



Is Loblaw Companies Ltd. Still a Solid Long-Term Bet?

Description

Amazon.com, Inc. ([NASDAQ:AMZN](#)) has officially become a serious threat to grocers after the recent deal to acquire **Whole Foods Market**. While there are only a few Whole Foods locations in Canada, I believe Amazon will soon set its sights on Canadian grocers sometime over the next few years after it's successful in disrupting the American grocery scene with its grocery-delivery platform.

Loblaw Companies Ltd. ([TSX:L](#)) is a solid Canadian grocer with a fairly large moat in its numerous locations across the country, but Amazon could potentially penetrate this moat many years down the road. The management team has invested a considerable amount in its "Click & Collect" platform, which will make it more convenient for consumers to order their groceries online and simply stop by a location to pick them up.

Will "Click & Collect" be enough?

The "Click & Collect" model has benefits over the grocery-delivery platform that Amazon is going for. Consumers may want to double-check to see that their tomatoes aren't bruised or their eggs aren't destroyed. If your groceries were just delivered to your door, then broken eggs and damaged fruit are a possibility, and the average consumer would probably be too lazy to march over to a store to return such a damaged item.

I believe "Click & Collect" will make the time-consuming process of buying groceries somewhat more convenient for a select few customers, but looking many years down the road, it's looking like home delivery will trump "Click & Collect" for many reasons.

The stay-at-home era is coming

We're entering a "stay-at-home" era where the average person will not need to venture out of their homes to get necessities like groceries. Many people have little incentive to leave their homes these days, especially those who work from home, watch movies from home, or entertain themselves from home with video games.

Home delivery of groceries is a really big deal, and I don't think Loblaw's "Click & Collect" platform is

going to cut it over the long term. Driving all the way to the grocery store to pick up items can still be a pain for many Canadians who don't live in close proximity to a grocery store.

It's also time-consuming to browse an online store to pick food items. Amazon has the ability to have automated weekly home delivery of groceries based on what consumers usually order. One day, groceries may just be delivered to our doors without any need to even think about what to buy.

Bottom line

After learning more about Amazon's plan of taking on the grocery market, I think Canadian grocers need to be afraid, because the storm is coming. Amazon's logistics are unmatched, and Canada's grocers are going to really start to feel the pressure over the next decade.

Unfortunately for Canada's grocers, there may be little to do to offset the pressures that Amazon may bring once it expands to Canada. Nobody knows when this will happen, but I'm pretty sure Amazon won't stop just in the U.S.

Over the short to medium term, Loblaw is unlikely to feel the pressure from Amazon, and it will be business as usual, but over the course of many years, we could see Loblaw take a hit on the chin if the management team is unable to adapt in a rapidly changing industry. I'm not sure if Loblaw will be able to adapt over the long term, and for that reason, I'm waiting on the sidelines.

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2. TSX:L (Loblaw Companies Limited)

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