

# Why Every Penny Counts

By any account 2018 was a challenging year for the grocery industry. Pressures from intense competition and the ever-changing retail landscape challenged Ralphs' parent company, Kroger, to manage expenses and deliver service, selection and value for our customers.

For fiscal year 2018, Kroger's total sales were \$121.2 billion. That's a very big number, but there's a huge difference between sales and profit.

## Where does the money go?

For every dollar our company earns in sales, less than two pennies – actually 1.4 cents – represents the profit we can use to build and remodel stores, develop new technologies and fund other investments.

Most of every sales dollar – or 78 cents – is spent to buy the products we sell in our stores. Think of the items we move through our stores every day. We pay our vendors for many of those products, and it's a big bill.

Our second biggest investment is with you – our associates. For every dollar our customers spend in our stores, our company invests 13 cents in wages, health care, pension, vacation pay and other benefits for our associates.

Another 3 cents go toward fixed expenses like rent or insurance costs, and 2.6 cents covers other standard business expenses like overhead, interest, taxes and depreciation.

Variable expenses also take 3 cents of every dollar in sales. These expenses represent an opportunity for us because each of us can take steps to minimize these costs. Utilities, bags, garbage collection are all examples of expenses we can control.

## What does this mean?

There's a huge difference between sales and profit. With only 1.4 cents in profit for every dollar in sales, it's more important now than ever to focus on increasing our sales and reducing expenses wherever possible so we can continue to provide good stable jobs and grow our business.

We know that our associates are the heart of our company. That's why we continue to make investments in your pay, and health care and pension benefits, plus offer additional perks and discounts just for you.

Remember, our people are our second biggest investment.

## Where Our Dollars Go

### *Putting People Before Profit*

