Kroger & Ocado: A Turning Point for Automated Fulfillment – What It Means for Retailers

Kroger's exclusive partnership with UK-based automated warehouse operator Ocado is under review — a development that could reshape automated fulfillment.

WIXOM, MI, UNITED STATES, September 17, 2025 / EINPresswire.com/ -- WIXOM, MI – ISD – Integrated Systems Design – Kroger's exclusive partnership with UK-based

Ocado's Automated Fulfillment Technology – Powerful but Capital-Intensive

automated warehouse operator Ocado is under review — a development that could reshape the future of large-scale automated fulfillment and grocery fulfillment in the U.S.

Mark Hamstra recently reported on this story in Supermarket News, detailing how Kroger is conducting a site-by-site evaluation of its automated fulfillment centers (CFCs) and considering putting greater emphasis on using its 2,700+ store network to fulfill online orders. This news rattled Ocado's stock price and has sparked industry-wide discussion about the balance between centralized, highly automated fulfillment and store-based rapid delivery models.

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>
> *Ed Romaine*

Why It Matters

Kroger and Ocado began their partnership in 2018 with plans for up to 20 robotic fulfillment centers nationwide.

Eight are operational, with two more expected to come online in Phoenix and Charlotte by early 2026. But Kroger has slowed its rollout, even closing three "spoke" facilities last year. If progress continues to lag, their exclusive agreement could be terminated — potentially opening the door for Ocado to partner with other U.S. retailers.

Ocado's Automated Fulfillment Technology – Powerful but Capital-Intensive
Ocado's Customer Fulfillment Centers are among the most advanced in the world, using thousands of autonomous robots running on a grid system to pick and move totes with incredible speed and accuracy. The grid allows vertical cube storage, maximizing density and enabling rapid retrieval. Orders are assembled by bots that travel across the top of the grid, dropping and lifting totes as needed, before orders are consolidated and packed for delivery.

Ocado vs. AutoStore – A Similar Approach
It's worth noting that Ocado's technology bears striking similarities to AutoStore's widely adopted automated fulfillment cube-based storage system. AutoStore, which pioneered this grid-and-robot concept, filed a series of lawsuits against Ocado over alleged patent infringement. The legal dispute spanned multiple countries and resulted in a settlement in 2022, allowing both companies to continue operating but underscoring how competitive — and closely related — these systems are.

Both technologies solve the same fundamental problem: high-density, goods-to-person picking in a compact footprint. They rely on fleets of robots to access totes stored within a cube, dramatically improving space utilization and throughput compared to traditional racking systems. The core difference is in their design details and control software; otherwise, they are remarkably similar.

The Bigger Trend: Flexibility is the New ROI in Automated Fulfillment
Kroger's re-evaluation highlights a critical lesson for the entire retail and distribution industry: technology decisions must be flexible enough to meet changing market demands.

"Aligning customer expectations and demands and deploying the proper automated fulfillment technology is why Systems Integrator ISD – Integrated Systems Design is OEM Agnostic," says Romaine. I often tell clients. "Utilizing ISD's 8-step OptimalOps-Process prior to and during implementation is designed to flush out current state vs. future state market demands and the flexibility built into any and every type of technology deployed."

In other words, automation isn't just about speed and efficiency — it's about being prepared for what's next. Whether retailers pursue cube storage like Ocado and AutoStore, AMR-based shelf-to-person systems, or store-based micro-fulfillment, success depends on aligning those solutions with customer expectations, cost pressures, and long-term growth strategies.

Agility and flexibility are vital characteristics when it comes to implementing warehouse automation. When Kroger says it is evaluating its use of its 2,700+ store network in distribution, it's really talking about a spoke and hub network rather than a central fulfillment center. "The hub and spoke translates to being closer to the customers and far more responsive than a larger regional fulfillment center... agility and improved customer service," said Romaine.

Takeaway for Retailers & Operators

Kroger's move is a reminder that automation investments are not set-and-forget. They must be continually evaluated against ROI, service-level expectations, and emerging technologies.

At ISD, our OptimalOps-Process helps clients evaluate current operations, model future-state requirements, and deploy solutions that reduce costs, increase throughput, and provide flexibility for tomorrow's demands.

About ISD – Integrated Systems Design
Integrated Systems Design is a comprehensive systems integrator of automated fulfillment solutions for warehouses, manufacturing, distribution centers, retail, assembly, and wholesale applications, improving processes and productivity while reducing operational costs. Whether providing consulting services to meet current issues or developing future scalable plans to address industry challenges, ISD creates value by designing systems to our clients' specific requirements.

ISD expertise ranges from handling, storing, and picking pieces (eaches), cases, pallets, build lines, and special or custom handling solutions. Products and services include: [automatic storage and retrieval (ASRS)](), conveyors, AMRs, robotics, batch stations, shuttles, pick-to-light, carousels, vertical lift modules (VLMs), sortation systems, truck loading/unloading systems, controls, and software (including inventory management, WCS, WMS, MES, and ERP).

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