



SOMETHING For Everyone

AT THE KROGER CO., THE BEVERAGE ALCOHOL SELECTION
IS AS DIVERSE AS ITS CONSUMERS

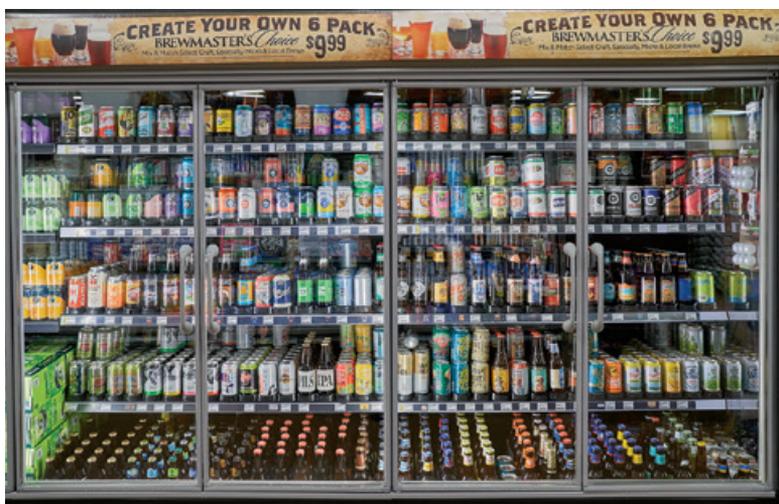
BY JULIA HIGGINS • PHOTOGRAPHY BY ANDREW BROWN

Jason Milburn took the first steps of his Kroger career right out of college, starting in the nearly 2,800-unit grocer's Louisville division. He worked first in stores, serving in varying capacities and managing commodities including frozen foods, the commercial bakery, and more. Once he was given the opportunity to handle the grocer's nascent beer business in 1998, however, he never looked back. "As we started to build out some freestanding wine and spirits shops in the Kentucky market, I was asked to jump into the beer category, and not only learn it, but take that on as part of my responsibility," says Milburn. "The rest is history—I fell in love with the category."

And it's true—Milburn has stayed on the beverage alcohol side of the business since his original appointment as national beer coordinator, becoming a key figure in driving growth for the grocer. While beer remains a top priority, given that it constitutes some 44.5% of Kroger's beverage alcohol sales, the grocer's overall beverage alcohol business—which is led by Milburn, now the director of adult beverage—has since taken on a wider scope, diversifying its selection to include a sizable swath of wine and spirits in markets where allowed.



As director of adult beverage at The Kroger Co., Jason Milburn (pictured) oversees the retail giant's considerable beverage alcohol selection, making sure there is something for everyone.



Kroger first installed growler-fill stations (top) at locations where allowed in 2014, and, due to consumer demand, has since expanded that offering into more stores. Both craft and mainstream beer (cooler above) constitute a major part of the business at some 44.5% of total beverage alcohol sales.

Across all stores, Milburn keeps one mantra in mind: There must be something for everyone. Accompanying bargain buys and mass-market brands are more premium offerings, which Milburn has dialed in on recently in an effort to meet consumer demand for premiumization. In all, Kroger now views the adult beverage department as a key focus area, where there's tremendous growth to be had, and Milburn is leading the charge. For this reason, Jason Milburn has been named a 2020 MARKET WATCH LEADER.

Built On Beer

Kroger's beverage alcohol department is unique in that it's focused first and foremost on beer, a category that has long

led the grocer's sales even as nationwide trends show a decrease in overall beer consumption. "When you look at the full year, beer still makes up the largest portion of our sales," says Milburn. "At certain times of year that business might shift slightly, with wine and spirits taking bigger pieces of the pie in summer and during the holidays, for example, but beer has long been on a tremendous growth pattern, and we continue to lean heavily into that space." Across all Kroger locations, there are some 6,000 unique beer SKUs offered, with the exact mix differing from market to market and store to store.

As premiumization has taken hold, locally brewed labels have become more integral to Kroger's selection. In the Louisville market, for example, beers from such nearby craft players as Gravely Brewing Co. are among the local options available to consumers; Gravely's Debaser and Power Chord IPAs (\$10 a 6-pack of 12-ounce cans) are both on offer at Kentucky-area Krogers, with a seasonal offering from the brewer rotating onto shelves throughout the year as well. Major craft offerings from the likes of New Belgium, Oskar Blues, and Deschutes Brewery also have a strong presence at Kroger accounts nationwide.

Milburn has put more pointed emphasis on carrying craft labels in recent years, in line with what consumers are requesting. "There are several different types of consumers that engage with us on the adult beverage side, and among those groups are consumers that want to have premium offerings available to them," he says. "They may not be drinking as frequently, but they're going to splurge when they do, and that's a trend that we've been catering to more often. Overall, our stores are positioned in a unique way, in that they offer a variety that hits both low and upscale price points."

In recent years, another trend has reared its head and bolstered the beer category at Kroger: hard seltzer. "With the emergence of hard seltzer, we've seen a tremendous amount of growth on the beer side of our business," says Milburn. "We were early adopters in the hard seltzer space, and that's enabled us to now be the No.-1 hard seltzer retailer in the country." Kroger keeps mass-market seltzers well-stocked, including White Claw (\$19 a 12-pack of 12-ounce cans), Truly (\$20), and Bud Light Seltzer (\$17). Milburn adds that the grocer carefully monitors the hard seltzer market in order to stay ahead of the pack and maintain its status as a top-tier seltzer seller in the U.S.

Wine And Spirits

Even as beer remains the pinnacle of Kroger's beverage alcohol business, wine and spirits have come closer to the fore-



Milburn's main challenge as director of adult beverage at Kroger (wine shelves pictured) is in navigating the many different beverage alcohol laws that exist across the U.S. No matter the market, though, he intends for consumers to have as many options as possible.

front in recent years, with spirits performing especially well. “Bourbon and Tequila have been so hard to keep up with in terms of demand,” says Milburn. “And in both those categories, we’re seeing the more premium offerings in particular growing at tremendous rates.”

Milburn has thus amped up Kroger’s Bourbon and Tequila categories, and supplemented with other North American whiskies as well. Overall, Kroger carries some 4,000 unique spirits SKUs, with significant variances in selection from market to market, according to local laws. Milburn notes that such laws have made it exceedingly difficult to build up a more prominent spirits presence at

Kroger, but developments are being made. “The volume is not there for us today, but we’re continuing to look and evaluate what the right mix of convenience and small size is for our stores,” he says.

In wine, varietals like Cabernet Sauvignon and Pinot Noir constitute the majority of volume across many stores, with Sauvignon Blanc and rosé acting as major growth drivers. Chardonnay, too, is a crucial cut of the business, though less significant, volume-wise, than Sauvignon Blanc or rosé.

Within both wine and spirits, Kroger has a thriving private-label business that’s been years in the making. “We take a lot of pride in our private label wines and spirits,” says Milburn. “We have a wide variety of offerings, and they’re all about what our customers have asked us for over time. Sometimes, our private labels are value- or price-driven solutions, but at the end of the day everything we do is based in quality.” He points to Simple Truth (\$19 a 750-ml.), a Kroger brand that first debuted six years ago and now stands as the single largest natural and organic wine brand in the U.S. “We’re extremely proud of the quality of the Simple Truth brand and how we’re able to price it, as that’s not an easily achieved objective with organic wine,” Milburn adds. Other private-label wine brands at Kroger include Parker’s Estate (\$10 a 750-ml.) and Acronym (\$10); among the private label spirits are Union Market Vodka and Stone Hammer Bourbon. Milburn notes that while private-label beer was once a focal point for Kroger, it has since scaled back that side of business. “We spent a lot of time researching, and ultimately we moved away from the private beer business because consumers want a connection with a brewery when they’re getting something local, and we just didn’t have that,” he says.

“Each day I get to work with an amazing team at Kroger on the categories that I love to deliver new innovation to our customers.”



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Aside from being a powerful presence in retail, beer and wine also play important on-premise roles at Kroger, at locations where beverage alcohol is allowed for in-store consumption—the legality of which varies greatly between local markets. “We have wine tasting bars, where our beverage stewards offer different wine tastings on a weekly basis, and we also do beer and wine by-the-glass at a number of locations,” says Milburn. “We also have several formats where we’re able to do small food menus; ultimately, in each market where we’re allowed, we want to give our customers the fullest experiences possible.” Milburn began installing growler-fill stations at Kroger locations in 2014; they’ve since become sought-after destinations, with growler bars elevating the in-store experience and serving as a popular to-go offering. For the time being, Kroger’s on-premise presence has shuttered in light of Covid-19; re-opening will take place at different times, as different parts of the country assess their own re-opening strategies.

Customers Come First

As Milburn notes, serving customer needs and heeding their requests are at the heart of Kroger’s business. “We spend a lot of time developing our strategies and researching what our customers are looking for,” says Milburn. “We have an incredible amount of consumer-centric data, and with that we’re making sure we’re taking care of our customers; they’re first and foremost behind any strategies we build.” The challenge in building out strategies at Kroger is the grocer’s massive presence; there are currently 2,800 stores across 42 states and Washington, D.C., and each unit has notable differences, from its physical footprint to the legal laws and restrictions present in each market. Milburn navigates these choppy waters by listening intently to customers in each market; observing emerging trends in on-premise accounts; and taking note of what’s working at other retailers in the area.



While beer may be a key seller for Kroger, wine (display top; wine wall above) takes the No.-2 spot, comprising 33.5% of sales. The company has invested in its own private-label wine business in recent years, seeing success for brands like Simple Truth.

The chain also relies heavily on its beverage steward program for connecting with consumers in-store; the program employs nearly 500 people. “As a retailer, we’ve done a lot with higher-level education in beverage alcohol,” he says. “We offer our beverage teams WSET training, and I’ve been told we have the largest certified contingent of beverage stewards out of any retailer in the country.”

Ultimately, Milburn says that Kroger plays to its strengths as a grocery store first and foremost. “We’re fully self-aware that a lot of the time, we’re a convenience to our consumers; they’re coming for food shopping, or grabbing home supplies, while also engaging with beer, wine, or spirits,” he says. “Our goal is to make that single trip as seamless as possible, and fulfill those convenience needs for our customers in any way possible.” To keep up with modern times and heighten efficiency for its customers, Kroger has expanded its e-commerce platforms and added pickup and home delivery. “We’re going to continue making sure that we put an experience, an assortment, and a pricing model in front of our customers that they’re proud of, and proud to tell others where they get their beer, wine, and spirits from,” says Milburn. **mw**

KEY FACTS: KROGER

Name of Leader:

Director of adult beverage Jason Milburn

Number of stores: 2,800

Annual Revenue: \$122.3 billion

Sales Breakdown:

44.5% beer, 33.5% wine, 22% spirits

Website: Kroger.com

Future Plans:

No major changes are underway, but Milburn will continue to build upon Kroger’s beverage alcohol selection.