



Metro, Inc.: Will its E-Commerce Efforts Be Enough to Offset Competition From Amazon.com, Inc.?

Description

Metro, Inc. ([TSX:MRU](#)) is battening down the hatches in preparation for the incoming storm of **Amazon.com, Inc.** ([NASDAQ:AMZN](#)) and its entry into the Canadian grocery market. The stocks of Canadian grocers have been in limbo due to the tectonic shift to e-commerce that the grocery industry has been experiencing since Amazon shed light on its plans to spread its disruption to the grocery retailer market.

Management at Metro can see the disruption from digital competitors coming from miles away. So far, the company has done a terrific job of widening its moat to minimize the negative impact that Amazon or any other grocery-delivery service will have on its top and bottom lines over the long term. With the recent acquisition of Jean Coutu Group PLC Inc., Metro significantly solidifies its business since generic drugstore chains will likely hold up better once the competition in grocery retail begins to heat up.

The Jean Coutu deal also creates opportunities for the up-and-coming e-commerce business. In the future, not only will groceries be purchased online, but it's also likely that prescription drugs, health products, and cosmetics will be purchased online, too. These are items that we may need to purchase on a recurring basis, and I believe many consumers may wish to simply subscribe to a delivery platform to have their medication delivered to their door without them having to think about it.

When we go to the doctor for an ailment, a doctor usually prescribes a medication, and we head to the closest drugstore to place the order. A lot of the time, the consumer waits for as much as 30 minutes for the drug to be ready to take home, which is very inconvenient!

In a few years down the road, a doctor could simply order medication through a mobile device, which will have your medication immediately ready for pick up or delivered straight to your door in an expedited fashion. That's convenience! Nobody wants to wait around for their pills to be prepared. The way prescription drugs are dispensed is very inefficient, but in a few years, Metro's Jean Coutu will probably make the old process a thing of the past (likely in response to a similar service offered by Amazon).

Bottom line

Amazon is pushing Canadian grocers to become more innovative, which is good news for Canadian consumers, but bad news for shareholders of Canadian grocers due to the added risk of the imminent technological shift.

Metro is very well equipped to fight off Amazon, but in the end, I still think its results will be impacted negatively, and more so as the years progress, as Amazon increases its grocery/drugstore footprint across the country. Who knows? Amazon may take over one of Canada's grocers, and if that's the case, one stock will win while the others lose.

Although Metro is well-positioned to deal with an increase in competition, I'd avoid shares at current levels since they are likely to remain in limbo for a longer duration as fears over Amazon continue to mount.

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