



Amazon.com Inc.'s Grocery Delivery Service Is Coming to Canada: Could Canadian Grocery Stocks Crash?

Description

Things got really ugly for Canadian grocers last Friday as shares of two major Canadian grocers, **Empire Company Limited** ([TSX:EMP.A](#)), and **Loblaw Companies Limited** ([TSX:L](#)) nosedived by 4.67%, and 3.54%, respectively. Why was there such a huge single-day plunge? **Amazon.com, Inc.** ([NASDAQ:AMZN](#)) is getting ready to offer grocery delivery services to Vancouver in November and Toronto in January.

In many of my [previous pieces](#) published over the last few months, I warned investors that Amazon would eventually make a move into Canada and that Canadian grocers would take a major hit on the chin — probably sooner than the general public would expect. That's why I urged investors to sell their shares of Canadian grocers before Amazon announced its entrance into the Canadian grocery space.

It caught many by surprise that Amazon is moving into the Canadian market so soon. Amazon is a serious threat, and the fears over Canadian grocers are completely warranted. Canada's grocers can invest in delivery initiatives to combat Amazon, but I think it's a shot in the dark. Amazon has caused many traditional brick-and-mortar retailers to suffer, and the same is probably going to happen to the grocers. Whether they're based in Canada or the U.S., there's no hiding from the boogiemer that is Amazon!

Which grocer will be hit the hardest?

Amazon is going to really hurt the profitability of all Canadian grocers over the long term, but I believe its faster-than-expected entrance into the Canadian market will be detrimental to Empire Company Limited. Empire has just started to find its feet after getting crushed by its own inefficient complex organizational structure, which ultimately caused shares of EMP.A to lose over half their value from peak to trough.

While Empire has seen notable improvements over the last few months thanks to CEO Michael Medline's expertise, there's still a lot of work to be done to get Empire into shape to compete with other Canadian grocers, let alone Amazon, which is a serious threat that could send Empire farther into the

abyss.

Sure, Empire is slowly improving, but I don't think the current state of operations will be able to compete with the likes of Amazon. Sure, Empire is still down ~36% from its high, but that doesn't mean downside is limited whatsoever.

Bottom line

A major storm is brewing. Canadian grocers have a lot of room to fall from here, so I would probably run to the sidelines as a much better entry point could be on the horizon for those who think the grocers can rise above Amazon over the long term.

Stay smart. Stay hungry. Stay Foolish.

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TICKERS GLOBAL

1. NASDAQ:AMZN (Amazon.com Inc.)
2. TSX:EMP.A (Empire Company Limited)
3. TSX:L (Loblaw Companies Limited)

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