting that the enlarged company would benefit from an expanded network of suppliers, stores, and fulfillment centers, enabling it to lower prices and offer consumers more choice.
- In his Senate testimony, McMullen promised that no frontline workers in stores, warehouses, or manufacturing facilities would be laid off as a result of the acquisition.
- The two companies said they plan to spend \$500 million to keep prices low, and another \$1 billion to improve worker pay and benefits, once the deal has closed.

**The opposition grows:** Despite Kroger's optimism, the proposed merger has run into local, state, and federal opposition amid growing concerns over the potentially damaging effects of grocery consolidation.

- A group of 25 consumers in California, Florida, and Texas filed a **private lawsuit** in early February to prevent the merger, alleging the deal would "be used to increase prices for groceries, decrease the quality of food, eliminate jobs, close stores, and offer less choice for consumers."
- Three produce trade groups submitted a **letter** to the Federal Trade Commission (FTC) calling the merger "anticompetitive," and warned that a combined Kroger-Albertsons would be able to force suppliers to accept below-market rates, which could lead to producer consolidation and eventually higher prices for consumers.
- Workers at 34 Albertsons and Kroger stores around the country protested last week as part of a larger effort by Stop the Merger, a coalition of unions and community organizations opposed to the deal.

- Local officials, including Arizona’s attorney general, are scrutinizing the impact consolidation will have on grocery competition. Kroger and Albertsons together account for nearly half of **Arizona’s grocery sales**.

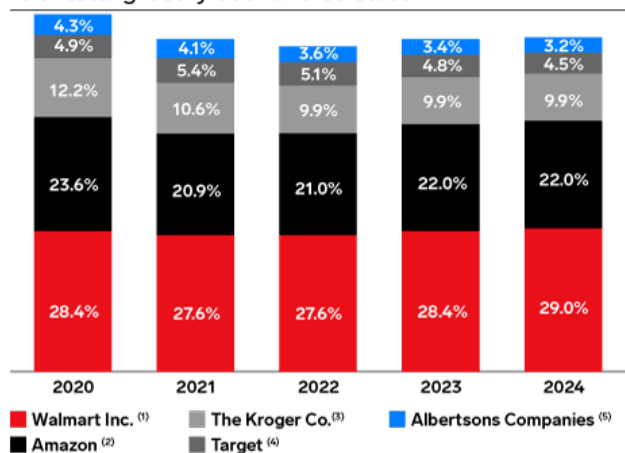
**The big takeaway:** As much as Albertsons and Kroger insist that the merger is intended to benefit consumers, it’s clear that the two companies—and their stakeholders—will be the biggest beneficiaries.

- While the company would still trail **Walmart, Amazon, and Costco** in terms of grocery market share, its expanded footprint would give it a huge **in-store retail media** advantage.

That said, given the weight of public opinion against the deal and vocal opposition from lawmakers on both sides of the aisle, it seems increasingly unlikely the merger will take place.

### US Digital Grocery Sales Share, by Company, 2020-2024

% of total grocery ecommerce sales



Note: excludes fuel; (1) represents the gross value of grocery products sold on Walmart.com and SamsClub.com (browser or app), regardless of the method of payment or fulfillment; includes delivery and pickup, and sales from third-party delivery services; (2) represents the gross value of grocery products sold on Amazon.com (browser or app), regardless of the method of payment or fulfillment; includes Amazon Fresh and Whole Foods Market delivery and pickup; includes direct and marketplace sales; (3) represents the gross value of grocery products sold online (browser or app) from all banners under Kroger, regardless of the method of payment or fulfillment; includes delivery and pickup, and sales from third-party delivery services; (4) represents the gross value of grocery products sold on Target.com (browser or app), regardless of the method of payment or fulfillment; includes delivery and pickup, and sales from third-party delivery services; (5) represents the gross value of grocery products sold online (browser or app) from all banners under Albertsons Companies, regardless of the method of payment or fulfillment; includes delivery and pickup, and sales from third-party delivery services

Source: eMarketer, Aug 2022

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