



## Why Loblaw Companies Ltd. Is the Best Canadian Grocery Play

### Description

**Loblaw Companies Ltd.** ([TSX:L](#)) is the largest grocer and pharmacy chain in Canada. Sure, the grocery business is a tough business to thrive in; the margins are very thin, and if operational excellence isn't achieved, there are major profitability issues. The management team at Loblaw has done a terrific job of cutting costs and improving efficiencies through initiatives, and, as a result, the company has performed well, despite the increasing competition in the grocery space.

Many retail giants have been crushed by rising e-commerce giants, and the management team at Loblaw is prepared to adapt to a changing environment. Groceries aren't normally something you'd order online, but **Amazon.com, Inc.** ([NASDAQ:AMZN](#)) has jumped feet first into the grocery space with AmazonFresh delivery services and its own small grocery store, which allows customers to take things off shelves and walk out the door without stopping at a register.

### Should Loblaw shareholders be worried about Amazon?

I don't think so.

Loblaw has created a huge moat for itself over the years with its many grocery stores and Shoppers Drug Mart chains throughout the country. Many Canadians live close to a Loblaw or Shoppers Drug Mart location, so it really doesn't make sense to subscribe to a grocery delivery membership. There are also a lot of things that could go wrong in the delivery of fresh groceries. I think it's a liability nightmare, and this is probably why Loblaw isn't jumping on the grocery delivery bandwagon.

Loblaw is investing in its "Click & Collect" model, which makes a lot more sense for the average consumer. You don't have to pay membership fees, and you can quickly check on your items for quality before you leave the pick-up location.

Home delivery may be in the cards at a later point in time for Loblaw, but I think only a few consumers would really benefit from such a service. For Amazon, it's going to be an expensive and potentially unprofitable task to try to dethrone Canadian grocery stores like Loblaw, so I wouldn't worry about the rising threat of e-commerce just yet.

## Shoppers Drug Mart: Canada's biggest cannabis distributor?

Shoppers Drug Mart is a terrific brand with ample growth prospects, and this is the main reason why I prefer Loblaw over its peers in the grocery space. Nationwide cannabis legalization is about a year away, and there has been talk that pharmacy chains could be one of the primary locations that consumers could buy the drug. The management team has formally applied to get a distribution licence last year, so don't be surprised if Shoppers Drug Mart is one of the go-to places for medical marijuana in a few years from now.

### Takeaway

Sure, Loblaw isn't the cheapest Canadian grocery stock out there, but it has the most promising growth prospects in the industry right now. I think investors should consider picking up shares now before they take off.

Stay smart. Stay hungry. Stay Foolish.

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2. TSX:L (Loblaw Companies Limited)

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