


Kroger opens first Customer Fulfilment Center, plans to enhance Kroger Delivery

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CINCINNATI - The Kroger Co. is combining vertical integration, machine learning, and robotics with affordable, friendly, and fast delivery service for fresh food to launch the company's first Customer Fulfillment Center.

Located in Monroe, Ohio – a city north of Cincinnati – and powered by Ocado Group, a leader in technology for grocery e-commerce, the CFC is the first to open in the United States, according to Kroger.

"2020 was a pivotal year for grocery e-commerce, with Kroger's digital business scaling to over \$10 billion—and achieving a record digital sales increase of 116%," said Rodney McMullen, Kroger's chairman and chief executive officer. "We're incredibly proud to achieve this milestone that advances our position as one of America's leading e-commerce companies. The momentum we're experiencing is well-timed with the evolution of Kroger Delivery, underpinning the permanent shift in grocery consumer behavior and need for enterprising and modern e-commerce and last-mile solutions—today's true competitive horsepower."

The CFC introduces Kroger Delivery, a vertically integrated network, enabling coverage of up to 90 miles from the CFC hub location. In the Customer Fulfillment Centers, over 1,000 bots work around 3D grids, orchestrated by proprietary air-traffic control systems. The grid, known as The Hive, contains totes with products and ready-to-deliver customer orders.

As orders near delivery times, the bots retrieve products from The Hive and are presented at pick stations for items to be sorted for delivery by algorithms that ensure 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, orders are loaded into a temperature-controlled Kroger Delivery van, which can store up to 20 orders. Machine learning algorithms optimize delivery routes by considering factors like road conditions and optimal fuel efficiency.

"The introduction of the first Customer Fulfillment Center marks a historic milestone for grocery retail in the US," said Tim Steiner, co-founder and CEO of Ocado Group. "Since signing our partnership in 2018, Ocado and Kroger teams have worked in tight-knit collaboration to lay the foundation to advance their state-of-the-art fulfillment ecosystem across the country, supporting Kroger to reach customers anywhere with anything, at any time.

The Monroe CFC is 375,000 square feet and carries thousands of grocery products with the capacity to fulfill thousands of orders per day and the capability to support fulfillment of pickup orders.

"In the coming years, we will open more automated CFCs across a range of sizes with Kroger," said Steiner. "We will also roll out components of our software solutions to stores in collaboration with Kroger's existing seamless platform to support fulfillment of curbside pickup orders. The breadth of this fulfillment ecosystem will be crucial in helping Kroger to continue to win in e-commerce across the US"

The retailer's second CFC is planned to open in Groveland, Fla., later this spring, and will expand Kroger's customer reach. The retailer is also planning to open CFCs in Dallas, Texas; Forest Park, Ga.; Frederick, Md.; Phoenix, Ariz.; Pleasant Prairie, Wis. and Romulus, Mich.; as well as Pacific Northwest and West regions.

The Monroe and Groveland CFCs will begin fulfilling orders for customers this spring. At every CFC, on-site associates will support delivery operations and help process, package, and load orders. After placing an order via Kroger.com or the Kroger app, customers in CFC regions will have their groceries delivered by a Kroger Delivery associate in a temperature-controlled van.

As part of Kroger's commitment to provide a unique and affordable grocery delivery experience for customers, Kroger Delivery will offer variable delivery fees that do not require customers to provide a tip and are influenced by a number of factors like a customer's loyalty, delivery window popularity, route optimization as well as the lead time of an order.

"We're excited to be building a distribution network that creates a more equitable food system by providing greater accessibility to fresh food through the power of innovation," said Gabriel Arreaga, Kroger's senior vice president and chief supply chain officer. "Kroger Delivery's network of Customer Fulfillment Centers will accelerate our e-commerce capabilities, focusing on more cost-effective supply chain and last-mile delivery solutions, seamless customer experiences and new career opportunities."