



## Why It's Time to Consider a High-Tech Grocer

### Description

Have you considered an investment in a grocer? **Loblaw Companies** ([TSX:L](#)) is both the largest grocer and pharmacy in the country, with a number of compelling reasons for investors to consider.

Here's a quick overview of why now more than ever before, Loblaw should command a small position in your portfolio.

#### **Loblaw has an impressive moat**

Loblaw owns the largest grocer and pharmacy network in the nation, with a sprawling footprint of stores and a dizzying array of well-known brands that spans coast to coast. The acquisition of Shoppers Drug Mart several years ago remains one of the most brilliant moves by the company to expand into a complementary segment of the market that has since been replicated by other players in the marketplace.

Between the impressive grocery and pharmacy networks, Loblaw has blanketed the country in an impressive manner that exposes an opportunity that few realize. Cross-selling of the company's popular products and brands between the grocery and pharmacy segments has proven successful, providing an alternative shopping experience to those customers that prefer a smaller more local store in the form of their pharmacy over a large grocer to purchase a few items.

Those power of the Loblaw brands shouldn't be summarily dismissed; both Shoppers' Life brand and President's Choice are among the most powerful and well-recognized brands in the country, and consumers have shown a willingness to go out of their way to purchase those products.

#### **A new — and lucrative — rewards program**

Perhaps the most innovative reason to consider Loblaw comes in the form of an announcement made earlier this month: a fee-based subscription-based loyalty program. The new service, which costs \$99 per year or \$9.99 per month, allows customers to place online orders for pickup in store for free, earn additional rewards and provides free shipping from an assortment of goods from the company's apparel brand Joe Fresh, as well as from the Shoppers' pharmacy chain.

If that weren't enough, the program comes with a \$99 credit for the company's travel service, and a surprise box of products that are shipped to the customer's home.

While the program is being rolled out this month to existing customers enrolled in the existing free rewards program, it follows a year-long pilot of the new program that surpassed demand and saw thousands of customers join waiting lists to get into the new offering. Over the course of that pilot, Loblaw saw customers use its online purchase and pickup service at least once a month, which could attract and retain customers on a larger scale now that the program is being rolled out to additional customers.

The long-term potential of this program is off the charts. Grocers have been largely immune to the onslaught of mobile commerce over the past decade, with concerns about the personal and fragile nature of buying foods. This solution moves the segment closer to that goal of automation while establishing an even stronger moat around Loblaw's most loyal (and now subscription-paying) customers.

Also noteworthy is Loblaw's new "shop and scan" option for tech-savvy shoppers that allows them to shop and check-out in a streamlined manner by using their smartphones. The feature is still being released across Loblaw's network of stores and is another example of embracing technology.

### **A growing non-retail arm is taking shape**

We often speak of Loblaw as one of the titans of the grocery market in Canada, which it is. But not mentioning the company's financial and real estate market would be passing on an equally attractive investment.

Loblaw offers a suite of financial products ranging from banking and credit services to insurance and cell phone service. Customers also earn rewards from those products, further strengthening that moat I mentioned earlier.

### **Final thoughts**

In many ways, Loblaw is an ideal holding for investors looking to diversify their portfolios. The company has [growth prospects](#), is advancing and innovating a tired and dated traditional retail model, and also offers investors a [respectable income](#) with a yield of 1.93% which saw a solid hike of over 9% earlier this year.

In my opinion, Loblaw is a great long-term investment that is worthy of inclusion in any portfolio.

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