



## Does Your Growth-Focused Portfolio Need a Grocer?

### Description

Grocers such as **Loblaw** ([TSX:L](#)) remain some of the most underrated investments on the market today. Apart from offering us the opportunity to buy the necessities we need to survive, grocers have also expanded in recent years into other segments of the economy, such as providing access to pharmacies and beginning to offer options for mobile shoppers.

Here's a look at some recent initiatives by Loblaw and whether they make the company worthy of inclusion in your portfolio.

### Loblaw is acting on the mobile threat

One of the most significant changes in the retail marketplace of the past decade was the widespread adoption of mobile commerce. Consumers have flocked to the ease and speed of shopping online, resulting in a noted decline in store traffic to more traditional brick-and-mortar stores.

Fortunately, the same can't be said for grocery stores such as Loblaw, which remains one of the final frontiers that mobile commerce has yet to penetrate fully. Part of the reason stems from the perishable and fragile nature of food, making it both difficult and expensive to ship door to door, and part of it also comes down to the personal nature of selecting what we see to be the best or most ripe food for our families.

While these concerns provide a moat around the grocery segment for the moment, internet e-commerce titans are converging on the grocery segment, but Loblaw is responding in kind.

Loblaw's "shop and scan" service was announced back in November of last year, just in time for the holiday shopping season. This new service allows customers to scan items into a virtual cart using their phones as they make their way through the store, generating a single bar code representing everything in the cart that can then be scanned, resulting in a quicker checkout.

## Loblaw's new rewards service

Another interesting update from Loblaw that has already proven incredibly popular is the company's new fee-based program. Originally launched back in November 2017, the PC insider program offered a slew of benefits and freebies to subscribers for a fee.

The \$99 annual service has now been rolled out on a wider scale and offers customers free shipping both the company's JoeFresh and Shoppers Drug Mart brands, as well as free online grocery pickup from Loblaw locations.

Members also receive 20% back in points from purchases of selective products, an annual \$99 credit for eligible travel bookings, and a home-delivered box of PC products.

In short, this is an appealing program for the 16 million Canadians that are already members of Loblaw's customer reward system and should provide a suitable moat to both continue acquiring customers as well as keeping them.

## Market headwinds are hiding an incredible opportunity

In the most recent quarterly update, Loblaw posted a small uptick in revenue of just 1.8%, which was enough for some investors to question the long-term viability of the stock. In reality, those results reflect several significant changes to both the market and the business, such as healthcare reform, wage increases, and the restructuring of **Choice Properties**.

To put it another way, it was a busy quarter for Loblaw, and despite those headwinds, the company still managed to post some gains.

I absolutely love Loblaw's unique product mix and believe the company's new fee-based subscription program is a winning formula. Also noteworthy is Loblaw's dividend, which, at a yield of 1.84%, is solid, but not exactly the most impressive return if your focus is [dividend income](#).

While not the most compelling buy on the market, Loblaw represents a [unique growth opportunity](#) for investors looking to diversify their portfolios to gain access to a promising investment that could provide long-term growth and income potential.

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