



The Best Stock to Buy Before a Stock Market Slowdown

Description

One of my investment philosophies is to build a portfolio around what I personally need to survive. I need food, and I'm not able to grow enough of it to keep me whole. This brings me to **Empire Company** ([TSX:EMP.A](#)), which is headquartered in Stellarton, Nova Scotia. The company extends food retailing, investments, and other operations. Empire's food retailing division provides almost all Empire's income. Among the brands Empire owns are Sobeys, Foodland, IGA, and Farm Boy. The company has a market capitalization of \$9.9 billion, has a five-year total return of 46.68%, and pays a dividend of 1.23%. Sobeys is the second-largest food retailer in Canada, after Loblaws.

Historically, grocery stores have profit margins of 1-3%, but don't let those low numbers fool you. Even in a recession, people will need to buy food. They might switch out higher-cost items for lower-cost ones, but they'll still buy.

No grocery store offers the best deals on all items all the time. When prices are compared between Empire (Sobeys), **Walmart**, and **Loblaw**, the total cost of the same basket of goods comes out almost equal. This is a good sign, because it indicates [Empire is competitive](#).

In addition to investing in companies I need to survive, I look for companies that adapt to changing market demands. Grocery Drive identified consumers want more delivery options. In May 2019, Sobeys and IGA announced Sobeys and IGA offering a home delivery service in the Greater Toronto Area, Ottawa, and the major cities in Québec. What's not to love about hotcakes delivered right to your door?

One of [Empire's main competitors](#) is Loblaw. In recent months, it was revealed Loblaw put too much emphasis on algorithms to push growth. After much effort and expense, the algorithms failed to deliver growth, leaving Loblaw with egg on its face.

Another trend in the industry is for the store to be a showroom and the website to provide support in the form of recipes and cooking videos. Again, Empire is on trend and offers customers recipes, whereas near-peer competitors Loblaw and Walmart do not.

Opportunities

In Western Europe, the grocery market trend is to incorporate e-commerce as more and more people shop online. Online food shopping is not about ticking a box and waiting for the items to arrive. It's about crafting a user experience that showcases different foods, new ingredients, and integrates the demonstration of a recipe with the ability to buy with one click all the necessary ingredients for that meal.

Empire can leverage its current competitive advantage with the company's website and be a cut above when it comes to online food retailing.

With online retailing comes additional logistical challenges. Investments in logistics helps the entire company and can create other opportunities for Empire. For example, with improved logistics, the non-at-home-delivery side of Empire's company can also find cost savings.

Concluding remarks

Here's a flipside of looking into Empire. Food producers can't always pass on costs to customers. Sometimes they are tied into contracts and must deliver at a specific price. Retailers, however, have more flexibility when it comes to pricing. One product might be a loss leader, but it gets people in the store to buy others.

You get a baker's dozen with Empire. Empire's stock is performing well and pays a dividend, the company's prices are competitive, and Empire is on trend with consumer tastes.

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