

Should the U.S Government Approve the Merger Proposal of Kroger and Albertsons

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There is no doubt about it that many companies in the United States come to a point where they begin looking for ways to improve; even if that means merging with another business. Businesses in general, not just limited to the United States, merge for various reasons, to reduce risks and competition, to create diversity within their company, to expand market shares, and most importantly, increase their profit. From an outside perspective, it only seems to benefit businesses. Two companies within the United States, such as Kroger and Albertsons, merging can do nothing but stimulate growth and eliminate competition, right? Wrong. This is something to look into. Should the United States government approve the proposed merger between Kroger and Albertsons? This highly controversial topic comes with many pros and cons for each company as a whole. Their plan is to fully merge in the year 2024. Despite the positives, many companies have actually proposed court filings in order to stop this merge of two strong grocery companies. Multiple businesses have brought reasoning to halt this merge to the Federal Trade Commission's attention. The FTC has the power to protect competition and consumers against unfair, deceptive acts of business. As cons are taken into consideration, there are also positives to the consolidation of Kroger and Albertsons. This merge could potentially reduce the costs for consumers, while also battling the challenges when it comes to supply in grocery stores. Some say it would become a "inflation-proof" company. That sounds great for us, right? It all comes back to whether the United States government should approve the request of Kroger and Albertsons to merge into one major business after evaluating the pros and cons of this proposal.

From a business point of a view, this proposal of the potential merge of these two major grocer companies has essential pros and cons. It can affect the businesses as a whole negatively and positively, as well as affect every other business within the United States. Overall, if Kroger and Albertsons were to fully merge, their business would become a proprietorship. Each owner

must come together and run as one major grocery store. This is where profits become split between two, responsibilities are now fallen on top of two people instead of one, and costs are now split into two. This merger, as stated by Alina Selyukh on NPR's PBS website, is valued at 24.6 billion dollars since these are the two largest grocery store chains in the United States. Kroger itself has over 420,000 employees and 2,700 locations within the U.S. Kroger also includes stores such as Harris Teeter, Ralphs, King Soopers, and Fred Meyer, which means these stores are all combined as well. Albertsons is the second largest in the country having over 2,300 stores and 290,000 employees. It is stated by Kroger and Albertsons that they are looking to invest over one billion dollars into the company towards employees. This would create massive amounts of job openings, which would increase profits immensely. Their own business would thrive. Alina also states that Walmart is one of their biggest competitors, as well as Costco and Amazon. This could create a major rise in competition; more advertisements, higher prices within stores, and a result in higher pay at these competitors to ensure their ability to surpass one another and keep up with the other stores. With this increase in pay rates, comes a rise in the cost of goods. Former lawyer and chair at the Federal Trade Commission William Kovacic states, "Kroger and Albertsons are going to get a much closer look than earlier transactions received in this sector. They're going to face a great deal more skepticism about the potential benefits of the consolidation" ("Kroger and Albertsons plan merger...", Selyukh). This means that despite the jump in profits and wages, these companies as one could face major downfall in business. Their merger can suffer from a decrease in customer loyalty which can result in boycotting or even protesting against them. It will come down to whether or not the combination of the two is beneficial to the clientele. People will begin to catch on to these deceiving offers, employees and customers. From within the company, there are various pros to the business itself. There is the

increase in profits, increase in fuel centers, increase in the amount of distribution centers, and an increase in manufacturing plants. New and upcoming business will be created due to the merger of Kroger and Albertsons. According to NACS, "As of June 18, Albertsons operated 2,273 retail food and drug stores with 1,720 pharmacies, 402 associated fuel centers, 22 dedicated distribution centers and 19 manufacturing facilities across 34 states and the District of Columbia" ("Kroger's \$24.6 Billion Albertsons Deal..."). Businesses associated with the merger will be booming. More locations and more jobs. This sounds like a no brainer, until you look at the cons within businesses if the merge were to take place. The biggest cons when it comes to Kroger and Albertsons merger focus on the major increase in competition between businesses. The rate of inflation will increase for consumers. This sounds great for business when it comes to maximizing profit, right? This can cause a fall in customer loyalty. The monopoly power could possibly rid the U.S. of independent businesses and other companies locally owned. If the merger took place, there would be a major increase in the business grocer competition, "With 60% of grocery sales concentrated among just 5 national chains, a Kroger-Albertsons deal would squeeze consumers already struggling to afford food, crush workers fighting for fair wages, and destroy independent, community stores. This merger is a cut and dry case of monopoly power, and enforcers should block it" (Miller, "A Kroger-Albertsons Merger Is A Bad Deal..."). Well said by an executive director of the American Economic Liberties Project. The Kroger and Albertsons could affect business within the United States in both positive and negative ways for both large and small businesses.

Despite the pros and cons when taking a look at the business aspect of the merger, there also comes major benefits and problems when society comes into consideration. Society can make or break part of the decision making processes for this merger due to the fact that it comes

down to how it will affect people. The increase in jobs is one of the biggest benefits for society. If Kroger and Albertsons combine, the amount of jobs needed will sky rocket. This ties into the increase in businesses. With more businesses opening, more jobs will be created. Not only will this merger create job opportunities, but since Kroger and Albertsons plan is to invest into their employees, the wages for workers will rise. This can create an increase in the overall average pay within the company and United States as a whole. NACS writes, "Kroger also plans to build on its recent investments in associate wages, training and benefits. Kroger has invested an incremental \$1.2 billion in associate compensation and benefits since 2018" ("Kroger's \$24.6 Billion Albertsons Deal..."). With these pros of the merger, there comes cons, as well. Society as a whole will be affected majorly if this merge takes place. Danielle Braff writes how Albertsons and Kroger could potentially hurt customers. She states, "As customers struggle to grapple with soaring food costs, and as inflation continues to rise, one massive supermarket merger threatens to do even more damage to our wallets" (Braff, "Here's Why the Kroger-Albertsons Merger Could Spell Major Trouble for Customers"). She continues her article with research to back up how the merger could affect society in a negative way. With Kroger's purchase of Albertsons, the combination would cause a decrease in what she calls "players" in the grocery industry around the U.S. The FTC confirms that the combination of major companies has led to an increase in prices. Therefore, there will be a rise in the cost of goods within this grocer company which can harm the customer loyalty. Due to Kroger and Albertsons potentially taking over the industry, the closure of smaller businesses may cause goods and services within grocery stores to become sparse in several areas of the U.S. The merger may seem like a plus for society due to an increase in jobs, but the increase in the cost of goods and availability of these goods can harm society overall within the U.S.

The last aspect to take a look at is from a Government perspective. As always, there will be pros and cons from a government point of view if the merger of Kroger and Albertsons takes place. The merger could create the U.S. Government to have a close watch on every decision they make for the business as a whole. Reuters puts out an article involving union lobbying. Many unionized retail workers are taking the extra step to lobby lawmakers and regulators in an attempt to bring the merger to a halt. Uday Sampath Kumar and Siddharth Cavale wrote, "Four local chapters of the United Food and Commercial Workers (UFCW) International told Reuters they are assessing their options for lobbying and coordinated action against the deal, including potential strikes" (Kumar and Cavale, "Kroger-Albertsons tie-up spurs union lobbying..."). The potential merger of Kroger and Alberston brings the U.S. Government into action. This means more laws and regulations due to make an effort to minimize the major increase in the cost of goods, and to prevent employee/customer abuse. The merger can cause distraught within the grocer industry between customers and employment, which can lead to boycotting or striking on the company. With an increase in regulations, the Government can prevent the company from getting over their head. This gives the U.S. Government more power and control over the grocery industry which is what they want. The merger may benefit the government by creating more power for them. This highly controversial topic, despite the pros from a government standpoint, also has its cons for the U.S. Government. It would be in the U.S. Government's best interest to veer this merger off its tracks. The merger could possibly bring down antitrust laws, bring less power to anti competition laws within business practices, and decrease the protection shareholders have within the company. This will take power away from the U.S. Government and can possibly cause businesses to work against government laws and regulations. Northwest Progressive Institute includes in their research on the Kroger and Albertsons topic, "The

Department of Justice should fight this merger — including in court if necessary” (Villeneuve, “Federal government should move swiftly...”). If Kroger and Albertsons were to combine and become one major grocery company, the U.S. Governments could have a decrease in their ability to control businesses.

After taking a look at the pros and cons for business, society, and governmental policy for the potential merger of Kroger and Albertsons, it seems to be that the cons have overtaken the pros on this topic. It is highly controversial whether or not these two major grocery companies should join as one. I agree with the negative outlook on the merger. It could negatively affect business, society and the U.S. Government in ways such as a rise in inflation, a rise in laws and regulations, and the loss of small and independent business. Without diversity within the economy, it may become overly monopolistic. This can push out room for middle class individuals and cause a stronger push between low class and high class in our society. With a rise in the cost of goods, consumers can either afford it or they cannot. This also can cause goods and services to be scarce which can be extremely hectic for business and society. The increase in major competitions will only spike the prices for consumers and sellers, and it will just continue to climb as the competition strengthens. The merger of Kroger and Albertsons seems to have more negative effects rather than positive effects for the U.S. grocery industry.

CITATIONS

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