



How Amazon Canada Is Chipping Away at Grocery Stores

Description

By Cameron Conway

Just when Canadian grocers thought things couldn't get any worse after the opening of [Target stores in Canada](#), a new player has entered the grocery isle: online retail juggernaut **Amazon.com** ([NASDAQ:AMZN](#)).

Amazon recently announced that it had created a new Grocery and Gourmet Food department at [Amazon.ca](#), and it boasts more than 15,000 dry food products, most of which are eligible for Prime or super saver shipping. Since the start of the year, Amazon.ca has "more than doubled" its offerings in the grocery, auto, toys, and office categories.

In other words, in typical Amazon fashion, it's a win for customers and a major pressure point on competitors. Unlike Target's entry into Canada, Amazon should be striking fear in the big grocery players such as **Loblaw** ([TSX:L](#)), **Sobeys** ([TSX:EMP.A](#)), and **Metro** ([TSX:MRU](#)).

With 15,000 items, the range is huge, but to give a quick flavor, the next time you're ordering a new Blu-ray, you can now also stock up on pantry necessities, baby food, local favourites like Dare cookies and Canadian maple products, and even flowers. Amazon has included many \$1 and \$2 items that it hopes can be easily be tacked onto what consumers may already be ordering from Amazon.

Prices on most products vary right now, but historically, Amazon has been willing to make little to no money on each sale just to crowd out the competition and win more of the consumer's wallet.

Between, Amazon, Target, and **Wal-Mart**, Canadian grocery chains are facing more competition than ever. The added pressure has already sparked [the mergers of Loblaw and Shoppers Drug Mart](#), along with [Sobeys and Safeway](#) and even synergy-partnerships such as [TD Bank & Loblaws' new Ugo mobile wallet](#).

With Christmas just around the corner, this could prove to be a pivotal and perhaps costly year for Loblaw and Sobeys. The question is: Are these companies prepared, equipped, and willing enough to fight a battle both on the streets and online?

One thing is clear: Whether or not shareholders win, Canadian consumers will.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:EMP.A (Empire Company Limited)
2. TSX:L (Loblaw Companies Limited)
3. TSX:MRU (Metro Inc.)

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motley-fool-staff

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