



Loblaw Companies Ltd.: How's the Technological Innovation Looking?

Description

Technological disruptors are coming after Canadian grocers. Whether the disruptor is **Amazon.com, Inc.** ([NASDAQ:AMZN](#)), **Wal-Mart Inc.** ([NYSE:WMT](#)), or Chef's Plate, it's clear that Canada's grocers are facing an uphill battle, as the new wave of competition has superior technologies and logistics capabilities, which I believe will be too much to handle.

In this piece, I'm going to focus on **Loblaw Companies Ltd.** ([TSX:L](#)), a major Canadian grocer that I'm most familiar with. I used to own shares but dumped my entire position following Amazon's earlier-than-expected entry into the Canadian grocery scene.

I've had the opportunity to use its Click & Collect service, which will be a critical part in the company's success if it's going to survive the onslaught by innovators who will inevitably put a [major dent](#) in the top and bottom lines of Loblaw. This is a severe case of moat erosion for which there is no simple solution. I think the general public has downplayed Amazon's entry into the Canadian grocery scene.

How is Loblaw embracing tech so far?

Loblaw will eventually have a [grocery-delivery platform](#) in place, but I don't think it will be without its problems in the early stages, especially since management is moving into uncharted territory with both new tech and logistics.

For now, Loblaw is ironing out the wrinkles in its Click & Collect service, which may seem like an incredibly efficient way for customers to buy their groceries, but it's apparent that the online platform is lacking in features versus Amazon or Wal-Mart, which are more intuitive and faster to use.

I had the chance to use the Click & Collect platform at a Loblaw's Superstore over the past month, and my experiences were mixed, to say the least. It was definitely convenient to have your groceries loaded for you without needing to step into the store, but interacting with the online interface could be a huge pain. Click & Collect is a great concept on paper, but as of right now, the digital platform has a boat-load of bugs and broken pages, and the user experience, I believe, is severely lacking in comparison to Amazon.

Sure, these issues with Click & Collect can be easily fixed, but given Amazon's quicker-than-expected entry into the Canadian grocery space, I fear that Loblaw may quickly fall behind, given it's being forced to play on Amazon's turf when it comes to technological innovation and logistics.

In addition, Amazon is no stranger to razor-thin margins, so Loblaw stands to be squeezed over the next few years — more so if it's unable to leverage technology in a more effective manner. Millennials are quick embracers of technology, and the last thing they want to do is call someone if there's an issue with their order, especially since Click & Collect is primarily built around calling for service.

At the particular Superstore location I go to, a considerable chunk of items I selected were out of stock, and these were mainly pantry items or non-perishables, which shouldn't be selling out at such a quick rate. I don't know if it's a problem with my particular location, but I find that about 15% of the items that I add to my cart end up being out of stock when I pick up my grocery haul. The substitute item feature, although seemingly convenient, is not at all a great experience when you have to call a representative to tell them that the item substitution they made wasn't the one that you were hoping for.

For example, a bag of chips may be replaced with a similar bag of chips at a considerably higher price. Also, many seemingly basic items, like ground beef, were out of stock with no substitutions available. Add a barrage of site crashes, and you've got a platform that's barely usable at this stage.

Take my experience with a grain of salt, but I'd encourage investors to try out the new Click & Collect system for themselves, as I believe it plays a gigantic role in the future success of the company's adaptation efforts and is an early sign of how the company is likely to fare as it makes a deeper dive into tech. When preparing to fight off Amazon, there's zero room for error.

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2. NYSE:WMT (Wal-Mart Stores Inc.)
3. TSX:L (Loblaw Companies Limited)

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