

A look at loblaws companies

[Business](#)



In 1919 the first Loblaw grocery store opened in Toronto. Theodore Pringle Loblaw and J. Milton Cork had a new idea of a grocery store, one which would be fully self-serve and would offer better quality foods at lower prices. In 1978, 'No Name' products were introduced into Loblaw stores. These products had distinct yellow packaging, and Loblaw stores experienced an outstanding customer feedback. In 1984, 'President's Choice', one of Loblaw's own brands made its first debut in stores. Consumer feedback and satisfaction for President's Choice products was superb and "everything from toasters to train sets" were made.

Loblaw Companies has now grown to over seventy locations in Ontario alone. (Loblaw Website, Main Page) The years 2005 to 2008 were very important for Loblaw, the company underwent expansion to ultimately ensure their mission to be "Canada's best food, (Loblaw: First Store) health and home retailer by exceeding customer expectations through innovative products at great prices." These expansions are still taking place today. "In 2005, Loblaw Companies Limited moved closer to completing one of the largest transformations in its history.

They were challenged by the size and impact of the short term costs associated with executing certain elements of the transformation. "Working facilities merged, and there were major store renovations. A new head office and Store Support Centre was established in Brampton, Ontario; which now employs 2,000 Ontarians. However, these expansions caused some setbacks. Loblaw made changes to their national systems platform and supply chain. This change disrupted the flow of its inventory and had an overall negative effect on the sales and earnings for 2005.

This simplified their distribution network which made the movement of inventory much less time consuming and lead to lower costs. A capital investment program exceeding \$1 billion was used to continue the expansion of " The Real Canadian Superstore" in Ontario. This money was also used to convert specific conventional stores into much larger superstores, strategically choosing the stores that reflected a growing market. A new general merchandise warehouse and distribution centre for Eastern Canada was also established. This improved the overall speed of inventory and stock from the warehouse to grocery stores.

As of 2005, the Company " believe that [they] are taking the significant steps required to ensure that Loblaw continue to grow, to succeed and to provide sustainable value in a changing landscape" (Annual Report 2005, pp. 5-6). The year 2008 was not as eventful as 2005. They struggled with more setbacks, and had the ideal thought of " Making Loblaw the Best Again". As stated in their Annual Report, "[They] continue [their] efforts to simplify and sharpen Loblaw, fix the basics that matter to customers, restore innovation, and grow Loblaw through [their] ' Formula for Growth'".

Strategies for success continued to be built upon from the past, including finding ways to make employees' jobs easier. This implemented more cost-effective decisions, allowing Loblaw to introduce a more diverse product line, and ultimately managed their cash more effectively. However, Loblaw underwent some new expansions in 2008, such as revamping their supply chain and IT infrastructure. They also opened four new distribution centres which made service levels greater than the past. Loblaw had noticed this

new IT infrastructure system cut-down and simplified high workloads and many errors.

Loblaw adopted a new and improved pricing index management system, which is currently an important component of the organization. Overall, Loblaw is having a hard time being a consistent high performing company, however they have challenged themselves and are still “making Loblaw worth switching supermarkets for” (Annual Report 2008, pp. 3-8).

The above diagram represents the corporate structure of Loblaw Companies Limited. It demonstrates how each specific section of the Board of Directors and Officers communicate to one another through the company.

This system is used because it is unreasonable to expect that all levels of employees are able to communicate easily with every other employee and this hierarchy of labor is what allows better communication through employees. Location When analyzing the 2008 Annual Report for Loblaw Companies it is noted that across Canada there are: -609 corporate and -427 franchised stores in every province and territory in Canada -21 banners across the country -21 company and -5 third-party-operated distribution centers services their stores These numbers are constantly on the rise and have only increased steadily over the years. (Annual Report 2008, p.)

Product, Price, Promotion, and Distribution Strategies In 2005, Loblaw's main focus was on food, health, and nutrition. They introduced a large number of new No Name and President's Choice products, including PC Blue Menu and PC Organics, to satisfy health-conscious customers. Additionally, they introduced new lines, such as PC Mobile and Joe Fresh Style. Their key

strategy was to provide “ innovation, quality, value, and focus on the consumer” (Annual Report 2005, pp. 5). To reach different markets, they had four store formats to cater to customers’ needs; hard discount, warehouse clubs, conventional stores, and superstores.

Loblaw had been working on remodeling the store exterior, reformatting banners, updating decor, and changing signage to give the stores a new look that will attract more consumers. In their Annual Report, it is stated that “ Loblaw has a proven ability to anticipate and respond to changing consumer preferences in an increasingly competitive landscape and is committed to meeting more of the food and everyday household needs of consumers from coast to coast (Annual Report 2005, p. 11)”.

Through the strategy of relationship marketing, they hope to be able to keep the customer base they have built by meeting their needs (Annual Report 2005, pp. -11) By 2008, they had brought back their slogan: ‘ Worth switching supermarkets for’. They hoped to meet the expectation in their slogan through quality, value, and innovation. Loblaw wanted to make (Loblaw Cashier) the stores already in place better, instead of building new ones. They also had a focus on freshness and style. Loblaw introduced and redesigned almost 2000 products during this year, including bringing back the yellow and black colours on No Name items. While increasing their products for the health-conscious consumer, they also have products and labels for those who are eco-friendly.

They want their customers to have a choice on the type of store they shop at, so they still have the four store formats. One of their strategies was to “

re-establish the value advantage in the minds of consumers, and providing products and services customers can't find anywhere else" (Annual Report 2008, p. 9) They have changed food presentations, improved the quality of their sourcing, and have over 1000 price checks weekly. A television campaign for apple crisp was able to increase its sales by 1500%.

Loblaw held marketing events, a program bringing back past foods, drastically increased the amount of clothing in Joe Fresh Style, and they began a Home section. In almost 400 stores, they had a program that guaranteed certain items to always be available. Eighteen stores in Toronto had an event called 'Back to Best', in which they had chefs with recipe demonstrations, more meat, seafood, and produce, and they also added new signage and displays (Annual Report 2008, pp. 8 - 14) As the market became more competitive, Loblaw reached for more strategies to improve their company.

In 2005 they introduced various lines, whereas in 2008 it was their strategy to focus on improving what they already had. Much of their ideas in 2005 were related to creating a new image, whereas in 2008 they brought back many ideas that were once in place decades ago, such as the slogan, past foods, and black and white packaging for the No Name brand. Still focused on low prices, innovation, quality, and the consumers, what they want is still the same, although between 2005 and 2008 they have used different strategies to meet this goal.

Target Customers " Loblaw's mission is to be Canada's best food, health and home retailer by exceeding customer expectations through innovative

products at great prices. To reach our goal, we must become a centralized, market-led organization with an unrelenting focus on our customers, our products and our stores..."(Annual Report 2008, p. 3). Loblaw Companies does not specifically target an age or sex. Their target customer would involve individuals of all ages as well as those individuals with particular preference of product.

Loblaw is a superstore full of products that appeal to every person and their needs. However, it may be appropriate to say that this company would not seek out approval of young children living at home, there is still advertising that is created to capture the attention of the young and in turn manipulate them into thinking that what Loblaw's sell is the best choice for their guardians to supply for them. Although Loblaw sells the average product for the typical consumer, they also supply the general population with specialized products which draw people to their store.

Some of these products may include: " Green Products" for those who are environmentally friendly, " Organic" products for those who prefer chemical free and naturally grown, " Blue Menu" products for those who are health food conscience or perhaps have health problems, and finally the standard " Club Pack" size for those who buy in bulk. Overall, Loblaw seeks out to target the general population and not one specific type of individual. Loblaw's mission statement makes it obvious as to what their goals are, which ultimately always benefits the customer.

Financial Situation Loblaw Companies Limited enjoyed a healthy year of operations back in 2005. Sales were \$27 801 (all figures in millions unless

otherwise stated) and operating expenses totaled to \$26 400. There were two new operating expense items that were included in the 2005 figures. First, a Restructuring and Other Charges of \$86 (Annual Report 2005, p. 47), after completion of detailed assessment of the Loblaw supply chain network, management approved a comprehensive plan to restructure its supply chain operations nationally.

This plan is expected to reduce future operating costs, provide a smoother flow of products, better service levels to stores, and further enable the company to achieve its target operating efficiencies. Second, a proposed assessment of \$40 from the Canada Revenue Agency (CRA) related to GST on certain products was made (Annual Report 2005, p. 48). Approximately \$15 was settled in the fourth quarter, with the remainder representing management's best estimate for potential liabilities. After interest and tax calculations, net earnings were a very respectable \$746 or \$2. 72 per share (Annual Report 2005, p. 38).

Retained earnings increased in 2005 by \$472 to \$4 694. Loblaw also ended the year with a higher inventory than in previous years; this is in line with growth of sales. Loblaw engaged in corporate expansion during 2005. This reflects their increased fixed assets on their balance sheet for the year ended. Land, Building, Equipment and fixtures were primarily the assets that contributed to this growth. It should be noted Other Assets account decreased in value by a significant amount of \$104 (Annual Report 2005, p. 39), most of the difference can be accounted for in the specific account labeled Franchise investments and other receivables.

Loblaw Companies Limited continued their growth through 2008. With a sales figure of \$30 802 (Annual Report 2008, p. 82), it is evident the management team is focused on their long term strategy of sustainability and continued growth. Loblaw is not a company to make drastic changes to their business plan and they focus on their customers and their shareholders when considering growth opportunities. They also do a tremendous job communicating their action plans in their annual reports and provide in-depth calculations through their use graphs and charts.

This helps shareholders visualize Loblaw's efforts as well as provide comparability. Growth between 2005 and 2008 was planned and consistent. Sales increased from \$27 627 to \$30 802 and operational costs from \$26 226 to \$29 756. Net earnings were respectable at \$545 in 2008, lower than the 2005 figure of \$746. This is because between these years Loblaw has taken on capital investment projects that required effected net earnings for the shareholder on a per share basis, including a loss of \$219 in 2006 (Annual Report 2008, p. 82).

Net earnings are continuing to rise in large increments from year to year. This truly indicates management at Loblaw is well established in their industry and are making calculated, well thought out investments as well increasing company value and recognition. After examining the five year summary, Working capital stood out the most. In 2005 working capital account was \$210 but in 2008 the number increased significantly to \$730 (Annual Report 2008, p. 82). It should be noted dividends have remained constant at 84 cents per share between 2005 and 2008.

Total assets have increased during this time period, and net debt has decreased again indicating better business management. Only one figure seems to go against all the positives that the company has experienced. However, the market price had dropped from \$56.37 to \$35.23 which seems to be the only noticeable decline. (Annual Report 2008, pp. 82)

(Loblaw Co. Ltd. Stock price over the past 5 years) Management and Human Resources Loblaw's management board had remained quite consistent from 2005 to 2008. However, a couple of prominent changes occurred within this timeframe.

In April 2008, three major positions occurred in Loblaw's management board. These changes were implemented to benefit the company and eventually achieve greater success. A new President, a new Chief Merchandising Officer, and new Chief Financial Officer were appointed, Allan Leighton, Dalton Philips, and Robert Vaux respectively. (Loblaw Website, Management) These changes "... streamlined [Loblaw's] reporting structure and provided greater clarity and focus to roles and accountabilities throughout the Company" (Annual Report 2008, p. 5).

The Human Resources Department is lead by Judy McCrie, who holds the position as Executive Vice President of Human Resources in the company. Employees are considered the 'greatest resource' to Loblaw. Loblaw continues to strengthen and expand its own in-store programs, including 'TheLeadershipMeans Business' program and 'The Store Managers' Council'. These programs breed and encourage in-store leadership through the improvement of communication, leadership development, and training courses for store workers.

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The Leadership Means Business program focuses on "... leading and engaging the men and women on the Company's front line. " Loblaw looks to its in-store employees before looking elsewhere to hire for management positions. The Store Managers' Council attends the Company's management conferences every year, as senior management from many regions come together and give feedback and recommendations through consulting fellow employees. Many other off-site leadership programs are offered to store personnel that will "... provide a common approach to leadership coaching, program execution and business development at the store level. " (Annual Report 2005, p.)

Ethical and Corporate Social Responsibility Practices In 2005, Loblaw Companies Limited was passionate about their social responsibilities, both ethical and corporate. They have a President's Choice Children's Charity, which (President's Choice Children's Charity) helped hundreds of disabled children in 2005. Loblaw also supports the Imagine Campaign, Heart and Stroke Foundation of Canada, Food Banks, and more. In addition to helping people, they do their best to preserve our environment through efforts in packaging, energy efficiency, environmental awareness, waste management, and management.

An example of this is their use of refrigerators and lighting that are energy efficient, and they are partners with multiple agencies to have better conservation of energy. Loblaw trained and educated the staff on environmental risks. According to the company's Code of Business Conduct, they hold " high standards of ethical conduct and business practices" (Annual Report 2005, p. 18).

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Loblaw has a committee to ensure this code is put into practice, and they are continually finding ways to make it better (Annual Report 2005, pp. 6-18) By 2008, Loblaw had adopted the five pillars to achieving ethical and corporate social responsibility. These are, “ respectthe environment, source with integrity, make a positive difference in our community, reflect our nation’s diversity, and be a great place to work” (Annual Report 2008, p. 17) During this year, they opened their first environment-friendly store, dramatically reduced the number of plastic bags used, and introduced seafood certified by the Marine Stewardship Council.

Loblaw continued to have success in its President’s Choice Children’s Charity, where they also participated in KidFest. Post-secondary scholarships were given out to employees, and there was a decline in injuries. There are now surveys for employees which allows staff to give feedback on their job, manager, and the company (Annual Report 2008, pp. 16-19) Between 2005 and 2008, Loblaw has continued to expand on their efforts toward their ethical and corporate social responsibilities.

They simplified and organized their goals with the five pillars, and as society becomes increasingly more aware about protecting the environment, this is reflected in the changes from 2005 to 2008. It is apparent that they are expanding on the ideas of going green, helping society, and satisfying employees. Recent Developments Recently in 2009 Loblaw Companies Limited has been on the news for several creative and initiation reasons. Reported in a press release in September 14th 2009, Loblaw “...is combing the country for recent graduates with a passion for food to join the Company's grad (at) Loblaw program.

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This national program provides recent graduates with the opportunity to kick-start their careers in a structured and supportive environment” (YahooFinance, September 14th). Loblaw based this initiative effort based on information from Statistic Canada, which indicate teenagers and young adults between the ages of 15 and 24 experienced an unemployment rate of 16.8% during August 2009 (Yahoo Finance, September 14th). This is highest rate of unemployment for Canadians in that age bracket since the statistics have been kept starting in 1977.

The program is 18 months in length, and during this time graduates will rotate through three areas of the company; in the first stage they will be for working at a store location for six months; second step is working with the merchandising operations department for another 6 months, then in the final stage for nine months the “...graduate was hired for at the onset of the program, such as store management, marketing, merchandising, supply chain, informationtechnology, human resources or finance, where the graduates are able to apply the information and experience gained in the previous rotations” (Yahoo Finance, September 14th).

In October 2009, Loblaw was named one of Canada’s Top 100 Employers. This prestigious recognition was granted for Loblaws “...efforts to attract and retain employees and create a great workplace environment. Loblaw is the only grocery retailer on the 2010 list”. Canada’s Top 100 Employers is an annual competition entering its 10th year. The competition determines which employers lead their industries in offering top work places for their employees, some of the criteria use during the evaluation process are; (1)

Physical workplace, (2) Work and Atmosphere & Social, (3) Vacation & Time Off, (4) Performance (Canada's Top 100 Employers)

Management, (5) Training Skills & Development and a few others. (Yahoo Finance, October 9th). Recommendation and Conclusion Loblaw Companies Limited has received well deserved attention for their " Green" initiatives; this is a direct result of management's effort to be perceived as a corporation that focuses on socially responsible causes. It would be very profitable for them in the long-term to maintain this. Loblaw has also been very success with the President's Choice product's advertisement campaign; they should definitely consider adding more product lines to their commercials.

Loblaw carries a very diverse product mix, they organize their stores with many in store departments. They can reduce their costs for the short-term by opting against expansion on these. Loblaw identifies their most important resource as their employees, implementing new programs that enable them to grow their knowledge of products and company initiatives will make employees feel more connected to the Corporation and lead them to believe they have chosen the right place to work. Loblaw has grown in terms of their brand name and operational capabilities between 2005 and 2008.

They are one of the leaders in their industry and continue to operate as a standard setter for customer satisfaction. A short trip to Loblaw will give any consumer the feeling that Loblaw operates very effectively and efficient, their employees are willing and able to meet customer questions and expectations and there is a sense of loyalty to the customers from

management and employees. There is no doubt that Loblaw will continue its business well into the future and they will be looking to grow their business and further strengthen their influence in making the industry better as a whole.