



3 Compelling Reasons I like Loblaw (TSX:L)

Description

Grocery stocks such as **Loblaw** ([TSX:L](#)) often come with a stigma of uncertainty. For one thing, there's the fact that internet titans are encircling the sector with increasing aggressiveness, attempting to penetrate what many perceive as the last bastion of the traditional retail model. Then there's the changing face of grocery shopping itself; we're leading busier lives with less time to shop and prepare meals. Given all of these changes, is it worth investing in a grocer such as Loblaw?

The answer to that is a resounding yes, and here are three reasons why I like Loblaw.

Loblaw has captured a new segment of customer

Perhaps one of the most impressive and changing developments that Loblaw made over the past decade was the deal to acquire Shoppers Drug Mart. The reason I say that is not because of what the deal offered the company in terms of value, but more of how many new opportunities that the deal opened up for Loblaw, many of which continue to develop today.

One such advantage worth noting is the cross-selling advantage in maintaining a network of smaller stores. Not everyone needs to go into a massive Loblaw store to buy milk and eggs on the way home from work, and for those shoppers, having a network of stores through Shoppers that can cater to those customers keeps those customers in the Loblaw family. Further to this is the fact that Loblaw can (and has, with increasing success) stock popular products from its larger stores into the Shoppers network, adding even more opportunity.

Loblaw has long-term potential through an entirely new market

One of the most highly anticipated developments of the past year was the legalization of marijuana across Canada last fall. While there are a countless number of cannabis-related investments to be realized across the market, few investors may make the connection that Loblaw is one of those companies.

That link is once again thanks to the Shoppers subsidiary, which received a licence to sell medical marijuana. The licence was only granted late last year and only covers medicinal cases, so investors may need more time to fully realize the potential that this new market will have, but suffice to say that the potential is huge.

Loblaw is at the cross-section of customer appreciation and technology

One of the more interesting developments to arise in the past few months at Loblaw has been the new “shop-and-scan” initiative. As the name implies, this lets shoppers traverse the aisles of the store, scanning items into a digital cart using their smartphone. When they are done shopping, a dedicated barcode for that shopping session on the smartphone can then be used to ring up and pay for all of the items in the shopper’s cart.

It’s a unique twist on the traditional retail model but retains the personal element of grocery shopping that has proven to be difficult to replicate in online sales channels.

Adding to that appeal is Loblaw’s highly successful rewards program. Late last year, Loblaw launched a loyalty program that includes a host of perks ranging from a basket of freebies to free shopping on goods through several of the company’s branded stores. The service costs \$99 per year and has proven incredibly successful for the company so far, particularly as a limited trial run targeting just 5,000 customers to enter the program last year was expanded to include an additional 25,000 customers.

In short, Loblaw is developing a solid network of stores, both big and small, embracing technology and building an impressive moat to keep its customers within its growing network and attract new ones. Loblaw may not appeal to the income-seeking investor looking for [high-yield returns](#), but for a [growth-minded investor](#) looking to diversify, Loblaw is a great fit.

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Author

dafxentiou

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