

Kroger Fulfillment Network Expands to Three New Cities

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Austin and San Antonio, TX and Birmingham, AL newly named geographies

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CINCINNATI and ORLANDO, Fla., March 4, 2022 /PRNewswire/ -- The Kroger Co. (NYSE: KR), America's largest grocery retailer, today announced at its 2022 Business Update in Orlando it will offer more Americans delivery through the addition of spoke facilities in Austin and San Antonio, TX and Birmingham, AL powered by the Kroger Fulfillment Network and Ocado Group (LSE: OCDO). As a continuation of Kroger's successful entry into Florida in 2021 without physical stores, the new Texas and Alabama facilities will serve as new geographies for the organization, bringing innovation and modern e-commerce to the cities and extending the grocer's reach and ability to provide customers anything, anytime, anywhere.



"Kroger today looks very different than it did in 1883 when we opened our first store. But the core principles that made that store successful – service, selection, value, and our commitment to our customers – remain the bedrock of our business," said Rodney McMullen, Kroger's chairman and CEO.

"I'm incredibly excited for the future of Kroger, and both thriving physical stores and digital solutions are part of it. We continue to feel great about the momentum we're experiencing with Kroger Delivery and our partnership with Ocado, supporting Kroger in strategically leveraging our unique assets to expand in existing regions, including Atlanta, Cincinnati and Dallas, as well as enter into new geographies like Austin, Birmingham, [Cleveland](#), [Oklahoma City](#), [Orlando](#), San Antonio, [South Florida](#), and the [Northeast](#) through a flexible network of differently sized, high-tech facilities operated by friendly and knowledgeable associates," continued McMullen.

Austin, Texas

The 70,000-square-foot spoke facility in northeast Austin, pending finalization of lease negotiation, will collaborate with the hub in Dallas, TX, serving as a last-mile cross-dock location that efficiently expands Kroger's grocery delivery services. The facility is expected to become operational later this year and will create up to 161 job opportunities.

San Antonio, Texas

The 67,000-square-foot spoke facility in northeast San Antonio, pending finalization of lease negotiation, will also collaborate with the hub in Dallas, TX, serving as a last-mile cross-dock location that efficiently expands Kroger's grocery delivery services. The facility is expected to become operational later this year and will create up to 161 job opportunities.

Birmingham, Alabama

The 50,000-square-foot spoke facility, located at 30 West Oxmoor Road in Birmingham, AL, will also collaborate with the hub in Forest Park, GA (Atlanta), serving as a last-mile cross-dock location that efficiently expands Kroger's grocery delivery services. The facility is expected to become operational later this year and will create up to 161 job opportunities.

"Kroger's digital investments are focused on driving expanded capacity, improving the customer experience, and developing new, innovative propositions via our strategic partnerships, including our Kroger Delivery fulfillment network powered by Ocado technologies," said Yael Cosset, Kroger's chief information officer and chief digital officer. "Kroger's growing seamless ecosystem continues to scale and allow us to reach customers who are not in the proximity of a store with delivery services, and we're committed to doubling both our digital sales and profitability passthrough rate by the end of 2023 and our continued network expansion will help us reach this target."

"We're excited to continue extending the Kroger fulfillment network, with dedicated facilities of various sizes providing added scale, reliability of experience, and benefit of automation and wide customer reach, in both current operating regions as well as in new parts of the U.S.," said Gabriel Arreaga, Kroger's senior vice president and chief supply chain officer. "This network is enabling Kroger to create thousands of technology, operations, logistics, and customer care jobs and improve access to fresh food in cities eager for the variety and value offered by Kroger that once could only be accessed through our stores."

Kroger Delivery Explained

This expansion represents an extension of a partnership between Kroger and Ocado, a world leader in technology for grocery e-commerce. In 2018, the companies announced a collaboration to establish a delivery network that combines artificial intelligence, advanced robotics, and automation

in a bold new way, bringing first-of-its-kind technology to America. Through the hub-and-spoke delivery network, the organization now serves customers in Florida, as an example, without traditional brick-and-mortar stores.

The delivery network relies on highly automated fulfillment centers. At the hub sites, more than 1,000 bots whizz around giant 3D grids, orchestrated by proprietary air-traffic control systems in the unlicensed spectrum. The grid, known as *The Hive*, contains totes with products and ready-to-deliver customer orders.

As customers' orders near their delivery times, the bots retrieve products from *The Hive* and are presented at pick stations for items to be sorted for delivery, a process governed by algorithms that ensures items are intelligently packed. For example, fragile items are placed on top, bags are evenly weighted, and each order is optimized to fit into the lowest number of bags, reducing plastic use.

After being packed, groceries are loaded into a refrigerated delivery van, which can store up to 20 orders. Powerful machine learning algorithms optimize delivery routes, considering factors like road conditions and optimal fuel efficiency. Drivers may travel up to 90 miles with orders from facilities to make deliveries.

Kroger unveiled its Monroe, Ohio customer fulfillment center in April 2021, its first, followed by centers in Groveland, FL and Forest Park, GA. The Dallas fulfillment center is slated to open this spring with additional customer fulfillment centers slated for California, Frederick, MD, Phoenix, AZ, Pleasant Prairie, WI, Romulus, MI (Detroit), as well as South Florida and the Northeast and West. Kroger anticipates opening 17 new facilities, including hubs and spokes, within the next 24 months.

Media Assets

To download Kroger Delivery video and photography, please visit [here](#).

About Kroger

At The [Kroger](#) Co. (NYSE: KR), we are dedicated to our Purpose: to Feed the Human Spirit™. We are, across our family of companies, nearly half a million associates who serve over nine million customers daily through a seamless digital shopping experience and 2,800 retail food stores under a variety of [banner names](#), serving America through food inspiration and uplift, and creating #ZeroHungerZeroWaste communities by 2025. To learn more about us, visit our [newsroom](#) and investor relations [site](#).

About Ocado Group

Ocado Group is a UK based technology company admitted to trading on the London Stock Exchange (Ticker OCDO). It provides end-to-end online grocery fulfilment solutions to some of the world's largest grocery retailers and holds a 50% share of Ocado Retail Ltd in the UK in a Joint Venture with Marks & Spencer. Ocado has spent two decades innovating for grocery online, investing in a wide technology estate that includes robotics, AI & machine learning, simulation, forecasting, and edge intelligence.

Safe Harbor

This press release contains certain statements that constitute "forward-looking statements" about the future performance of the company. These statements are based on management's assumptions and beliefs in light of the information currently available to it. Such statements are indicated by words or phrases such as "committed," "contemplates," "continue," "enable" "expect," "focused," "target," and "will." Various uncertainties and other factors could cause actual results to differ materially from those contained in the forward-looking statements. These include the specific risk factors

identified in "Risk Factors" in our annual report on Form 10-K for our last fiscal year and any subsequent filings, as well as the following:

Kroger's ability to achieve sales, earnings, incremental FIFO operating profit, and adjusted free cash flow goals may be affected by: COVID-19 pandemic related factors, risks and challenges, including among others, the length of time that the pandemic continues, future variants, mutations or related strains of the virus and the effectiveness of vaccines against variants, continued efficacy of vaccines over time and availability of vaccine boosters, the extent of vaccine refusal, and global access to vaccines, as well as the effect of vaccine and/or testing mandates and related regulations, the potential for additional future spikes in infection and illness rates including breakthrough infections among the fully vaccinated, and the corresponding potential for disruptions in workforce availability and customer shopping patterns, re-imposed restrictions as a result of resurgence and the corresponding future easing of restrictions, and interruptions in domestic and global supply chains or capacity constraints; whether and when the global pandemic will become endemic, the pace of recovery when the pandemic subsides or becomes endemic, which may vary materially over time and among the different regions we serve; labor negotiations; potential work stoppages; changes in the unemployment rate; pressures in the labor market; changes in government-funded benefit programs; changes in the types and numbers of businesses that compete with Kroger; pricing and promotional activities of existing and new competitors, including non-traditional competitors, and the aggressiveness of that competition; Kroger's response to these actions; the state of the economy, including interest rates, the current inflationary environment and future potential inflationary and/or deflationary trends and such trends in certain commodities, products and/or operating costs; the geopolitical environment; unstable political situations and social unrest; changes in tariffs; the effect that fuel costs have on consumer spending; volatility of fuel margins; manufacturing commodity costs; diesel fuel costs related to Kroger's logistics operations; trends in consumer spending; the extent to which Kroger's customers exercise caution in their purchasing in response to economic conditions; the uncertainty of economic growth or recession; stock repurchases; changes in the regulatory environment in which Kroger operates; Kroger's ability to retain pharmacy sales from third party payors; consolidation in the healthcare industry, including pharmacy benefit managers; Kroger's ability to negotiate modifications to multi-employer pension plans; natural disasters or adverse weather conditions; the effect of public health crises or other significant catastrophic events; the potential costs and risks associated with potential cyber-attacks or data security breaches; the success of Kroger's future growth plans; the ability to execute our growth strategy and value creation model, including continued cost savings, growth of our alternative profit businesses, and our ability to better serve our customers and to generate customer loyalty and sustainable growth through our strategic moats of fresh, our brands, personalization, and seamless; and the successful integration of merged companies and new partnerships. Our ability to achieve these goals may also be affected by our ability to manage the factors identified above. Our ability to execute our financial strategy may be affected by our ability to generate cash flow.

Kroger assumes no obligation to update the information contained herein unless required by applicable law. Please refer to Kroger's reports and filings with the Securities and Exchange Commission for a further discussion of these risks and uncertainties.



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