



**BUYING AND
MERCHANDISING
OPERATIONS
RESEARCH**



APRIL 8, 2025



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I. EXECUTIVE SUMMARY

A. BUSINESS OVERVIEW


Kroger is one of the largest supermarket chains in the United States, and has built its reputation on quality and innovation since its founding in 1883 by Barney Kroger. Kroger's regional brand in the Rocky Mountain region is King Soopers. For the purposes of our research, King Soopers will serve as our pilot brand with our initial implementations focused on two locations in Castle Rock, Colorado. King Soopers is comprised of departments including produce, merchandise, pharmacy, and fuel centers, with each store grossing on average \$52.5M in revenue per year. Its local competitors are Walmart, Sam's Club, Target, Whole Foods, and Safeway.

B. CORE OBJECTIVE

Our goal is to develop a new and improved AI system within Kroger to enhance both **customer experience** and **operational efficiency**. By implementing new AI innovations, we will address key customer pain points and improving overall store performance. Ultimately, this initiative will strengthen Kroger's market position, giving it a competitive advantage in the grocery industry.

C. RESEARCH METHODS

Our team employed a comprehensive mix of both primary and secondary research methods to gather valuable insights and data. By combining these approaches, we are able to ensure a thorough understanding of the issues at hand, allowing us to create actionable solutions that are well-informed and tailored to effectively address the needs of our target audience.



FRED THE FAMILY MAN
MILLENNIAL - GEN X

PROFILE

GENDER		MALE
AGE		35-54
LOCATION		CASTLE ROCK, CO.
INCOME		\$139,459

BACKGROUND
Fred is a thoughtful, family-oriented shopper who values quality, tradition, and personal connections with the stores and products he chooses. He is adaptable but appreciates simplicity and convenience, particularly as he navigates the changes that come with aging.

VALUES

- Health
- Family
- Quality
- Simplicity
- Budgeting

PAIN POINTS
Fred is frustrated by rising grocery prices. He's noticed that many items have gone up in cost, which means he has to be more strategic with his purchases. As he ages, Fred is more conscious about his diet.

PURCHASE HISTORY

- Coca-Cola
- Kroger
- simple truth
- PRIVATE SELECTION



OCT - FEB 2025
PRIMARY RESEARCH



OCT - DEC 2024
SECONDARY RESEARCH



SURVEY



SECRET SHOPPER



FOCUS GROUP



INTERNET



MOBILE APP



FINANCIALS

D. FINDINGS AND CONCLUSIONS

Based on our research, our team identified five core weaknesses in the King Soopers brand. These weaknesses lead to lost revenue, diminished customer loyalty, and competitor preference.

1. ONLINE ORDERING ISSUES

Our research highlights issues with Boost, King Soopers' delivery service, including poor substitutions and late orders. With Walmart offering a top-tier delivery experience, failing to improve these issues risks driving customers to competitors, leading to lost revenue.

2. HARD TO FIND ITEMS

Our research reveals frustration over out-of-stock or hard-to-find items. This often pushes customers to competitors, leading to lost sales and weakened loyalty.

3. PRODUCT SHRINK

Product shrink is the loss from damage, theft, or product spoilage. This accounts for an estimated 1.74% of Kroger's sales. CFO Todd Foley noted theft is at a historical high (Q2 2024 earnings call). This not only impacts revenue, but also frustrates customers, making it a critical issue to address.

4. LONG LINES

Our research highlights the demand for a faster, more convenient shopping experience. Many Yelp reviews mention long lines and wait times, leading to frustration and negative brand perception. Addressing this issue will improve retention and build customer loyalty.

5. HIGH PRICES

Our research reveals growing frustration over rising grocery prices. This has led to customers buying less, abandoning items, and seeking cheaper alternatives, resulting in lost sales and declining loyalty for King Soopers.

E. STRATEGIC PLAN

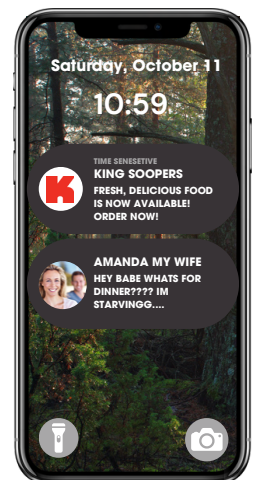
Based on our findings, we have created the **S.H.O.P.** initiative to integrate into the King Soopers/Kroger app focused on enhancing operations and customer experience. Our objectives are to **Streamline ordering and delivery services, Highlight product availability and locations, Optimize checkout and store flow, and Prioritize price perception and promotions.**

SCAN-AND-GO TECHNOLOGY

Scan-and-Go enables customers to scan and pay in-app, bypassing checkout lines. An AI exit archway ensures all items are purchased, while automatic digital coupon integration simplifies savings, creating a seamless, efficient shopping experience, while also reducing theft.

AUTOMATIONS

Customers will electronically receive **alerts** within the app when products are back in stock, prompting users for in-store visits, delivery, or pick-up. The app will prompt users to complete a survey about preferences and offer tailored coupons based on purchase history.



1.1 AUTOMATED ALERT EX:

IN-STORE PRODUCT NAVIGATION

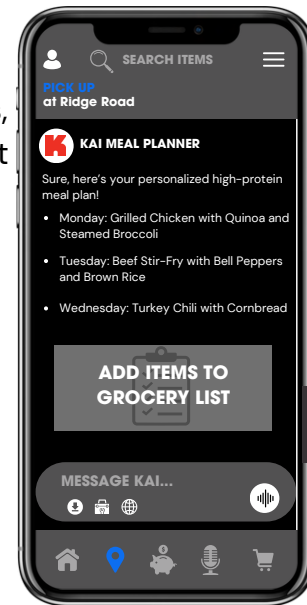
The King Soopers app's AI-powered navigation maps store layouts in real time, guiding shoppers to exact locations and optimizing store organization. KAI (Kroger AI) answers product questions, while smart routing enhances efficiency across devices.

KAI MEAL PLANNER

The **KAI Meal Planner** creates personalized meal plans, recipes, and shopping lists based on dietary needs and lifestyle goals. It integrates trending recipes, reduces waste by using existing ingredients, and pairs with Scan-and-Go to suggest complementary items for a smarter, more efficient shopping experience.

FOOD PREFERENCE OPTIMIZATION

The **Food Preference Optimization** feature personalizes shopping by learning user preferences through a swipe system, offering tailored recommendations and smart substitutions. It also adapts to regional demographics, ensuring a convenient and customized grocery experience.



"HIGH PROTEIN MEALS...FAMILY OF 4... NO DAIRY, NO SEAFOOD"



1.2 MEAL PLANNER EX:

F. PROPOSED BUDGET

The budget for our strategic plan is split across the 5 phases with the cumulative cost of **\$2.14M** and an recurring maintenance and upgrade cost of **\$428k**. The return on investment of **S.H.O.P.** after 2 years of implementation is 387.88%.

2 YEAR TOTAL COST

\$2,568,000

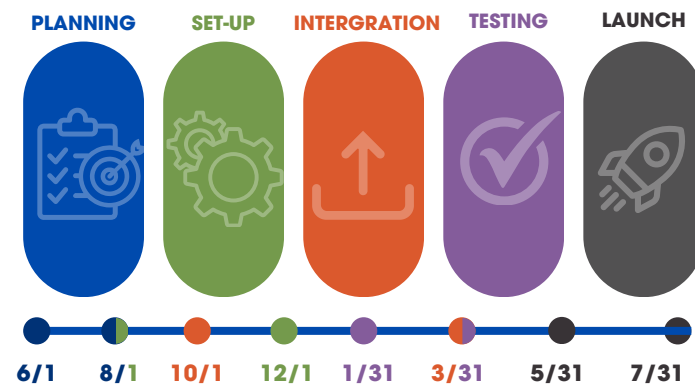
REVENUE

\$9,960,771

ROI

387.88%

G. PROPOSED TIMELINE



H. DESIRED METRICS

8%

INCREASE SALES

Increase the two stores' \$52.5M in sales by 8%

ADDITIONAL REVENUE: \$9,183,242.86

1%

PRODUCT SHRINKAGE

Decrease % of sales lost to shrinkage from 1.78% to 1%

ADDITIONAL REVENUE : \$777,528.57

3.5

YELP REVIEWS

Increase stores' 2.8 and 2.4 average reviews to 3.5

AVERAGE A 3.5 STAR REVIEW

50%

USER-ADOPTION RATES

Achieve a greater than 50% adoption rate of AI features

ACHIEVE A 50% ADOPTION RATE