

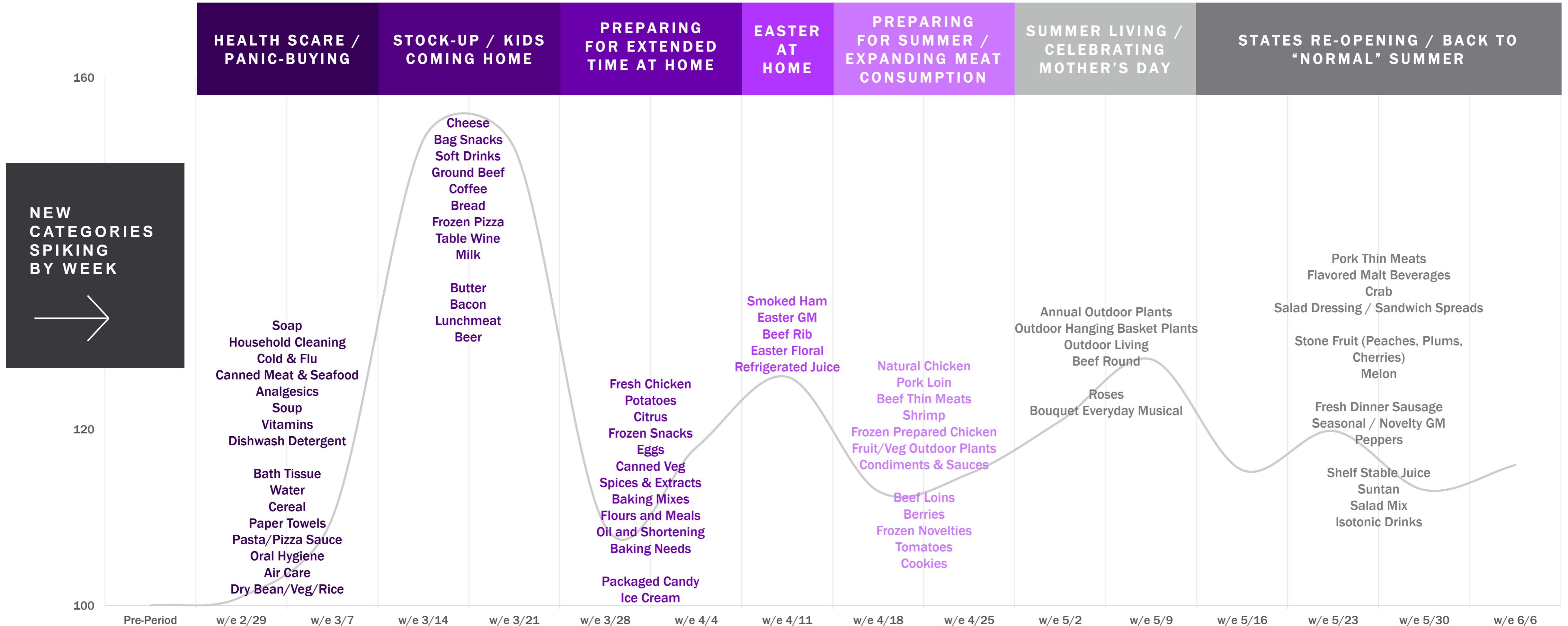


34.51°

COVID-19'S CONTINUED IMPACT
AND THE BEGINNINGS OF A NEW NORMAL

June 2020

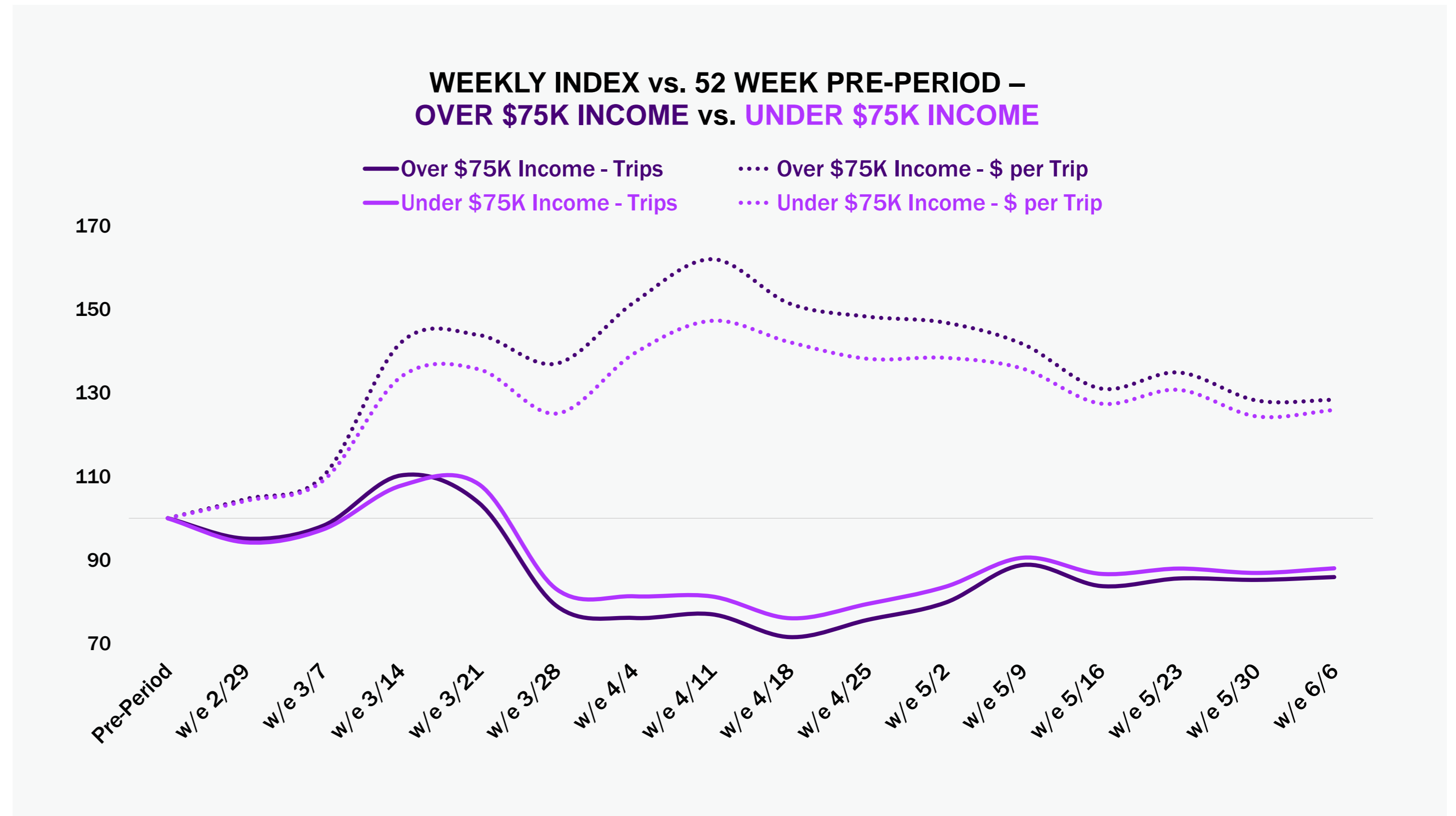
CUSTOMER BEHAVIOR BEGINS TO RETURN TO THE NEW NORMAL, WITH FEWER NEW COMMODITIES SPIKING EACH WEEK



TOTAL STORE SALES INDEX VS. AN AVERAGE WEEK FOR THE 52 WEEK PRE-PERIOD

THE COVID-19 PANDEMIC HAS IMPACTED LOWER AND HIGHER INCOME HOUSEHOLDS IN DIFFERENT WAYS

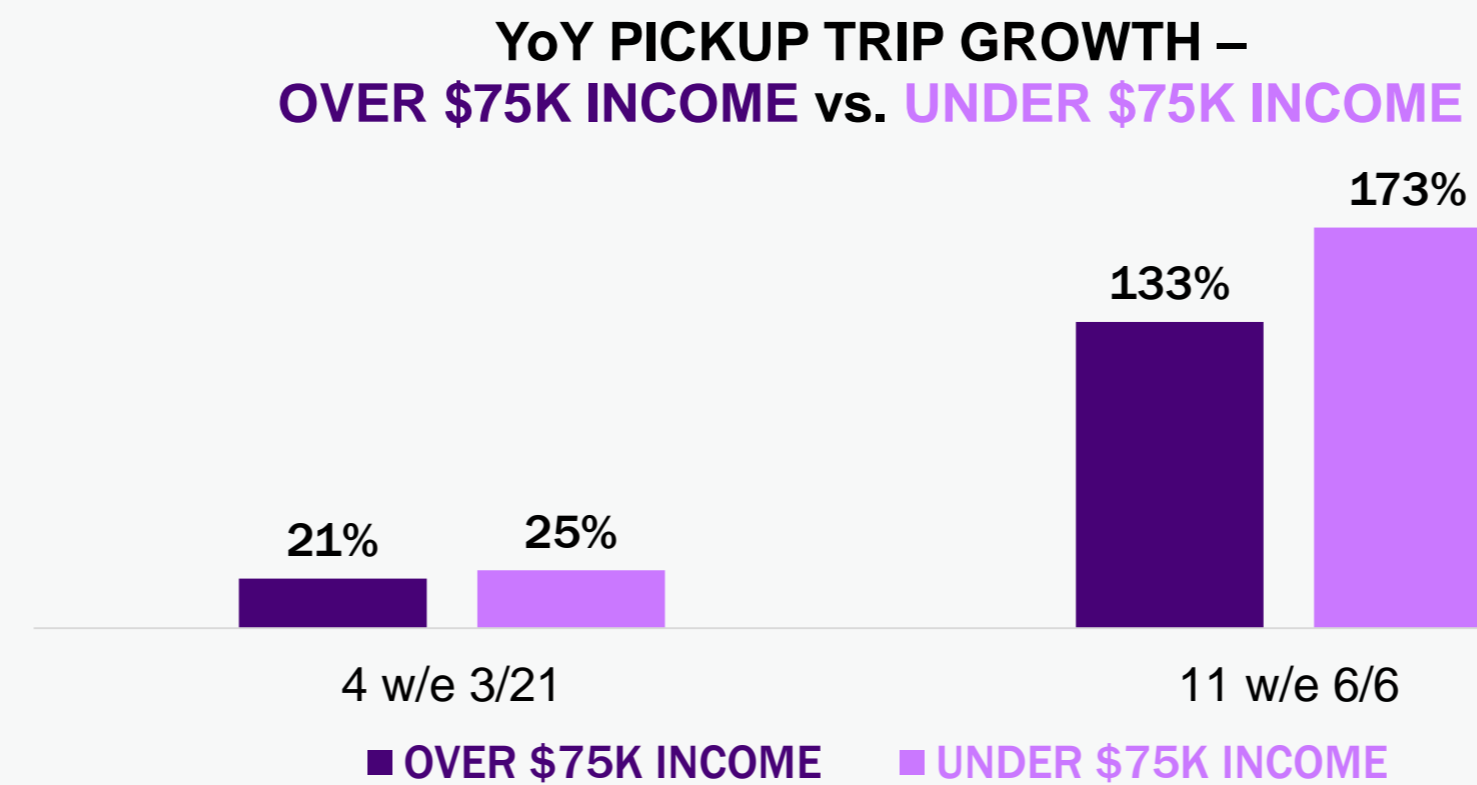
Since the initial COVID-19 spike, Over \$75K Income Households have been able to limit trips to the store slightly more than Under \$75K Income Households, while increasing their Basket Size at a higher rate. **Higher Income customers have been more flexible in changing their spending behavior than Lower Income customers.**



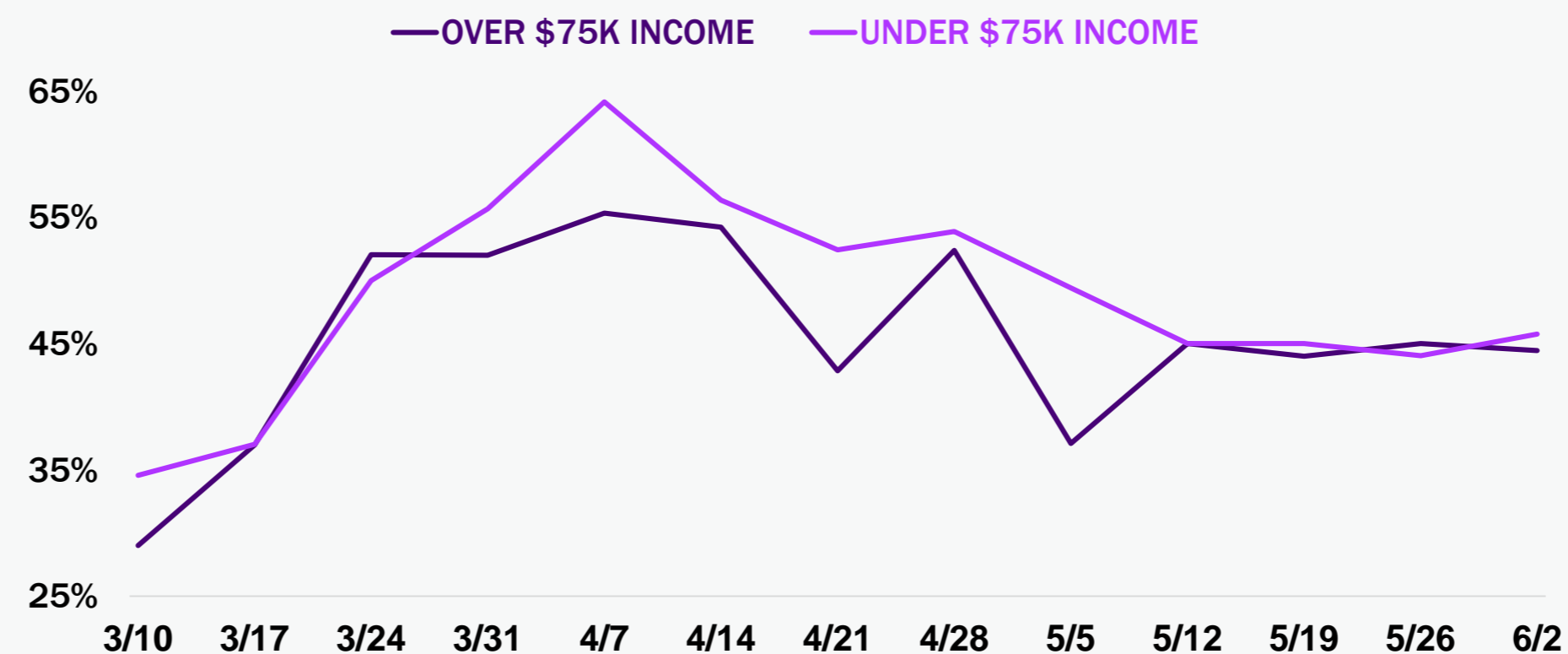
THE COVID-19 PANDEMIC HAS IMPACTED LOWER AND HIGHER INCOME HOUSEHOLDS IN DIFFERENT WAYS

As Free Pickup was made available for all customers and SNAP Tender became a Pickup payment option, **Lower Income customers have accelerated their engagement with Pickup more quickly**

As Stay-At-Home restrictions remained in place, concern regarding the COVID-19 Pandemic bifurcated among Higher and Lower Income Households. As states have re-opened and more people have returned to work, concern levels have become aligned.



% CUSTOMERS CONCERNED ABOUT COVID-19
(% Top 2B)



OPPORTUNITY

Ensure great value for Lower Income customers as they are impacted by the virus. Ensure their items are available and they don't get forced out by customers who are able to stock up more

HOLIDAYS ARE STILL BEING CELEBRATED, EVEN IF THE CELEBRATIONS LOOK DIFFERENT THAN YEARS PAST

EASTER



Holiday was a basket builder, not a trip driver



Baking/cooking from scratch trend continued (and was amplified)



Online grocery continued its importance for holiday shopping trips

CINCO DE MAYO



Big growth in key categories vs YAGO (vs Sunday)



Alcohol was up big – especially Tequila and Ready to Drink Cocktails

MOTHER'S DAY



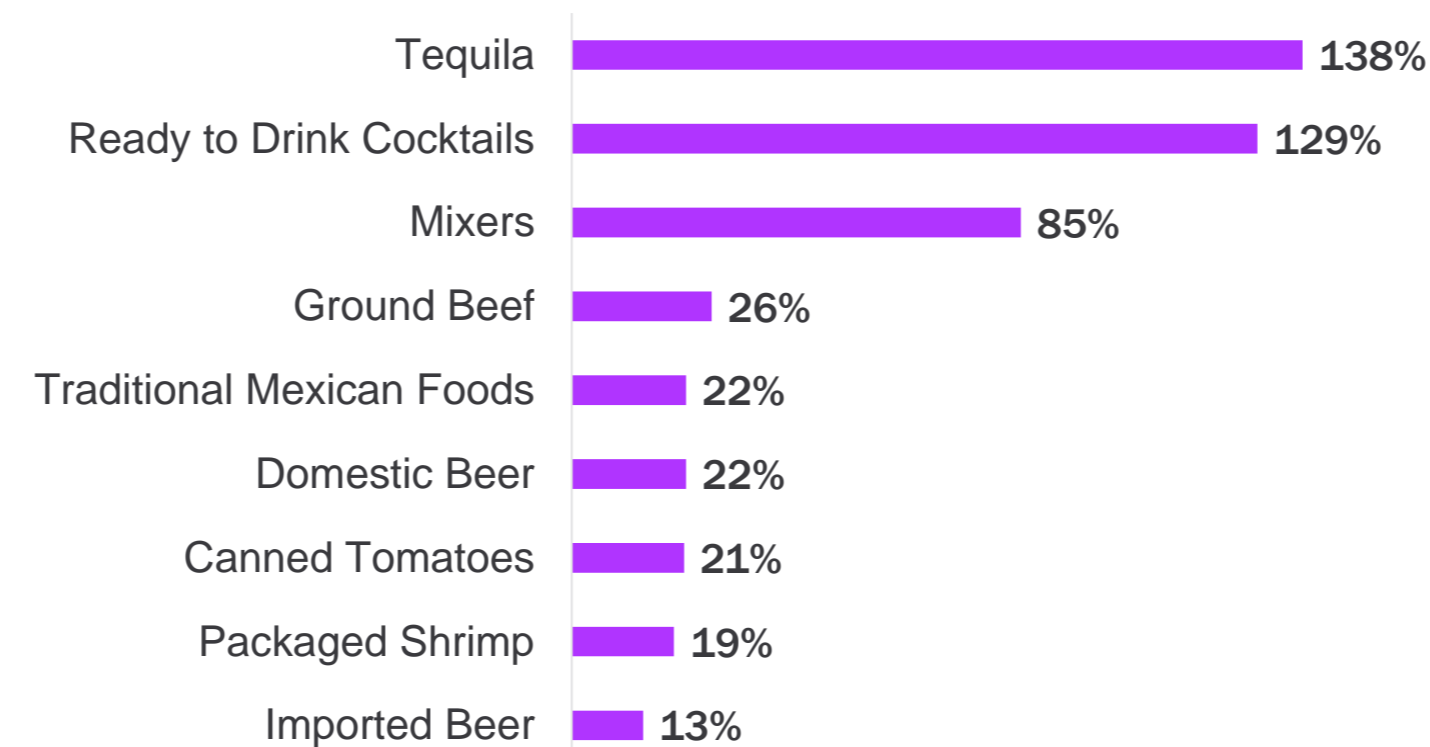
While Floral has struggled early during pandemic, strong performance during Mother's day indicates flowers (and other seasonal items) will be prioritized when they play a key role in a holiday

OPPORTUNITIES

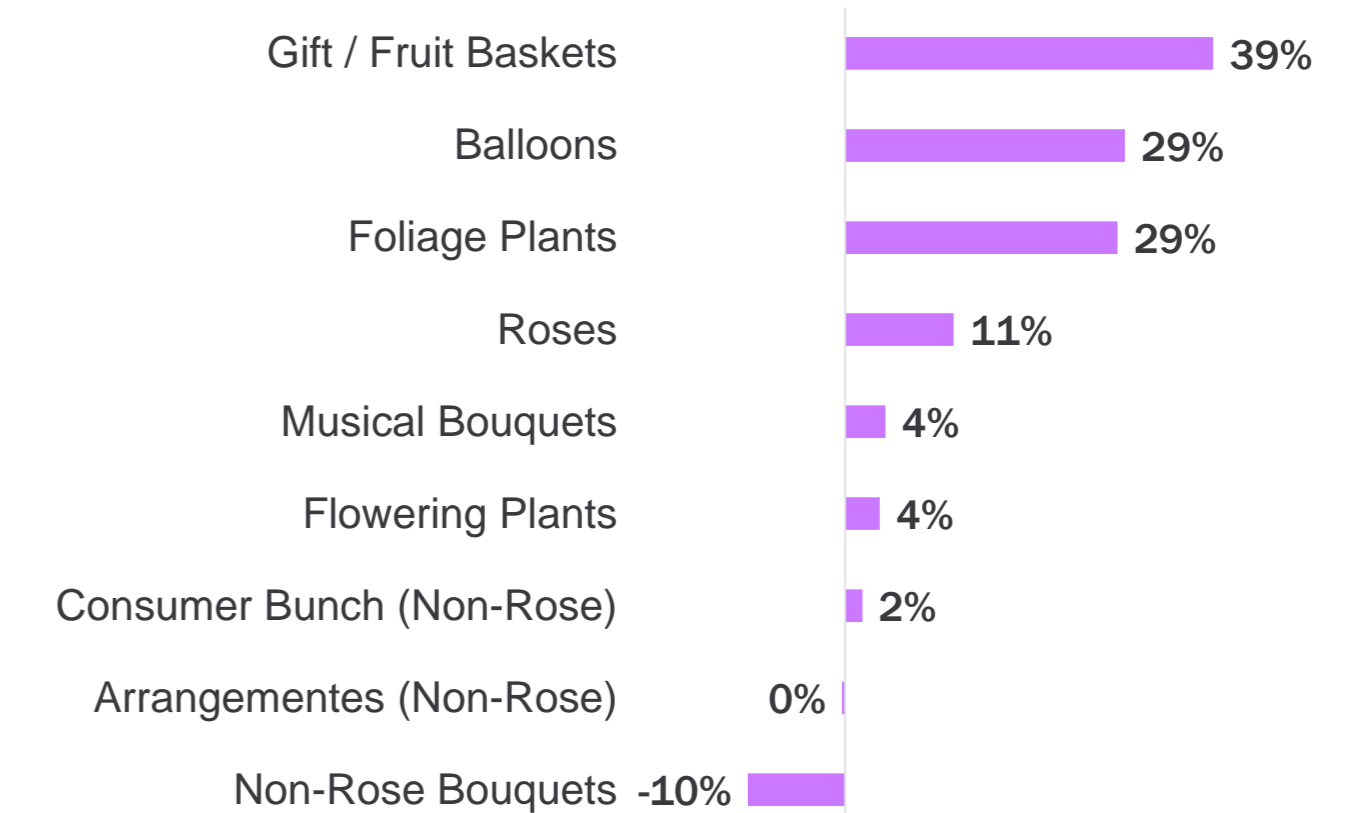
"PARTY HOLIDAYS" With bar/restaurant space limited, customers may continue to purchase alcohol at an elevated rate

"MEAL-CENTERED HOLIDAYS" Customers may be less worried about last minute scrambling due to hosting duties, more focused on nice home-made meal

KEY CINCO DE MAYO CATEGORY PERFORMANCE



KEY FLORAL CATEGORY PERFORMANCE

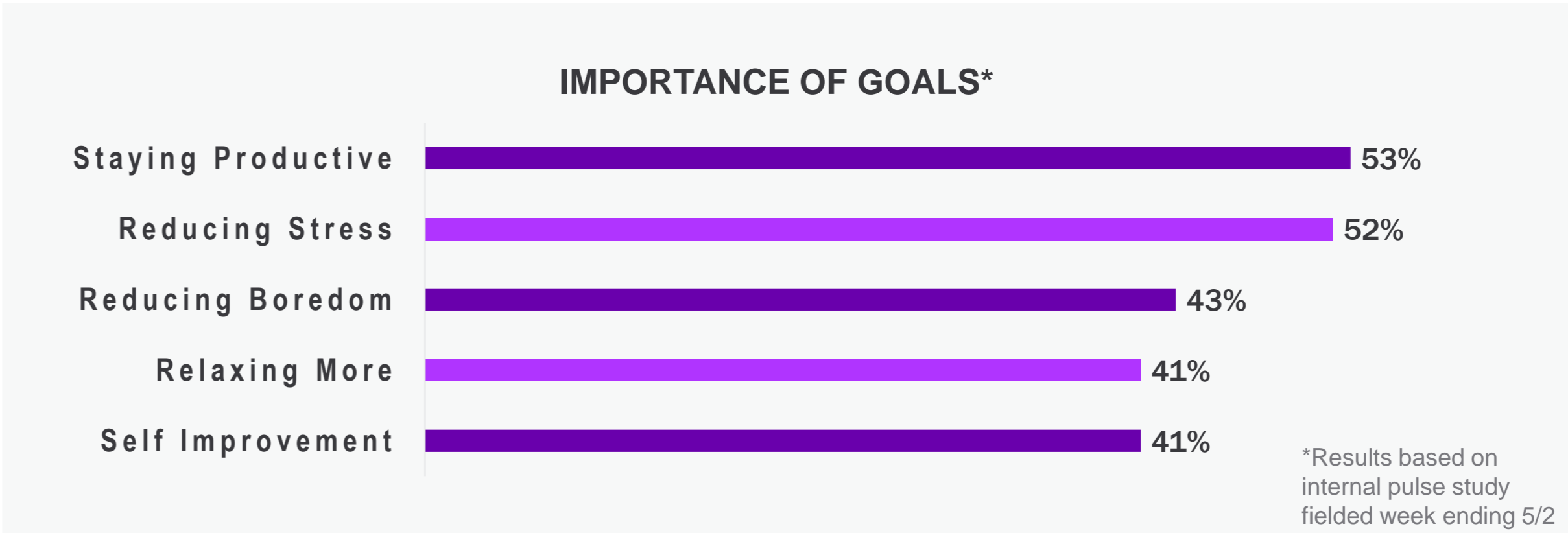


CUSTOMERS ARE FEELING STRESSED AND LOOKING FOR WAYS TO CARE FOR THEMSELVES

Q:
How are customers feeling?

A:
Customers are looking to stay productive and reduce stress during their time at home...

... but are finding it **more difficult to reduce stress**



Some customers have MORE TIME ON THEIR HANDS THAN EVER... while some customers have NO FREE TIME

People who find themselves unable to take a moment to pause (schools/day cares are closed, essential employees, can't escape work at home)

Those who have never had this much time before (non-essential workers, working from home without kids, furloughed)

CUSTOMERS ARE FEELING STRESSED AND LOOKING FOR WAYS TO CARE FOR THEMSELVES

Q:
What are customers doing?

A:
SELF CARE – exploring hobbies, accomplishing productive tasks, reducing stressors, spending less time with negative emotion

A:
INDULGING – While all customers are increasing alcohol purchases at a higher rate than Total Store, **HHs w Kids are buying alcohol at a higher rate than HHs wo Kids**

A:
MAKING USE OF FREE TIME – customers continue to bake at home and cook from scratch, and are working on garden projects more than 2018 and 2019

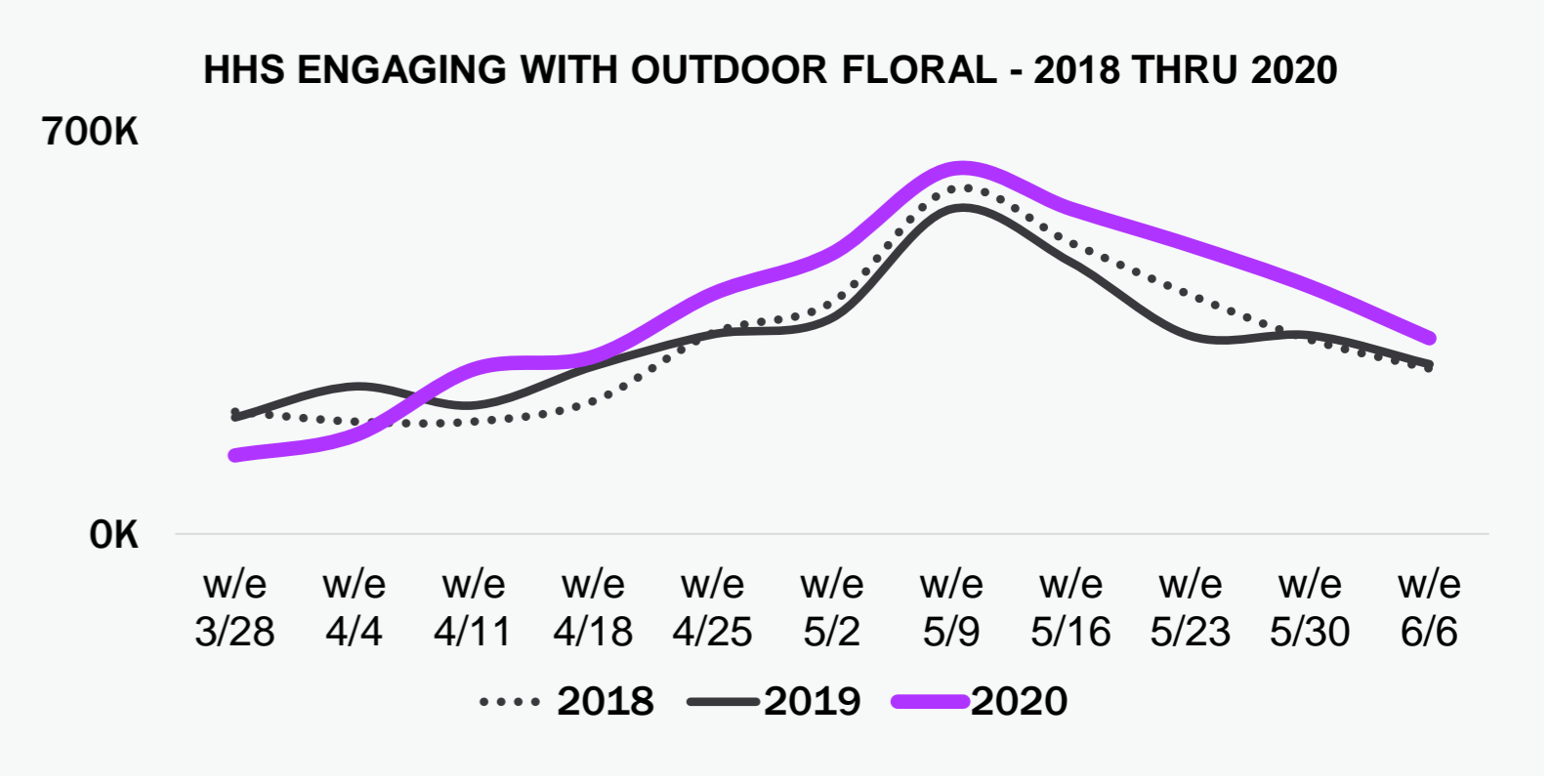
OPPORTUNITIES

Provide customers solutions to help reduce stress and manage time through food.

Help customers explore new hobbies they are discovering, like cooking, baking, and gardening.

	Total Store YoY Growth	Alcohol YoY Growth
HHs w Kids	19%	35%
HHs wo Kids	12%	21%

During 15 weeks ending 6/6

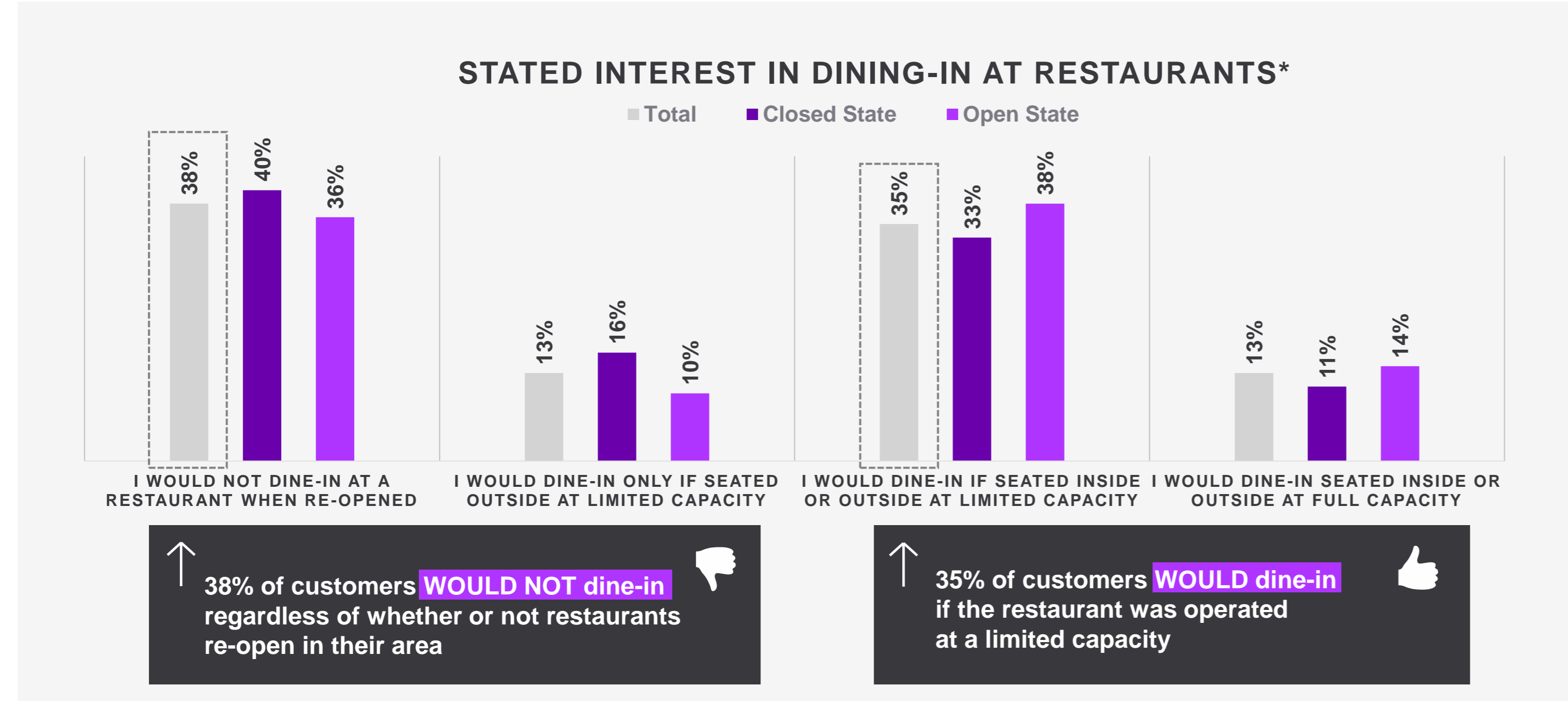


CUSTOMER SENTIMENT WAS SPLIT AS STATES RE-OPENED, BUT BEHAVIOR CHANGES HAVE BEEN SEEN AS STATES ARE OPEN LONGER

Q:
How are customers feeling?

A: As states began to re-open, customers were split in their willingness to dine-in at restaurants states

A: Some customers are now ready to dine out regularly at restaurants



22% of customers dined-in at a restaurant during the week ending June 2nd

OF THOSE THAT DINED IN THAT WEEK,

65%

say they will continue to dine at restaurants

vs.

29%

say they'll wait a few weeks before dining in again

CUSTOMER SENTIMENT WAS SPLIT AS STATES RE-OPENED, BUT BEHAVIOR CHANGES HAVE BEEN SEEN AS STATES ARE OPEN LONGER

Q:

What changes are being seen in customer behavior?

A:



Spend per day is decreasing as customers make smaller, more frequent trips to store



Customers are focused on proactive health and hygiene



Customers are still stocking up, but less than during shutdowns



Customers are still cooking (and drinking) at home despite restaurants openings



There has been an uptick in splurge and impulse purchasing

OPPORTUNITIES

As customers embrace new habits while cautiously returning to some routines, they will look to:

- Safely and confidently return to “new normal” by enabling proactive health and hygiene
- Keep pantries full and cook at home, as return to eating out will likely be gradual
- Incorporate simple indulgences when entertainment & travel spend is still likely to remain limited
- Fulfill their needs at Kroger at the right value, as economic pressures expand alongside re-openings

HOW ARE CUSTOMERS PLANNING TO CELEBRATE THE SUMMER?

Q:

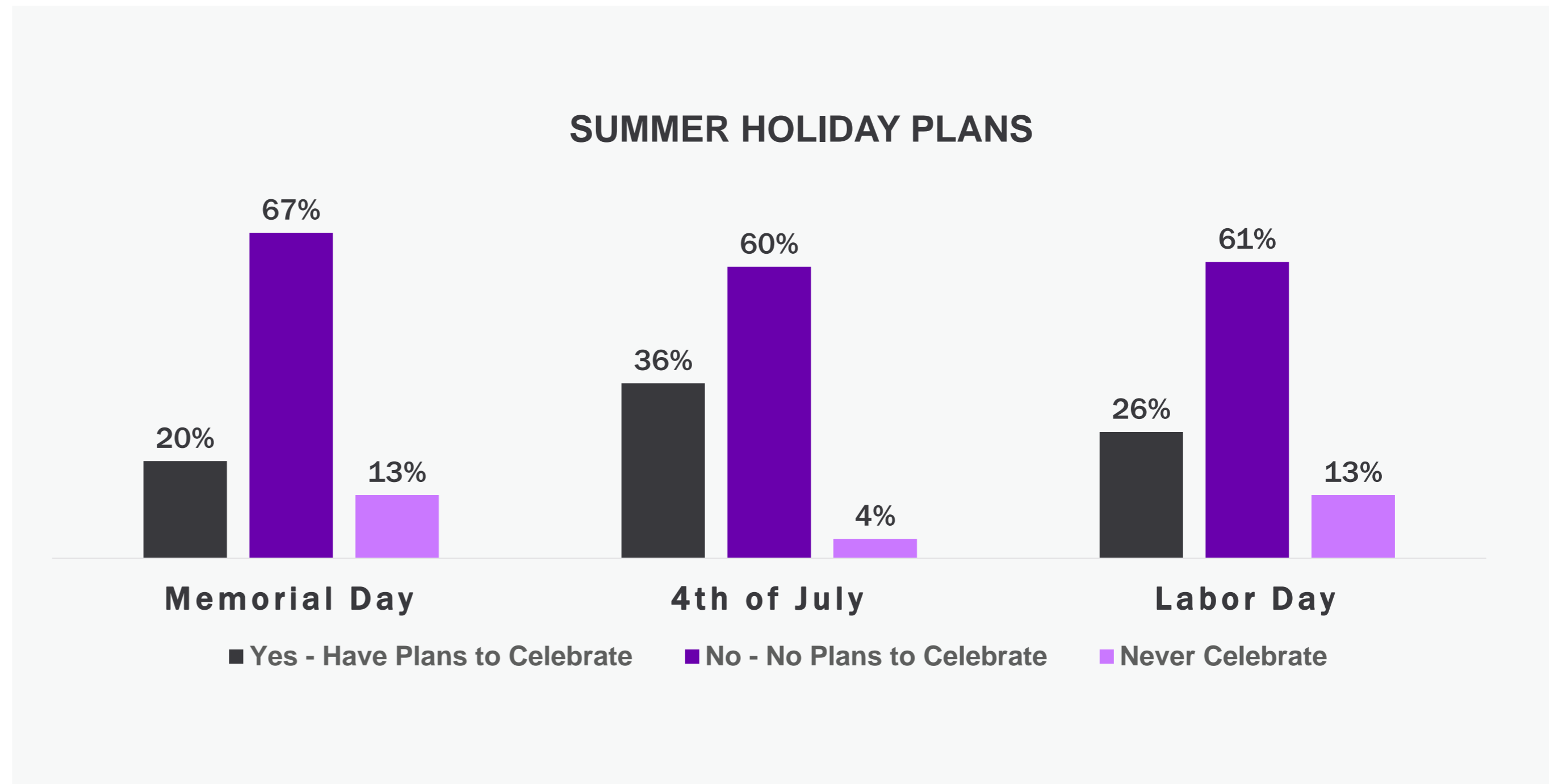
How are customers feeling?

A:

Customers are uncertain... and that includes unclear indications of how they will celebrate summer holidays

A:

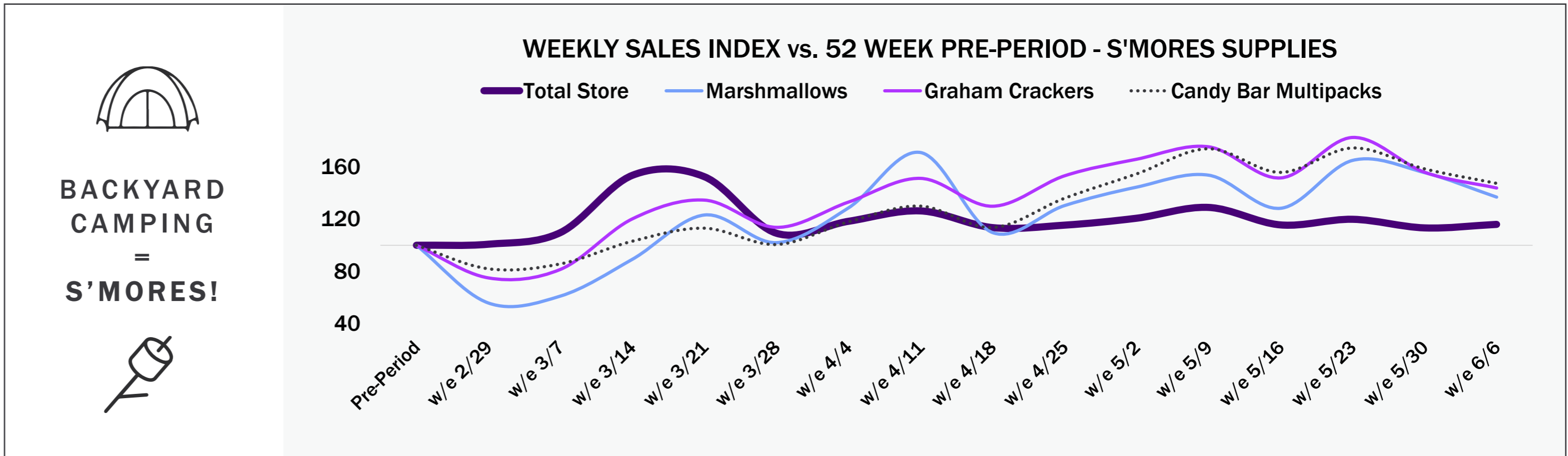
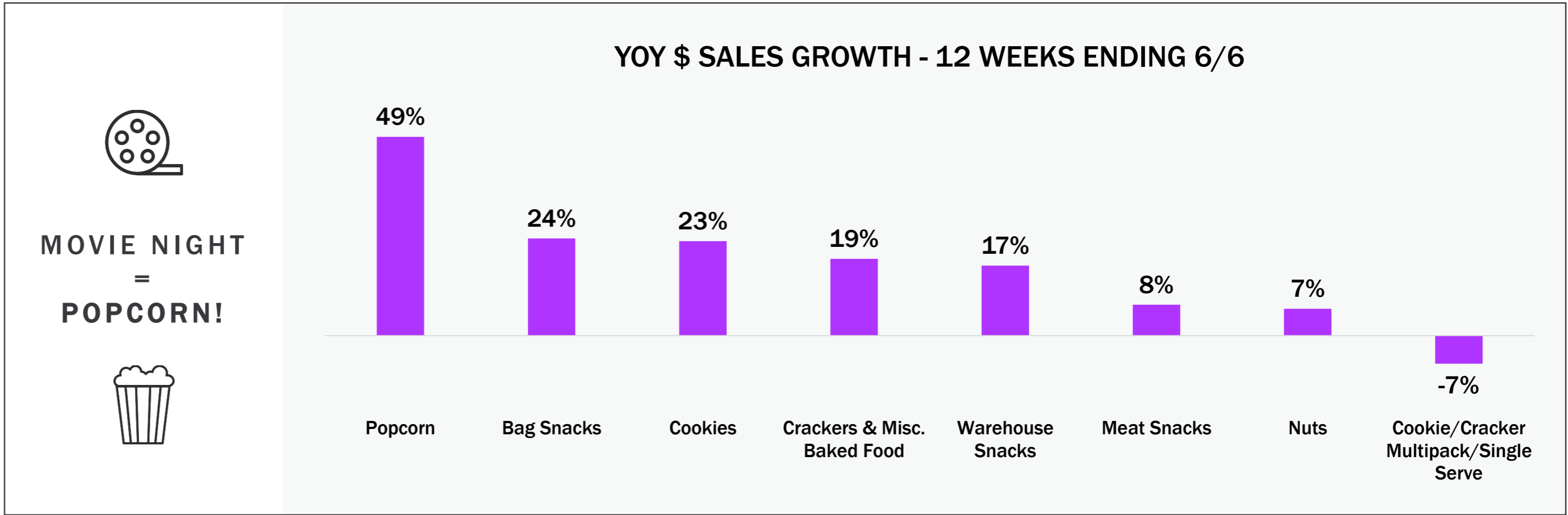
A majority of customers state they do not currently have plans to celebrate summer holidays → *of those who already have made summer plans, only around half are currently confident their plans will hold*



HOW ARE CUSTOMERS PLANNING TO CELEBRATE THE SUMMER?

Q:
What are customers doing?

A:
Early summer trends – experiences are moving to the home



LOOK AHEAD: WHAT MIGHT A MODIFIED BACK TO SCHOOL SEASON LOOK LIKE?

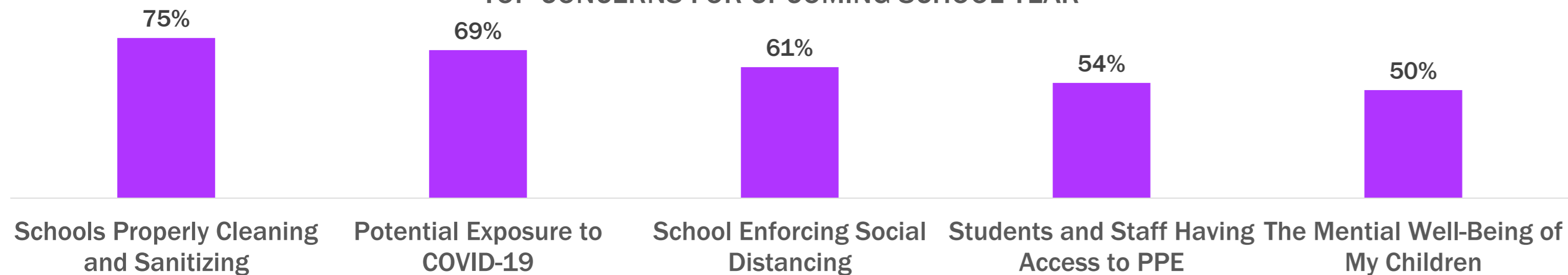


BACK TO SCHOOL COULD LOOK DIFFERENT, AND WILL VARY FROM STATE TO STATE



- Alternating days at school, cafeterias closed, remote learning
- California considering early start to school year to make up for lost learning
- California State University system **CLOSED** for fall
- Florida public universities will **REOPEN** in fall
- Many universities plan to reopen in fall but will end face-to-face instruction early, with **no face to face instruction after Thanksgiving due to anticipated second COVID spike**

TOP CONCERNS FOR UPCOMING SCHOOL YEAR*









*Results based on internal pulse study fielded week ending 6/2

BTS OPPORTUNITIES

- 1. KEEP IT CONVENIENT** – Make parents' lives easier as they balance working from home and educating their kids.
- 2. EXPERIENCES AT HOME** – Customers are looking for ways to bring experiences home.
- 3. STAY SAFE** – Parents want to keep their kids safe when they return to school.
- 4. CELEBRATE PARENTS** – Parents have been doing a lot, let's celebrate them!

WHERE TO GO FROM HERE

ALL CUSTOMERS HAVE FELT THE IMPACT OF COVID-19,
AND WILL HAVE A DIFFERENT JOURNEY BACK TO THE NEW NORMAL
BASED ON THEIR FINANCIAL SITUATION AND STATE THEY LIVE IN.

 HIGHER VS. LOWER INCOME	 SOMETHING TO CELEBRATE	 MAKE LIFE AT HOME EASIER	 STATES RE-OPENING	 HELP CUSTOMERS BRING SUMMER EXPERIENCES HOME	 SUPPORT NEW LOOK BTS
<p>Lower Income customers don't have the spending flexibility of Higher Income customers – Support Lower Income customers by providing great value, and ensuring the items they want are available in the channels they want to engage with</p>	<p>Holidays are still being celebrated – customers are looking to bring the party home, and are interested in providing nice, home cooked meals for meal-centric holidays</p>	<p>Customers are strapped for time trying to reduce stress – help them self care and support their pursuit of new hobbies</p>	<p>The transition back to dining in at restaurants has slowly begun – be prepared for stock up trips to continue to slow and customer behavior to change as restaurants re-open</p>	<p>Customers are indulging in Popcorn and S'mores supplies – support them as they continue to enjoy summer by bringing experiences to the home</p>	<p>BTS will look different – Help the transition back to school by focusing on Convenience, Experiences at Home, Safety, and Celebrating</p>