Metro and the Grocery Industry (NAICS 44511CA)

Final Report

ADMN 4030: Strategic Management

Due Friday April 5, 2024

Contributors:

Hayden Tracey
0587703
haydentracey@trentu.ca

Owolabi Oluwadamilola
0690471
oluwadamilolaowolabi@trentu.ca

Prince Ohanenye
0691602
princeohanenye@trentu.ca

Raeq Tahsin Huq
0722959
raeqtahsinhuq@trentu.ca

Tevin Koira
0682041
tevinkoira@trentu.ca

Executive Summary

In this report, we analyze the grocery and supermarket industry in Canada, with a focus on Metro and its two main competitors, Loblaw and Empire. The grocery industry has undergone many significant changes in the past couple of years. New technologies are shaping how business is done, and numerous economic factors have added complexity to grocery operations. In addition to these changes, grocery stores must contend with the demands of an always evolving society as well as legislature from the world's governments. We will analyze these various environments and determine their effects on Canada's grocery industry.

The market share of the grocery industry in Canada is very unique and has many distinct challenges compared to other industries. We have done a Five Forces Analysis to get a better grasp on the hurdles and struggles within the industry. We identify which forces present threats, and which forces present opportunities for growth.

Within the grocery store industry, Metro is in a very unique position. It is a major player in the market but still finds itself dwarfed in comparison to the industry leaders, Loblaw and Empire. Yet somehow, Metro has carved out a niche and more than holds its own against the competition. We explore how Metro achieves this, by analyzing their primary and secondary activities. How does Metro handle its operations? How do they handle their supply chains, distribution centers, and customer service? What does Metro do to differentiate itself from its competitors?

We conclude our report with recommendations for how Metro can further improve its place in the grocery industry. After an in depth analysis of its current business and corporate strategies, we offer guidance on how to adjust these strategies in order to better differentiate itself from Loblaw and Empire, and find its own sustainable competitive advantage.

External Analysis

Introduction

The company we chose for our report is Metro Inc. (hereafter referred to only as Metro). Metro is a Quebec and Ontario based business, founded in 1947, that specializes in food and pharmaceutical products. They own 983 food stores under banner names such as Metro, Metro plus, Super C and Food Basics. Metro also boasts a strong foothold in the drugstore industry through its brands Brunet, Metro Pharmacy and most recently Jean Coutu – one of Quebec's favorite pharmacies which was also the first to implement online prescription ordering systems. Including this most recent acquisition, Metro now operates, in addition to its grocery stores, 640 drugstores.[1] They are traded in the Toronto Stock Exchange under the ticker symbol (MRU.TO).

We believed this all-Canadian business would be a good choice for our report, as we have all shopped there before and have a general knowledge about the business and its industry. On top of that, the grocery industry is also in the news frequently, with topics such as price-fixing scandals, a new grocery code of conduct and rising prices due to inflation. We figured there would be plenty of information to analyze in our report. We also thought analyzing Metro would be an interesting choice as their annual reports show they generate a substantial amount of profit even though they operate primarily in just two provinces.[2] Despite having half the market share of industry leaders Loblaw and Empire, Metro recorded a higher profit margin than both. We were curious how Metro differentiates itself to outperform its competitors.

---

[1] "History." *History | Jean Coutu*, www.jeancoutu.com/en/corpo/about/history/. Accessed 11 Feb. 2024

[2] "Annual Report 2023." *Metro Inc.*, corpo.metro.ca/userfiles/file/PDF/Rapport-Annuel/annual_report_2023_EN.pdf. Accessed 8 Feb. 2024

Our Strengths and Weaknesses

Each of us brings a unique set of strengths and weaknesses to the project. Raeq is proficient in drafting work quickly once instructions are understood, with decent presentation and above-average writing skills, but struggles with initial comprehension. Hayden excels in organization, math, and time management, with a keen understanding of numerical figures, but faces challenges when presenting and writing due to difficulty translating thoughts into words. Dami's background in business and computer science equips them with strong analytical skills to analyze market trends and apply technical solutions but may struggle with financial concepts and calculations. Tevin possesses expertise in economics trends analysis, accounting, and research but lacks strong speaking skills. Prince exhibits problem-solving abilities and fast comprehension, along with adaptability under pressure, but struggles with time management and organization.

Part I: Macro Environment

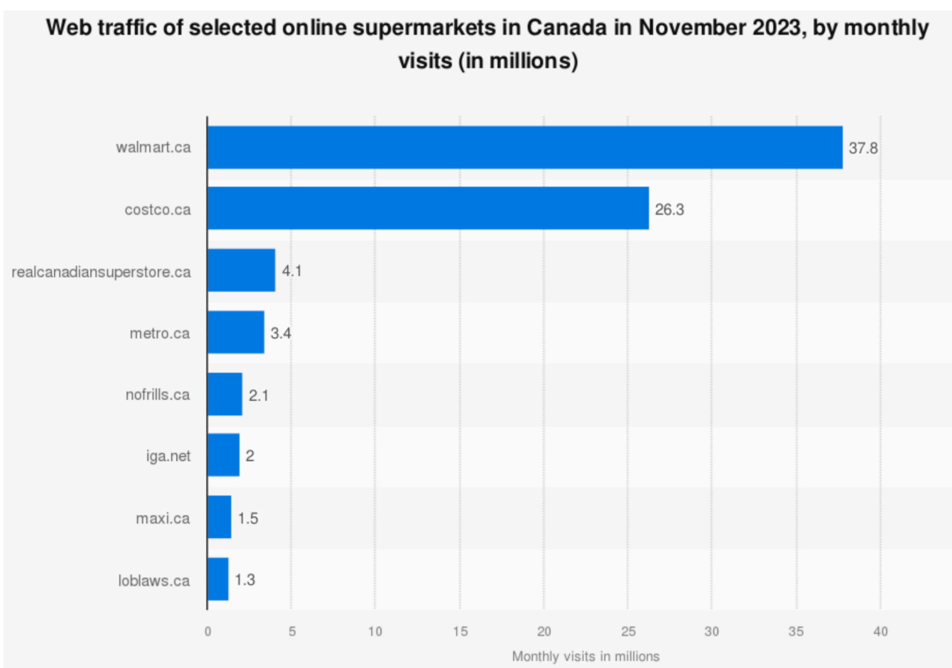
Technological Environment

In the rapidly evolving world, technological advancements are always transforming the way we conduct business. These advancements are not just a luxury, but have become an absolute necessity for businesses, irrespective of their size, to maintain their competitiveness and drive their success. As companies incorporate these cutting-edge solutions into their business models, we witness a significant impact on their efficiency, productivity, and overall business growth.

In the retail sector, and particularly in the grocery business, the role of technology cannot be understated. The advent of digital solutions has enabled companies to innovate at an unprecedented scale, providing new opportunities for growth and expansion. These technological tools allow companies to streamline their operations, making them more efficient and effective. They automate routine tasks, allowing employees to focus on more critical aspects of the business, thus improving productivity.

Moreover, in today's crowded marketplace, standing out is more important than ever. With the help of technology, retail businesses can differentiate themselves from their competitors. They can create unique customer experiences, offer personalized services, and optimize their supply chain management. In essence, technology is not just an enabler but a critical differentiator in the competitive retail landscape.

E-commerce and Delivery



One of the emerging technology trends is the use of online platforms for grocery shopping, as indicated by the high web traffic experienced by online supermarkets. As seen in the provided data, the shift towards digital grocery shopping is a growing trend, with a significant number of monthly visits to online grocery stores. This has been largely impacted by the COVID-19 pandemic that occurred in 2020 which forced a lot of companies to offer their services online, the adoption of these services has not slowed down at all but rather garnered more demand as customers have placed greater value on convenience and speed. [3]

Instacart annual users 2017 to 2022 (mm)

Year	Users (mm)
2017	3.3
2018	4.3
2019	5.5
2020	9.6
2021	11.1
2022	13.7

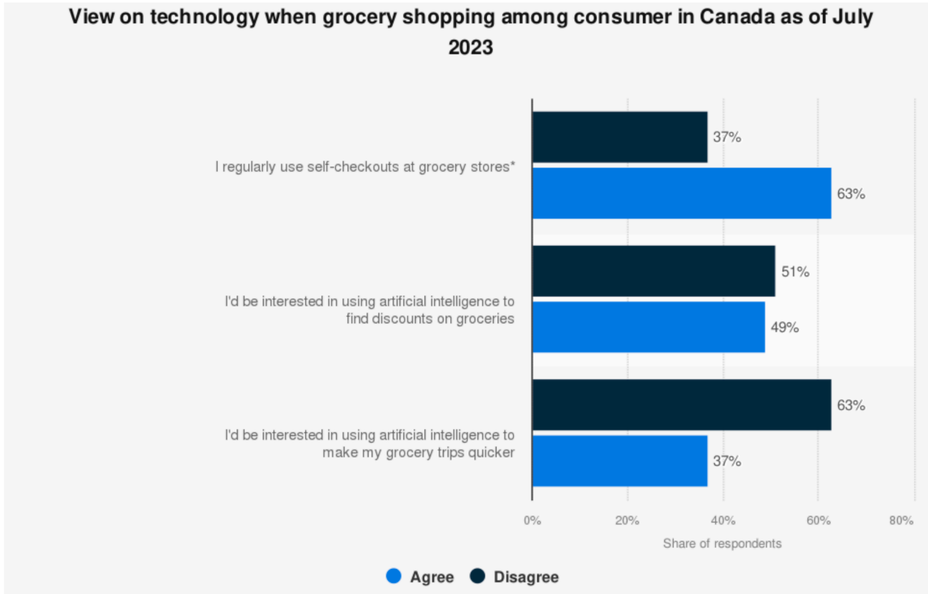
www.businessofapps.com/data/instacart-statistics/

An indication of this can be seen in the table above showing the user growth of instacart, a leading grocery delivery service between 2017 to 2022. The company has seen over a 300% growth in users showing an increasing demand for this service.[4]

Self-checkout Technology

[3] Beyrouthy, Lynn . "Canada: Web Traffic of Top Online Supermarkets 2023." *Statista*, 13 Dec. 2023, www.statista.com/statistics/1428412/online-supermarket-website-traffic-canada/ Accessed 17 Feb. 2024.

[4] Curry, David. "Instacart Revenue and Usage Statistics (2020)." *Business of Apps*, 29 Sept. 2020, www.businessofapps.com/data/instacart-statistics/.



Another emerging trend is the preference for self-service technologies, as revealed by consumer attitudes towards technology in grocery shopping. The data shows a significant inclination towards using self-checkout options. For Metro, this is an opportunity to enhance customer experience, reduce labor costs, and increase checkout efficiency. By integrating more self-checkout systems in their stores, Metro can capitalize on this trend to streamline operations and reduce queue times, which is crucial since a sizable portion of consumers take actions to avoid slow checkout experiences.

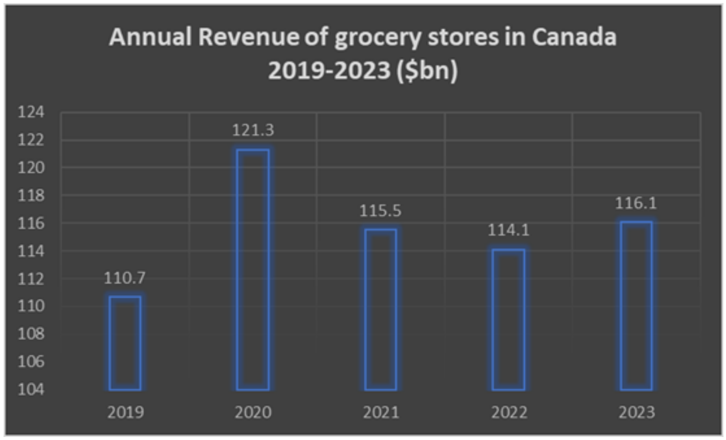
In conclusion, the landscape of the retail and grocery sector is undergoing a profound transformation, driven by technological advancements that are reshaping consumer behavior and [5]business operations. The surge in e-commerce and delivery services, highlighted by the significant user growth of platforms like Instacart, underscores a paradigm shift towards digital grocery shopping. This trend, accelerated by the COVID-19 pandemic, reflects a growing

[5] Ozbun, T. "Canada: Grocery Shopping Technology Opinions 2023." *Statista*, 19 Jan. 2024, www.statista.com/statistics/1441374/grocery-shopping-technology-opinion-consumers-canada/. Accessed 17 Feb. 2024.

consumer preference for convenience and speed, signaling an untapped potential for businesses willing to innovate and expand their online presence. Simultaneously, the rise of self-checkout technology represents another crucial trend, emphasizing the consumer's desire for efficiency and autonomy in their shopping experiences. By embracing these technologies, retailers, including Metro, can not only enhance customer satisfaction but also achieve greater operational efficiency, reduce costs, and stay competitive in a rapidly evolving market. The integration of these technological solutions is not merely an option but a strategic imperative for businesses aiming to thrive in the competitive retail landscape

However, these technological advancements also present challenges and threats to traditional retail operations. The necessity for substantial investment in digital infrastructure, cybersecurity, and logistics to support e-commerce can be daunting, with the risk of losing market share to more digitally adept competitors. Additionally, the expansion of self-checkout technology necessitates a delicate balance between technological efficiency and the preservation of quality customer service, ensuring that the human aspect of shopping is not lost amidst technological solutions. Thus, while the shift towards digital solutions and self-service technologies offers clear opportunities for operational efficiency, growth, and competitive advantage, it also demands strategic investment and innovation from Metro to mitigate potential threats. The future of retail is unequivocally digital, with the current landscape offering both a challenge and an opportunity for businesses. For Metro, embracing these technological trends is not just an option but a strategic imperative, crucial for thriving in the competitive retail landscape. As we look to the future, the companies that effectively leverage these technological advancements will set new industry standards, offering unparalleled customer experiences and heralding a new era in retail. The time for businesses to adapt, innovate, and lead in this digital transformation is now, with the potential to redefine success in the retail sector.

Economic Environment



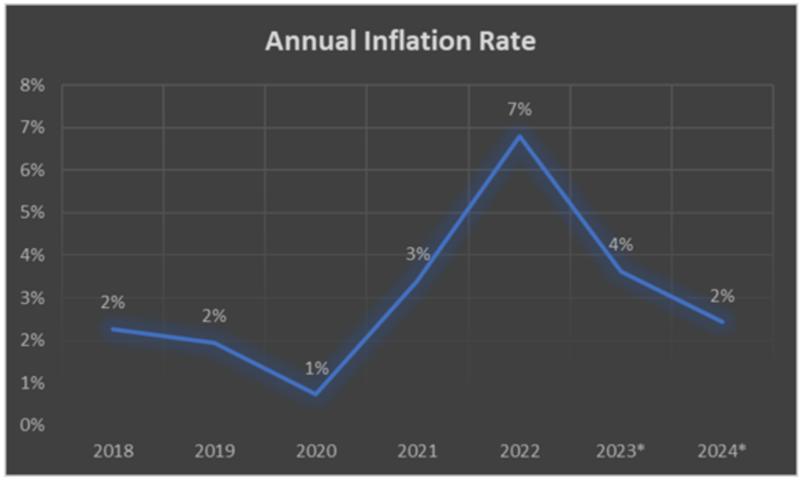
[6]

https://my-ibisworld-com.proxy1.lib.trentu.ca/ca/en/industry/44511ca/performance

Revenue for the grocery store and supermarket industry has grown from $110 - $116 billion in the past five years. This increase in revenue is important as it shows growth potential in the industry. This is an opportunity for the industry as revenue is forecasted to gradually increase up to $119 billion by 2025. To help support this trend this section will focus on key economic trends such as inflation, CPI and GDP.

[6] IMF. (January,2024). Industry Revenue [Table]. In IBISWorld. Retrieved February 16, 2024, from https://my-ibisworld-com.proxy1.lib.trentu.ca/ca/en/business-environment-profiles/ca001/business-environment-profile

i) Inflation



[7]

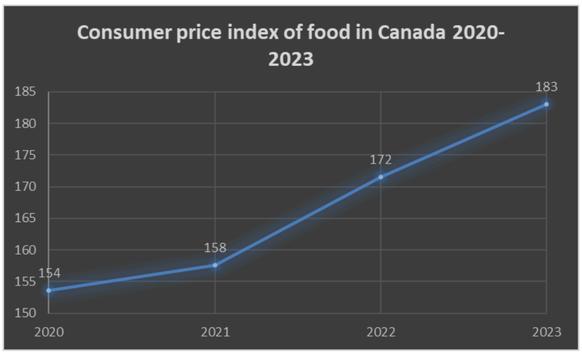
https://www-statista-com.proxy1.lib.trentu.ca/statistics/271247/inflation-rate-in-canada/

Inflation in the past 5 years has impacted the industry negatively and positively. When inflation was high ex.2022 at 7% industry revenue decreased from $115.5-$114.1 billion. Consequently, when inflation was at its lowest in 2020 at 1% industry revenue peaked at $123.3 billion. This shows that inflation is both a threat and opportunity for industry. At its core inflation is an increase in prices levels, thus inflation increases revenue for the industry. Nonetheless the threat arises when inflation is too high, like 2022 when industry revenue dropped to $114 billion as consumers demanded less due to a spike in prices. Now that we have examined its negative effects, we still conclude that inflation provides a net opportunity for the industry. On average food inflation rate is about 8-10%, this means that at the target level of inflation of 2% food prices on average will tend to be higher. We believe that if the Canadian economy maintains its

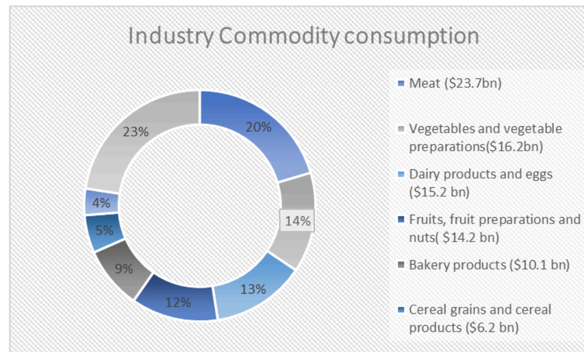
[7] IMF. (October 5, 2023). Canada: Inflation rate from 1987 to 2028 (compared to the previous year) [Graph]. In Statista. Retrieved February 09, 2024, from https://www-statista-com.proxy1.lib.trentu.ca/statistics/271247/inflation-rate-in-canada/

forecasted inflation rate of 2% until 2028 the forecasted industry revenue of $119 billion in 2029 is achievable.

ii) CPI(MEZZO)



[8]



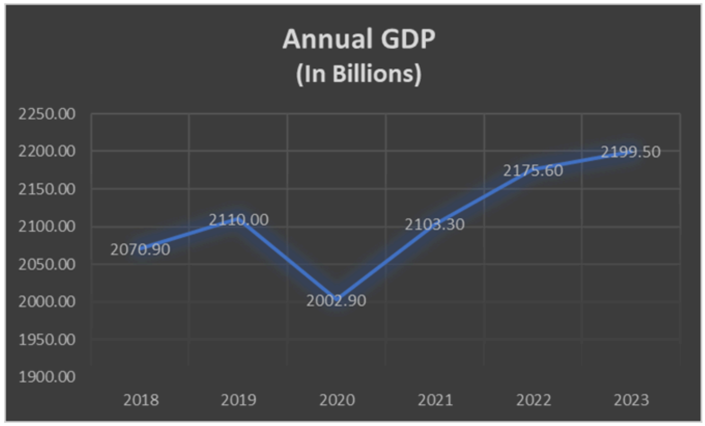
https://www-statista-com.proxy1.lib.trentu.ca/statistics/1321443/monthly-consumer-price-index-food-canada/

The Consumer Price Index measures the change in prices of a basket of goods through time. In Canada the CPI has been gradually increasing over the past 5 years reaching a high of 183 in 2023. This is important because it highlights that grocery and food prices are rapidly increasing faster than disposable income for the population. For the industry the rise in CPI for food has created an opportunity. Groceries and produce are essential to Canadians, regardless of an increase in prices Canadian still demand these products. This means that as the CPI of food keeps increasing so will industry revenue.

---

[8] StatCan. (July 18, 2023). Monthly consumer price index (CPI) of food in Canada from October 2020 to June 2023 [Graph]. In Statista. Retrieved February 10, 2024, from https://www-statista-com.proxy1.lib.trentu.ca/statistics/1321443/monthly-consumer-price-index-food-canada/

iii)GDP



[9]

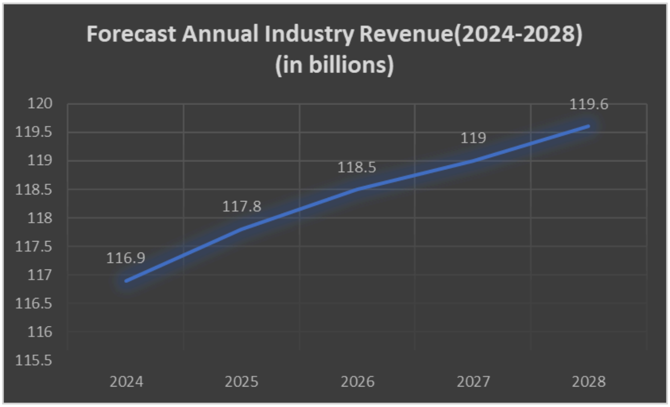
https://my-ibisworld-com.proxy1.lib.trentu.ca/ca/en/business-environment-profiles/ca001/business-environment-profile

The Canadian GDP has experienced a 4.24% growth in the past 5 years. Rise in the GDP has led to an increase in per-capita disposable income and demand for food. This means as Canadian wealth increases, the more food and produce they demand. The GDP growth has presented an opportunity for the industry, as increase in demand for food caused prices to rise, boosting industry revenues from $110.7-$116 billion over the last five years.

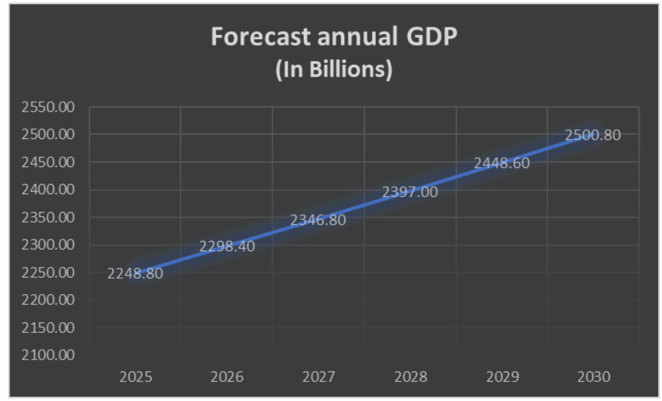
ECONOMIC FORECAST

i.) GDP(outlook)

[9] IMF. (January,2024). GDP of Canada [Table]. In IBISWorld. Retrieved February 16, 2024, from https://my-ibisworld-com.proxy1.lib.trentu.ca/ca/en/business-environment-profiles/ca001/business-environment-profile



10



11

https://my-ibisworld-com.proxy1.lib.trentu.ca/ca/en/business-environment-profiles/ca001/business-environment-profile

GDP is forecasted to have a steady compounding growth of 2% annually until 2030 (up to $2500 billion). This increase shows a promising opportunity for the industry as increase in GDP means an increase in per Capita disposable income for households in Canada. Since revenue growth is positively related to demand and income growth as shown in the graphs above industry revenue is thus forecasted to have a gradual increase as well (up to $119.6 billion in 2029).

---

[10] IMF. (January,2024). Industry Revenue [Table]. In IBISWorld. Retrieved February 16, 2024, from https://my-ibisworld-com.proxy1.lib.trentu.ca/ca/en/business-environment-profiles/ca001/business-environment-profile

[11] IMF. (January,2024). GDP of Canada [Table]. In IBISWorld. Retrieved February 16, 2024, from https://my-ibisworld-com.proxy1.lib.trentu.ca/ca/en/business-environment-profiles/ca001/business-environment-profile

Ontario GDP Trend

Ontario Real GDP Growth Scenarios

(Per Cent)

	2023p	2024p	2025p	2026p
Faster Growth Scenario	1.7	2.1	2.3	3.1
Planning Projection	**1.1**	**0.5**	**2.0**	**2.8**
Slower Growth Scenario	0.7	(0.9)	1.9	2.7

p = Ontario Ministry of Finance planning projection based on external sources and alternative scenarios.
Source: Ontario Ministry of Finance.

Ontario Nominal GDP Growth Scenarios

(Per Cent)

	2023p	2024p	2025p	2026p
Faster Growth Scenario	4.5	5.3	4.7	5.3
Planning Projection	**3.6**	**2.9**	**4.2**	**4.8**
Slower Growth Scenario	2.9	0.7	3.9	4.5

p = Ontario Ministry of Finance planning projection based on external sources and alternative scenarios.
Source: Ontario Ministry of Finance.

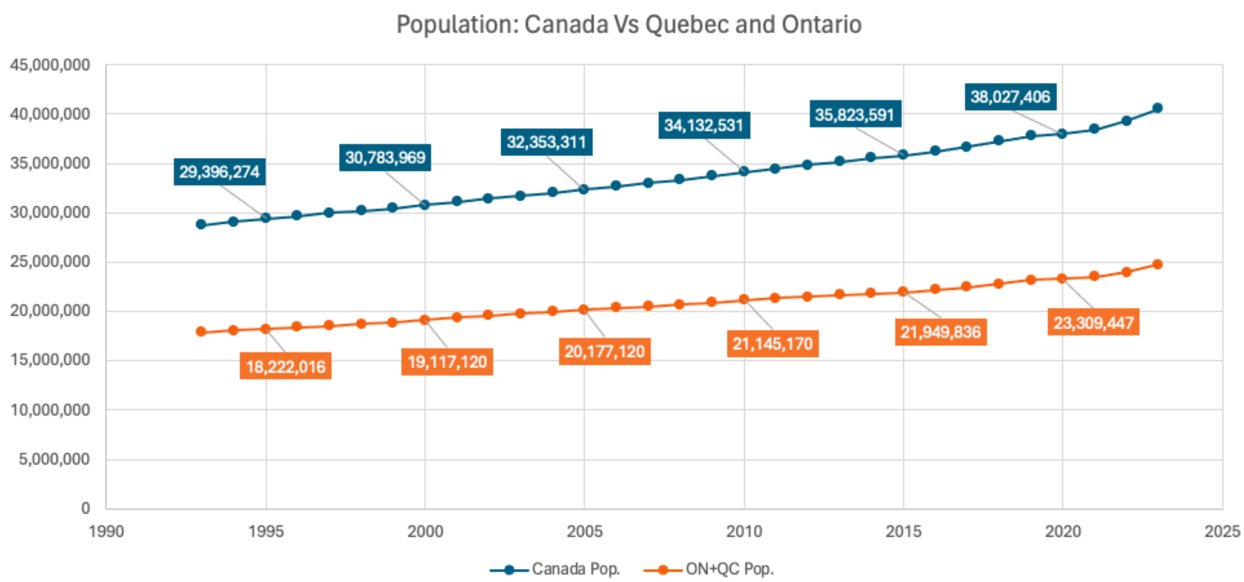
https://budget.ontario.ca/2023/fallstatement/pdf/2023-fall-statement-en.pdf

The anticipated expansion of Ontario's economy in the upcoming years signifies a significant pattern for Metro. The increase in GDP has the capacity to greatly influence Metro's sales, as it may result in consumers having a greater amount of disposable income to allocate towards purchasing food and other goods. This trend gives Metro the opportunity to increase its revenues and potentially achieve higher profitability. Given consumers' increased purchasing power, Metro has the opportunity to capitalize on this trend by expanding its operations, launching new products, or improving its services in order to attract a larger customer base[12].

Socio-Cultural Environment

[12] Bethlenfalvy, P. (n.d.). *PETER BETHLENFALVY MINISTER OF FINANCE BUILDING A STRONG ONTARIO TOGETHER 2023 Ontario Economic Outlook and Fiscal Review*. https://budget.ontario.ca/2023/fallstatement/pdf/2023-fall-statement-en.pdf

Demographic Trends:

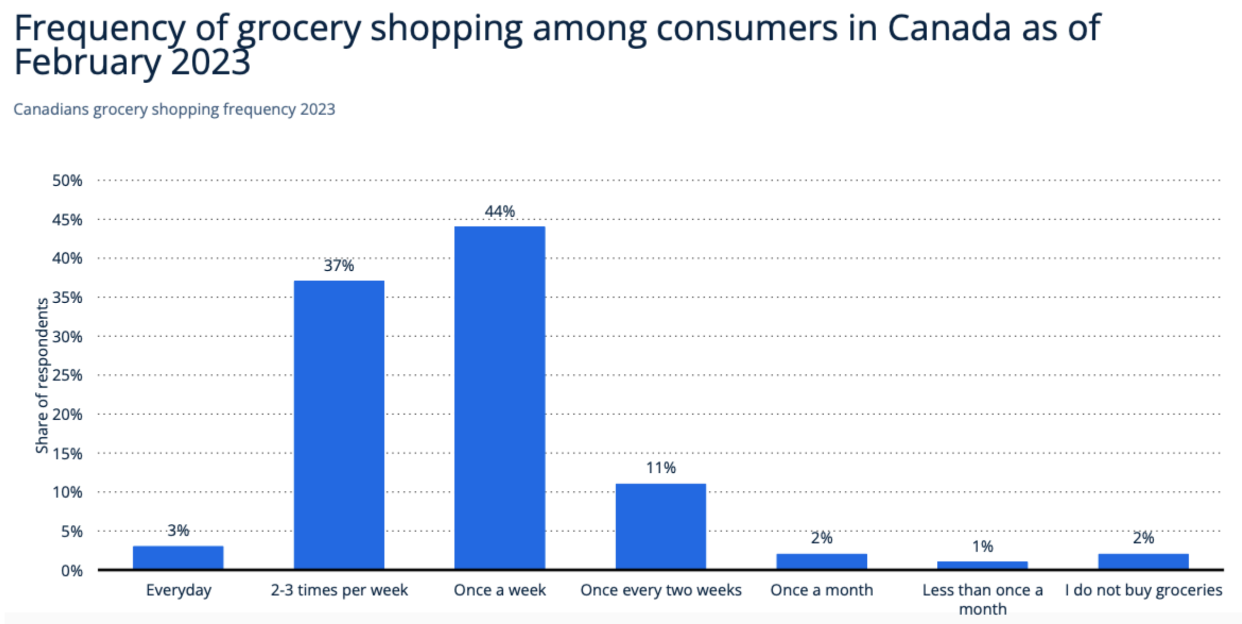


https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=1710000901[13]

The above data about the demographic trend in Canada shows a constant growth in the count of the entire country's population between the years 1993- 2023. The other blue curve that represents the combined population of Quebec and Ontario which is currently the main market where Metro Inc. primarily operates, represents almost 61-62% of Canada's total population. While this demographic concentration represents the significance of these two regions as Metro's primary target market, the entire Canada's constant growing population on the other hand may present Metro Inc. an opportunity to capitalize on the expanding consumer base in those regions and grow.

Behavioral and Attitudinal Trend:

[13]Canada Population Estimates- Quarterly (n.d)
https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=1710000901

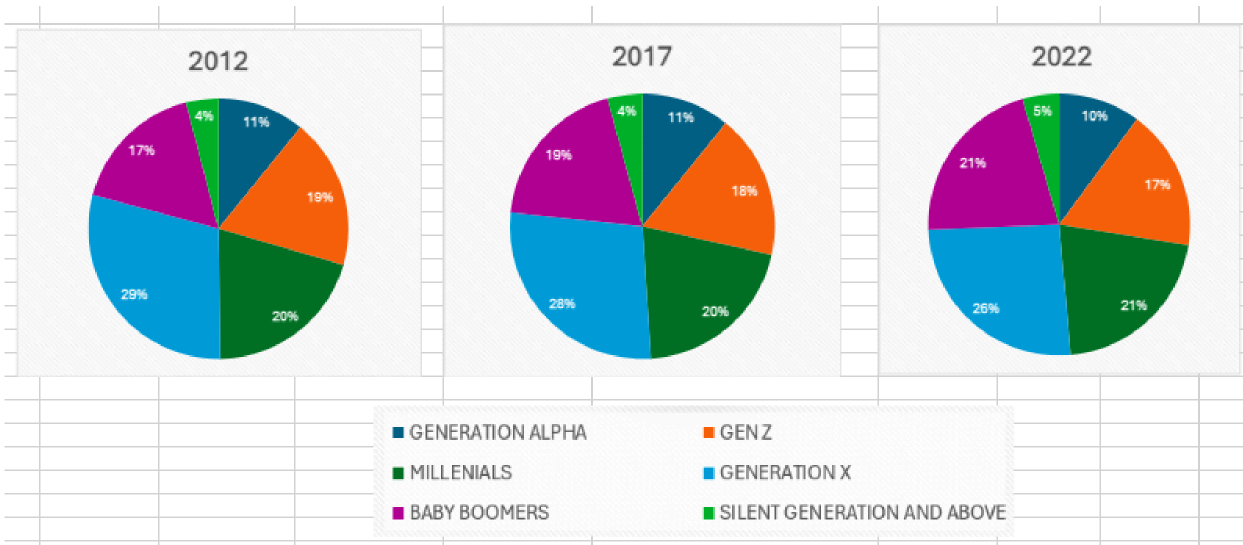


https://www.statista.com/statistics/1441143/grocery-shopping-frequency-in-canada/ [14]

Looking at the above graph representing the frequency of grocery shopping in Canada, we can find that almost 81% of Canadians go grocery shopping at least once a week or 2-3 times a week. This highlights the opportunity for Metro representing the repetitive customer base which Metro can focus further into and try to meet the customer taste and preferences more effectively as an attempt to serve them better and increase their market share. We can further back our claim based on what McErlaine, B's claim from the 2023 report "Supermarkets and Grocery Stores in Canada" stating that revenues for supermarkets and grocery stores are increasing in Canada at a CAGR of 1.5% over the past 5 years which is expected to reach CA

14 T. Ozbun (Feb 15, 2024) Canadians grocery shopping frequency 2023
URL- https://www.statista.com/statistics/1441143/grocery-shopping-frequency-in-canada/ [Accessed 19 Feb. 2024].

$116.1B by 2023 where the 2023 revenue growth was 1.7% which underscores the significant growth potential for Metro Inc. within the industry.[15]



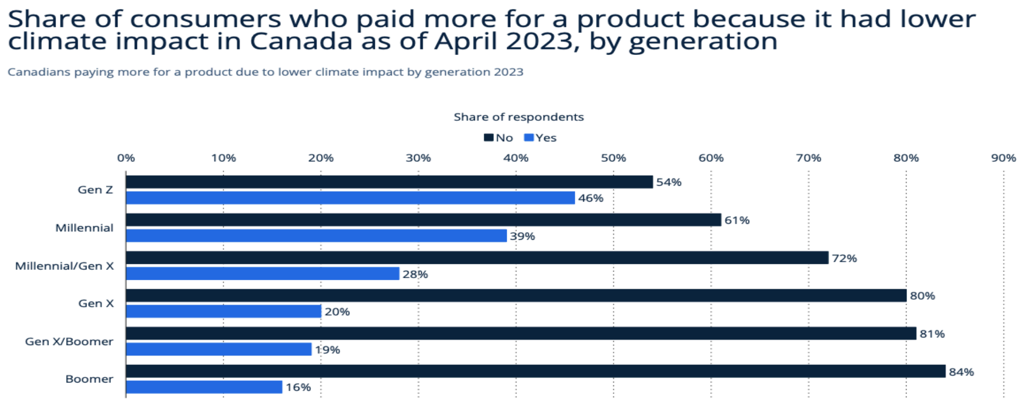
Data used for 2012, 2017 and 2022 from the source: https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1710000501 [16]

Further examination of the population data at a 5 year interval from 2012, 2017 and 2022 categorized by generational cohorts reveals some intriguing insights too. While there has been a slight decrease in the Gen X and Gen Z population, Millennials saw a 1% increase in 2022 which implies that in the later years this generation might see a continuous growing trend. We can also observe Baby Boomers had a 2% increase in their population every 5 years. As we previously said, if Metro can focus on the taste preferences of their consumers to gain their loyalty and make them come back, this generational trend could help Metro further understand their

[15] McErlaine, B. (2023). Supermarkets & Grocery Stores in Canada. [online] p.12. Available at: https://my-ibisworld-com.proxy1.lib.trentu.ca/ca/en/industry/44511ca/at-a-glance [Accessed 19 Feb. 2024].

[16] Canada S. (02-21-2024) Population Estimates on July 1 by Age and Gender, URL: https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1710000501 [Accessed 19 Feb. 2024]

consumers and their tastes and tailor their marketing strategies according to the preferences of each of these generations.



https://www.statista.com/statistics/1445255/pay-more-for-product-due-to-lower-climate-impact-generations-canada/

[17]The illustration above shows survey summaries of Canadian's tendencies to pay more for a product as it has lower climate impact, especially Gen Z and Millenials are more inclined to do so (Statista, 2023). This data indicates the growing awareness of climate change among the younger generations and their willingness to spend on environmentally friendly products. Metro Inc. could try to align its product offerings and corporate practices with sustainability initiatives, making themselves more appealing to the values of these consumer segments.

To conclude, the above demographic and behavioral trend may provide valuable insights to Metro Inc. about the socio- cultural environment and strategize their marketing, product development and sustainability initiatives accordingly. Doing so will allow Metro to Leverage these trends more efficiently and further help Metro to position themselves to capitalize on the evolving needs and preferences of their consumers.

Political/Legal Environment

[17] T. Ozbun (01-24- 2024) Canadians Paying More For a Product due to Lower Climate Impact by Generation 2023, URL: https://www.statista.com/statistics/1445255/pay-more-for-product-due-to-lower-climate-impact-generations-canada/ [Accessed 19 Feb. 2024]

The Competition Bureau is an independent agency of the Canadian Government that strives to ensure healthy competition between businesses. Their focus is to restrict false advertising, ensure proper labeling of products, and to detect illegal price-fixing. Metro has been pulled into an industry wide legal dispute regarding alleged price fixing of wholesale bread, after rival brand, Loblaws, insinuated that most major food companies were also involved, such as Sobeys, Walmart, and Giant Tiger.[18] George Weston Limited, the parent company of Weston Foods and Loblaws, reported to the Competition Bureau after discovering its own involvement in organized price fixing of bread between 2001 and 2015. They subsequently made a deal to cooperate in further investigations of other accused companies, which under the Bureau's Leniency Program, offers the company leniency in its own prosecution.[19] Metro has denied the accusations of collusion and claim they were simply reacting to the "effective duopoly" between wholesalers Canada Bread and Weston Foods.[20]

The outcome of the Bureau's investigation will have massive legal implications for Metro and other retail stores, and not just the potential 50 million dollar fine if they are found guilty.[21] A guilty verdict here will be a threat to the current reactionary way of setting prices in grocery

---

[18] Sagan, Aleksandra. "Bakers, Grocers Involved in 16-Year Price-Fixing Conspiracy: Competition Bureau." *CTVNews*, CTV News, 1 Feb. 2018, www.ctvnews.ca/canada/bakers-grocers-involved-in-16-year-price-fixing-conspiracy-competition-bureau-1.3783528.

[19] Competition Bureau. "Canada Bread Sentenced to $50 Million Fine after Pleading Guilty to Fixing Wholesale Bread Prices." *Canada.Ca*, / Gouvernement du Canada, 8 Feb. 2024, www.canada.ca/en/competition-bureau/news/2023/06/canada-bread-sentenced-to-50-million-fine-after-pleading-guilty-to-fixing-wholesale-bread-prices.html.

[20] Saba, Rosa. "Metro Accuses Loblaw of Falsely Implicating It in Bread Price-Fixing ." *Financial Post*, 20 Dec. 2023, financialpost.com/news/retail-marketing/metro-accuses-loblaw-falsely-implicating-bread-price-fixing.

[21] Evans, Pete. "Canada Bread Agrees to $50m Fine for Role in Bread Price-Fixing Scandal." *CBC News*, CBC/Radio Canada, 22 June 2023, www.cbc.ca/news/business/canada-bread-price-fixing-1.6883783.

stores. It could set a precedent that price fixing is not limited to communicated collusion, but also negligence in setting prices. Grocery stores might have an increased responsibility to fight against price increases from their suppliers. That might mean documentation of pricing discussions and proof of haggling. It might seem like a drop in a pond for these national grocery chains, but it is certainly a threat to how they currently do business with suppliers.

Part I Summary

As technology continues to reshape the grocery retail landscape, businesses like Metro are embracing digital solutions to stay competitive. The surge in online grocery shopping, fueled by the pandemic, presents both challenges and opportunities. While these technological advancements offer exciting prospects for streamlining operations and enhancing customer experiences, they also intersect with economic realities. Despite recent revenue drops due to supply chain disruptions, the industry shows resilience with promising growth projections. However, decreasing inflation rates pose threats, impacting revenue streams and adding to economic uncertainty.

These economic dynamics are intertwined with socio-cultural and demographic trends. The steady population growth, particularly in Ontario and Quebec, aligns with Metro's target market. Behavioral trends, such as frequent grocery shopping among consumers, provide opportunities for Metro to expand its market share. Additionally, shifts in consumer attitudes towards climate-friendly products present avenues for Metro to cater to environmentally conscious demographics.

However, legal challenges, like alleged price-fixing, add another layer of complexity. The outcome of investigations could reshape industry practices, impacting Metro's business strategies and legal compliance. It is clear that navigating these intertwined dynamics requires adaptability to technological shifts, economic fluctuations, and socio-cultural preferences while maintaining legal integrity. In doing so, Metro can sustain its competitiveness and drive growth in the dynamic grocery retail sector.

Part II: Industry Analysis

Industry Overview

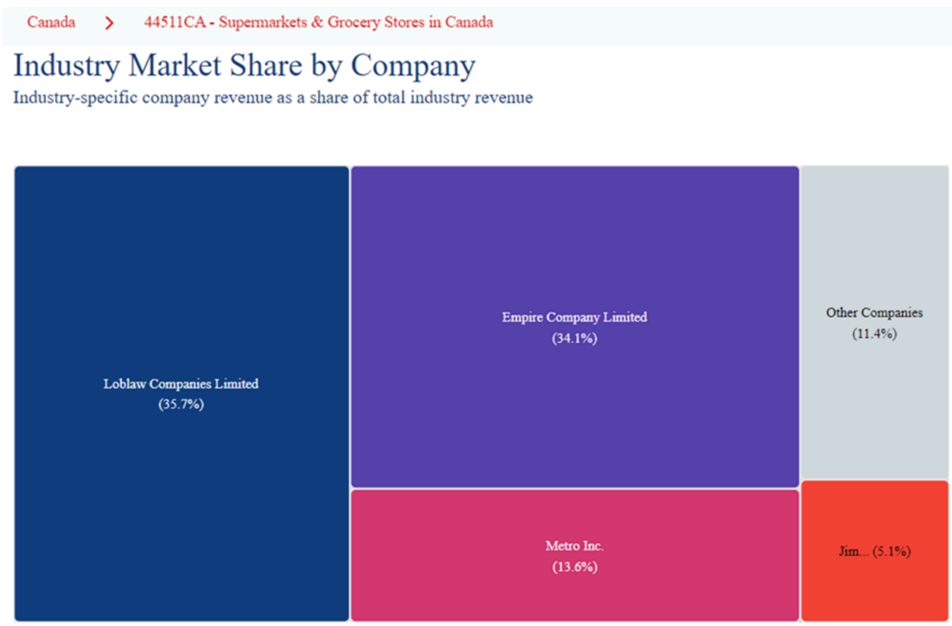
Metro is a publicly traded Canadian corporation and the third largest grocer in the industry (NAICS 44511ca), trailing just behind the Sobeys owner, Empire Company Limited, and the industry leader, Loblaw Companies Limited, who own Shoppers Drug Mart and No Frills. These three industry giants make up roughly 83.4% of the market share of the total industry. As of 2023, there are 8285 businesses operating in the industry and they employ roughly 444 thousand people. 2023 industry sales are estimated to be 116.1 billion dollars, with a 1.7% growth rate in 2023.[22]

In 2022, industry sales were 114.1 billion dollars, with a growth rate of negative 1.2%. There were 8245 businesses operating in the industry, employing roughly 438 thousand people. In 2021, industry sales were 116 billion dollars, with a growth rate of negative 4.8%. There were 8285 businesses and they employed 439 thousand people. In general, the industry has seen minimal growth but continues to make massive profits.

---

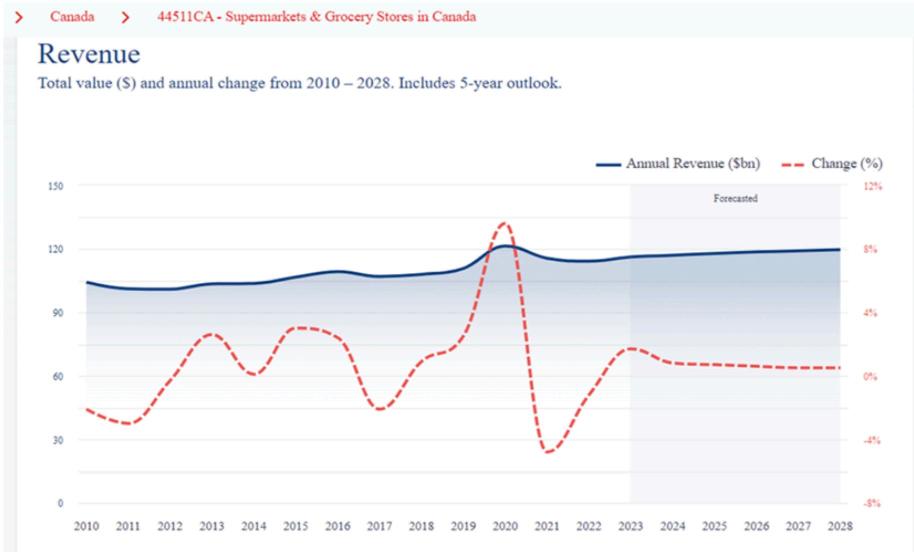
[22] "Supermarkets & Grocery Stores in Canada - Market Size, Industry Analysis, Trends and Forecasts (2024-2029): IBISWorld." *IBISWorld Industry Reports*, www.ibisworld.com/canada/market-research-reports/supermarkets-grocery-stores-industry/#IndustryStatisticsAndTrends . Accessed 1 Apr. 2024

This data indicates that the grocer industry is heavily concentrated despite having many competitors involved. A small handful of companies dominate the market share while nearly 8000 other companies struggle to make profits and grow in size. In light of Canada's rapidly rising food prices, the Competition Bureau of Canada has announced plans to investigate the grocer industry, and will make recommendations on legislation to foster more competition in the market.[23] For now though, the handful of industry leaders will continue to dominate the market and share the majority of rising revenues amongst themselves.



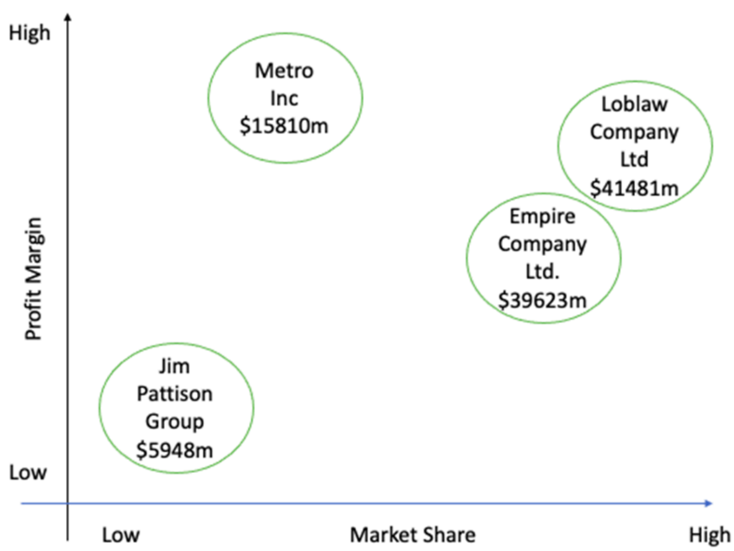
https://my-ibisworld-com.proxy1.lib.trentu.ca/ca/en/industry/44511ca/companies

[23] Bundale, Brett. "More Grocery Competition Needed, Federal Watchdog Finds ." *Toronto Sun*, 27 June 2023,-torontosun.com/news/national/competition-bureau-to-release-study-on-grocery-sector-concentration-and-food-costs.



https://my-ibisworld-com.proxy1.lib.trentu.ca/ca/en/industry/44511ca/performance

Strategic Group Map



This Strategic Group Map is a visual representation of the biggest players in the grocery industry, and how well they generate profits given their market share. When a company has a higher percentage of market share, they have a greater ability to influence the outcomes of the market, whether that be prices, supply and demand, or quality of services. Despite having a much lower market share than that of Loblaw and Empire, Metro manages to have higher profit margins from its businesses. This would indicate that Metro is more efficient in its operations compared to its competitors.

IBISWorld | Supermarkets & Grocery Stores in Canada — Oct 2023

Companies

Company	Market Share (%) 2023	Revenue ($m) 2023	Profit ($m) 2023	Profit Margin (%) 2023
Loblaw Companies Limited	35.7	41,480.9	2,925.0	7.1
Empire Company Limited	34.1	39,623.3	1,679.7	4.2
Metro Inc.	13.6	15,810.0	1,163.9	7.4
Jim Pattison Group	5.1	5,947.6	91.9	1.5

https://my-ibisworld-com.proxy1.lib.trentu.ca/ca/en/industry/44511ca/companies [24]

Porter's Five Forces Analysis

Threat of Rivalry- (assigned score- 7/10)

IBISWorld | Supermarkets & Grocery Stores in Canada — Oct 2023

Companies

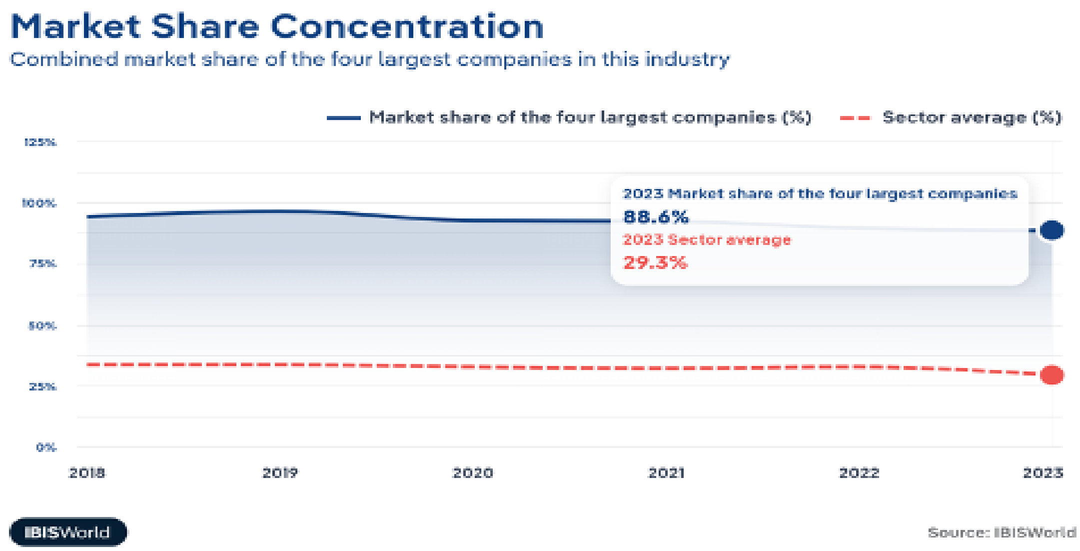
Company	Market Share (%) 2023	Revenue ($m) 2023	Profit ($m) 2023	Profit Margin (%) 2023
Loblaw Companies Limited	35.7	41,480.9	2,925.0	7.1
Empire Company Limited	34.1	39,623.3	1,679.7	4.2
Metro Inc.	13.6	15,810.0	1,163.9	7.4
Jim Pattison Group	5.1	5,947.6	91.9	1.5

[24] McErlaine, B. (2023). Supermarkets & Grocery Stores in Canada. [online] p.12. Available at: https://my-ibisworld-com.proxy1.lib.trentu.ca/ca/en/industry/44511ca/at-a-glance [Accessed 19 Feb. 2024].

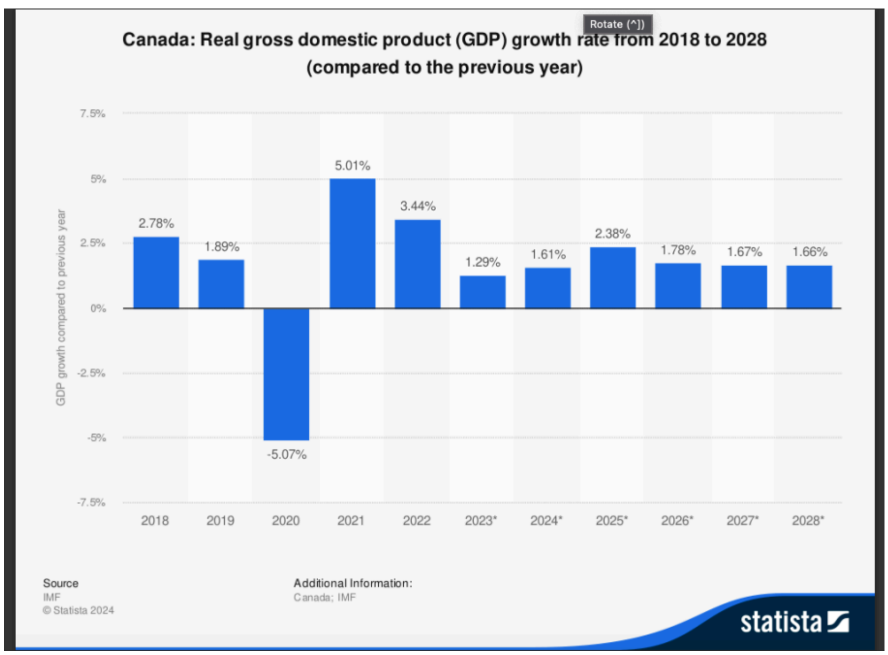
https://my-ibisworld-com.proxy1.lib.trentu.ca/ca/en/industry/44511ca/companies [25]

The food and beverage retail industry in Canada can be seen in the above illustration to be highly concentrated where a few big players are dominating. Notably, we can observe that Metro, Loblaw, and Empire have captured 83.4% of the market share themselves. While the concentrated market may seem like rivalry is low with only a few firms dominating the industry, in reality the intense competition does exist between them. To increase their individual market shares even further, they often choose to compete through means of aggressive pricing, quality offering, differentiating themselves to be more acceptable to the consumers and many other innovative strategies. While typically a market is considered concentrated when the largest four firms control at least 40% of the industry, in our analysis we can see the concentration ratio between the largest four firms (CR4) is 88.6%. Regulatory intervention by the Competition Bureau tends to occur only when the CR4 exceeds 65% which in this case is much above that level and such intervention may also be a crucial factor to further increase rivalry.

[25] McErlaine, B. (2023). Supermarkets & Grocery Stores in Canada. [online] p.12. Available at: https://my-ibisworld-com.proxy1.lib.trentu.ca/ca/en/industry/44511ca/at-a-glance [Accessed 19 Feb. 2024].



https://my-ibisworld-com.proxy1.lib.trentu.ca/ca/en/industry/44511ca/companies [26]



https://www.statista.com/statistics/263603/gross-domestic-product-gdp-growth-rate-in-canada/ [27]

[26] McErlaine, B. (2023). Supermarkets & Grocery Stores in Canada. [online] p.12. Available at: https://my-ibisworld-com.proxy1.lib.trentu.ca/ca/en/industry/44511ca/at-a-glance [Accessed 19 Feb. 2024].

[27]Aaron O'Neill, (01-19-2024)Canada Real GDP Growth Rate, URL: https://www.statista.com/statistics/263603/gross-domestic-product-gdp-growth-rate-in-canada/ #

greater control over the prices and the market dynamics, factors such as the regulatory Also looking at the sales growth rate of the industry compared to the GDP growth rate of Canada we can also find another valuable insight about the industry. While the projected sector growth of the Canadian food and retail industry in 2022 was 4.1%, they outpaced the GDP growth rate of 3.44%.[28] This further strengthens our argument that competition in the industry is fierce between the giants to capture a larger share of the growing market. This indicates the intensity that they compete among themselves to attract and retain customers.

However, retailers in the same industry such as Whole Foods offer differentiated products tailored to their customers' wants, the giants such as Metro and Loblaw have also tried to differentiate themselves by introducing specialized stores and setting up units aiming to attract different customer segments. One example of this will be Metro Inc. having Marche Adonis as a subsidiary, they do have a few of these stores but they are strategically located in key locations such as downtown Montreal, Mississauga etc. Adonis is known to focus on having a larger inventory of Halal meat products and offering a wide variety of choices of lunch items which are also halal to the working class people. Such approaches show how focused even the giants such as Metro and Loblaw are in order to even attract the niche market. However, such differentiation strategies by smaller players other than the giants themselves plays a big role to mitigate some competition within the industry. Therefore based on the above analysis I would assign a score of 7 to the threat of rivalry in the retail industry. Although dominant firms have a greater control, regulatory interventions and differentiation by smaller firms could contribute to reduce rivalry to some extent.

---

[28] statista. (2014). Canada - Gross domestic product (GDP) growth rate 2024 | Statista. Statista; Statista. https://www.statista.com/statistics/263603/gross-domestic-product-gdp-growth-rate-in-canada/

Threat of New Substitutes - (assigned score- 7/10)

The grocery retail industry has a lot of substitutes such as convenience stores, rising popularity of supercentres, Farmers Markets, and online grocery delivery services. Convenience stores specialize to serve individuals who are making quick purchases of a few items. Although their product range is also not as big as the superstores like Metro, Loblaw or Empire Company they have the leverage of charging consumers a bit higher price based on the factor of convenience they provide the customers with.

Grocery/Food Retailer	2023 Rank	2021 Rank	Rank Change	Total Score
Costco	1	1	N/C	68.8
Metro	2	3	+1	59.6
Walmart	3	14	+11	59.3
Food Basics	4	9	+5	59.0
No Frills	5	6	+1	58.7
IGA	6	7	+1	57.7
Real Canadian Super Stores	7	4	-3	57.7
FreshCo	8	10	+2	56.3
Sobeys	9	5	-4	56.2
"Your Independent Grocer" (owned by National Grocers/Loblaw)	10	2	-8	55.7
Save-on Foods	11	11	N/C	54.7
Safeway	12	12	N/C	52.4
Loblaws	13	8	-5	52.3
Foodland	14	13	-1	50.0
Average score				57.0

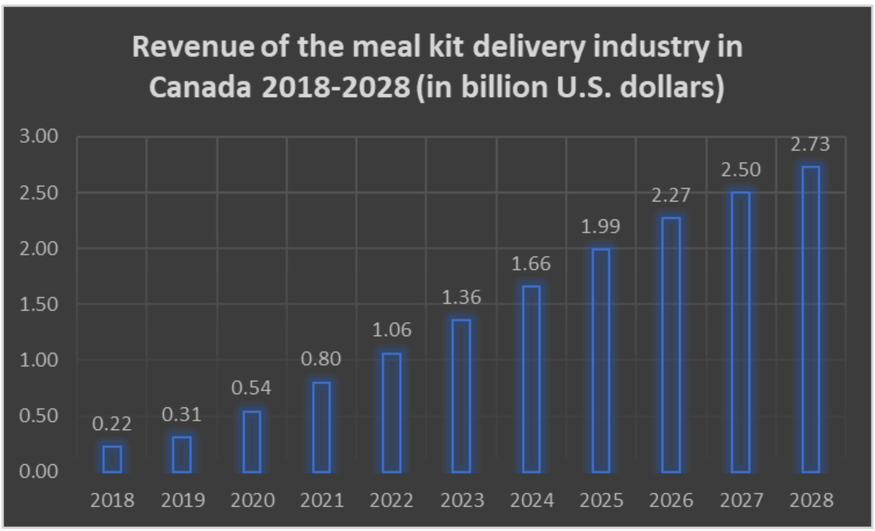
https://financialpost.com/news/retail-marketing/costco-ranked-canada-most-respected-grocer[29]

In recent days, supercentres such as Walmart and Costco have gained huge popularity in Canada due to their capacity to offer consumers with a wide range of products (such as grocery, clothing, automotive maintenance parts or electronics) under one roof. Their extensive product offering and economies of scale enables them to offer lower prices and better deals often which may therefore contribute to increasing the threat of substitutes in the retail industry where our

[29] Financial Post Staff (Aug 05, 2023) URL: https://financialpost.com/news/retail-marketing/costco-ranked-canada-most-respected-grocer

chosen firm operates.

In recent days, while grocery prices are increasing, farmer's markets are being considered as a substitute option by consumers due to prices of produce and meat not being too different despite providing access to more fresh and healthy (as they are mostly organic) products. However, due to their limited choice and seasonal availability factor, the threat they pose to the retail industry gets offset to a great extent.

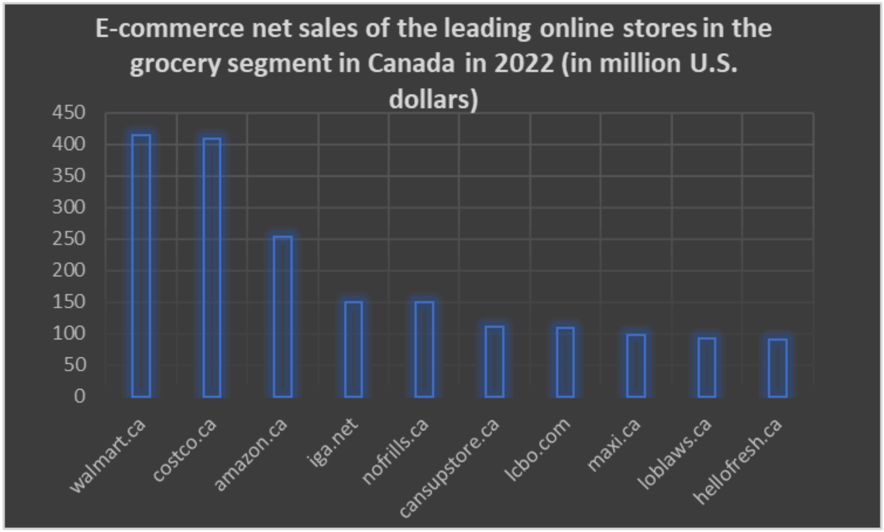


https://www-statista-com.proxy1.lib.trentu.ca/forecasts/1346157/canada-revenue-in-the-meal-kits-market[30]

Other substitutes such as meal kit delivery services are also gaining popularity which the growth trend of their revenue above shows, this contributes to increasing the threat of substitute in the industry too.

---

[30] Statista Research Department, Feb 9, 2024, Revenue of the meal kit delivery industry in Canada 2018-2028, URL: https://www-statista-com.proxy1.lib.trentu.ca/forecasts/1346157/canada-revenue-in-the-meal-kits-market



https://www-statista-com.proxy1.lib.trentu.ca/forecasts/871085/top-online-stores-canada-food-personal-care-ecommercedb [31]

Lastly, with technology emerging and gaining significant popularity in the recent years since the pandemic, grocery delivery services such as instacart have also made their place to consumers as a substitute. Consumers tend to often explore their options between the stores available on these platforms and they see comparisons of prices, as well as have access to a greater choice of products, which typically they do not get when they go to the store physically. Analyzing some of the different substitutes available in the industry, I would assign a moderately high score of 6 to the threat of substitutes in the industry.

[31] Lynn Beyrouthy (Feb 13, 2024),Top grocery online stores in Canada 2022, URL: https://www-statista-com.proxy1.lib.trentu.ca/forecasts/871085/top-online-stores-canada-food-personal-care-ecommercedb

Threat of New Entrants: (assigned score- 3/10)

Geography	Canada (map)				
Capital and repair expenditures	Capital expenditures				
North American Industry Classification System (NAICS)	2019	2020	2021	2022	2023
	Dollars				
All Industries	273,776.1[B]	248,897.2[B]	274,656.2[B]	306,771.1[B]	319,910.6[B]
Agriculture, forestry, fishing and hunting [11]	9,210.2[B]	8,454.3[B]	9,521.8[A]	10,185.0[A]	10,005.2[A]
Mining, quarrying, and oil and gas extraction [21]	45,927.3[B]	31,805.6[B]	37,439.7[A]	46,538.3[B]	52,904.3[B]
Utilities [22]	30,321.0[A]	30,309.4[B]	33,407.1[B]	37,600.3[A]	40,530.0[A]
Construction [23]	6,347.1[A]	6,048.6[A]	9,106.9[A]	10,314.0[A]	10,906.1[A]
Manufacturing [31-33]	23,459.4[C]	20,081.9[C]	25,035.4[C]	24,173.2[B]	27,209.7[C]
Wholesale trade [41]	5,400.2[C]	5,277.3[E]	5,781.3[D]	5,811.4[C]	6,526.9[C]
Retail trade [44-45]	7,113.8[E]	6,371.0[D]	6,417.0[C]	6,470.6[C]	6,474.1[C]
Transportation and warehousing [48-49]	42,523.5[B]	43,558.6[B]	45,474.3[B]	49,401.7[A]	44,164.5[B]
Information and cultural industries [51]	12,970.7[E]	12,361.5[B]	14,057.5[E]	15,687.6[B]	16,484.7[E]
Finance and insurance [52][4]	3,218.8[E]	2,704.0[C]	2,292.6[C]	2,719.0[C]	2,874.3[C]
Real estate and rental and leasing [53]	18,408.0[E]	14,552.6[C]	16,698.9[D]	17,305.4[C]	16,110.6[C]
Professional, scientific and technical services [54]	3,108.9[D]	3,116.9[D]	3,244.9[D]	3,608.3[D]	4,015.0[E]
Management of companies	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3410003501[32]

In the extract provided above we can see comparison of capital expenditures across various industries. Although we can see the capital expenditure requirement in the retail industry

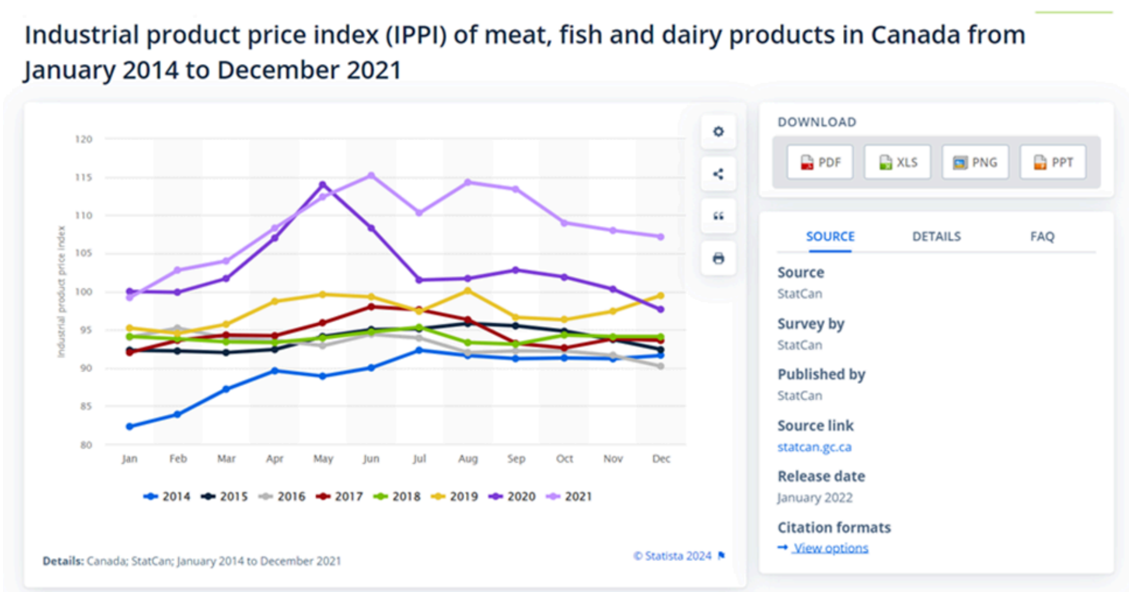
[32] Statistics Canada. Table 34-10-0035-01 Capital and repair expenditures, non-residential tangible assets, by industry and geography (x 1,000,000) DOI: https://doi.org/10.25318/3410003501-eng

is not as high as other industries such as the manufacturing or transportation and warehouse etc, this sector does require a substantive amount of capital investment based on the information for the past 5 years. We can also notice the consistent level of capital requirement in the industry since the past 3 years specially which indicates that established firms are maintaining a strong presence in the market environment which would make the barriers to entry in the industry high. Also the big firms currently operating in the industry have deep pocket incumbents that allows the existing firms the advantage to be able to reduce prices and drive competition out by not letting new businesses sustain in the industry as the new businesses might not have this advantage. The high market share held by major incumbents also indicates the concentration within the industry thus further amplifying barriers to entry.

The existing big four firms in the Canadian grocery industry also have an established relationship with their suppliers, capturing a huge portion of the industry revenue that is developed over the years. Canadian firms have a substantial inflow of the food and beverage industry revenue as well. Based on their size and existence over the years they have already managed to earn a very strong base of loyal customers and enjoys economies of scale and these are some factors significantly influences to increase barriers to entry for newer entrants thus reducing threats of new entrants in the industry making it a safe industry for the existing firms thus I would assign a low score of 3 for the threat of new entrants in the industry.

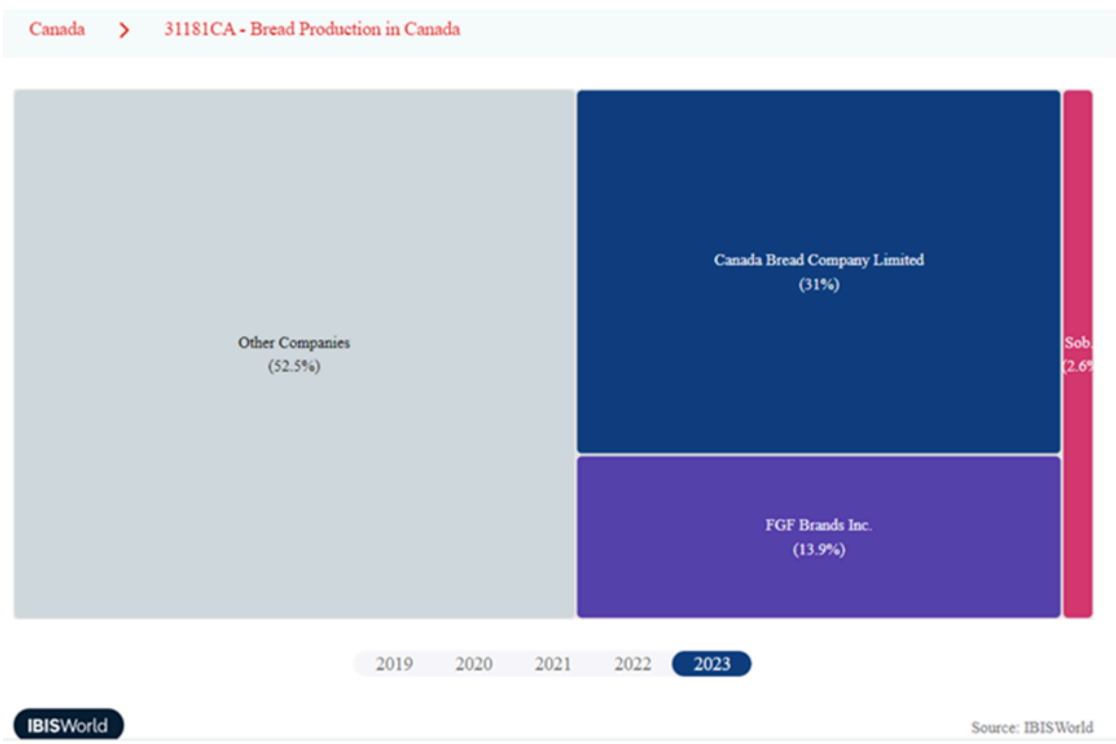
Power of Suppliers

The Grocery store industry in Canada (NAICS code 44511) is supplied through a wide variety of industries that can be sorted into two parts: farmers and wholesalers. These two industries can be further analyzed based on the wide range of products they supply to the grocery store industry, such as meat, dairy, or bread. As discussed earlier, Canada has experienced a rapid increase in its inflation rate over the past several years. Higher inflation leads to higher prices, and nowhere is it more evident than when studying the price of groceries. According to Metro, they simply react to price increases set by their suppliers, but why do grocers carry the burden of inflation? As seen previously, the grocer industry is dominated by a few major corporations, so logically they should have immense power in negotiating prices. As it turns out, most supplier industries are just as concentrated.



https://my-ibisworld-com.proxy1.lib.trentu.ca/ca/en/industry/31161ca/companies

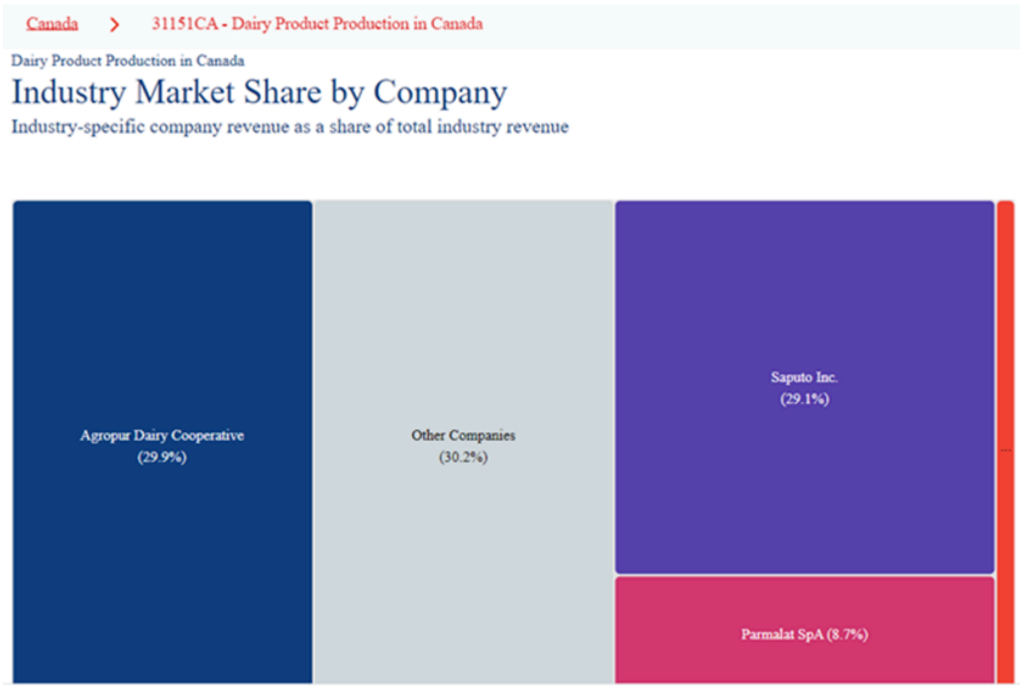
https://my-ibisworld-com.proxy1.lib.trentu.ca/ca/en/industry/31181ca/at-a-glance



https://my-ibisworld-com.proxy1.lib.trentu.ca/ca/en/industry/31181ca/at-a-glance

There are surprisingly little substitutes for wholesale suppliers, and especially so in the bread production industry. The Canada Bread Company makes up about a third of the total market share in the production of bread. This gives them immense bargaining power in the price of bread, which has risen in price exponentially over the past couple of years. It is worth noting that the Canada Bread Company, as discussed earlier, has pleaded guilty to price-fixing bread in the 2000s and has implicated most grocery stores, including Metro, in its scheme. Metro has released a statement saying it will fight these accusations and is suing Canada Bread Company for damages in its reputation. Metro is adamant that they did not engage in price-fixing and were simply reacting to the high prices set by Canada Bread Company. There is very little room to negotiate as many of these wholesale suppliers are price makers and grocery stores are limited in substitutes or rival companies to negotiate with.

Similar to the bread production industry, the dairy industry is also a highly concentrated industry. With so few major players, it is very easy for competitors to coordinate their prices and as a result, they are unlikely to compete in prices. Any price decrease from one major player will be immediately matched by another, and so lowering prices just loses money for all competitors involved. This is a threat for grocery stores as this means any attempt to negotiate prices will be immediately shut down, but also because any rise in costs from sources such as inflation will have to be shouldered primarily by them and the customers buying the milk and bread.



https://my-ibisworld-com.proxy1.lib.trentu.ca/ca/en/industry/31151ca/companies

Currently, the Canadian government is in talks with all the major players in the industry to create the nation's first grocery code of conduct. The goal is to create fair guidelines in respect to negotiations between grocers and suppliers. Nothing has been agreed upon yet, but one idea is to have a third party "watchdog to help resolve disputes" according to Michael Graydon, the co-chair of the committee tasked with leading the discussion between all the parties.[33] As of right now, Metro and Sobeys have expressed support for the code, but Loblaws and Walmart have refused to sign on. The administrative burdens of a code of conduct can be seen as a threat to grocery retailers. There are also discussions about removing certain fees, such as late-supply fees, that Loblaws says is crucial to ensuring shelves are stocked for its customers. All in all, the

[33] Robertson, Susan Krashinsky. "Canada's Competition Watchdog to Study Grocery Sector as Inflation Hits Shoppers." *The Globe and Mail*, 24 Oct. 2022, www.theglobeandmail.com/business/article-canada-grocery-retailers-competition-bureau-inflation/.

power of suppliers is a major force in the Canadian grocery industry, and we would give it a numerical rating of 7/10 intensity.

Power of Buyers

In assessing the power of buyers within the Canadian Supermarkets & Grocery Stores industry, and particularly in the context of Metro Inc., we observe a nuanced balance of forces. The industry has seen a compound annual growth rate (CAGR) of 1.5% from 2018 to 2023, projecting revenues to hit CA$116.1 billion in 2023, with an anticipated modest slowdown to a CAGR of 0.6% through to 2028. This growth pattern suggests a stable yet competitive market environment where buyer power is notably significant but is influenced by several mitigating factors.

Metro Inc., holding a 13.6% market share with revenues of $15.8 billion and a profit margin of 7.4% in 2023, exemplifies a strong player in this competitive field. This position is indicative of Metro's ability to maintain profitability amidst intense market competition, highlighting the importance of strategic differentiation and operational efficiency. The concentrated market share among top players, including Metro, suggests a high level of competition, where differentiation becomes crucial in wielding influence over buyer decisions. The supermarket industry is characterized by low switching costs, making loyalty programs like Metro's upgraded Moi rewards program an essential strategy for enhancing customer retention. These programs, by personalizing rewards, aim to create a unique value proposition that encourages repeat business, thereby subtly increasing switching costs for consumers.

However, product differentiation in this industry is challenging due to the inherent homogeneity of the product offerings. Supermarkets strive to differentiate through branding, customer experience, and services rather than product uniqueness alone. Metro's investment in strategic store locations and loyalty programs exemplifies efforts to distinguish itself from competitors on factors other than price. Economic and consumer trends further influence buyer power. The consumer price index for food and the rise in per capita disposable income in 2023 are critical drivers that supermarkets must navigate. An increase in food prices, if passed onto consumers without diminishing sales volume, could bolster industry revenues. Conversely, rising disposable incomes may reduce consumer price sensitivity, allowing supermarkets to focus on quality and convenience as key competitive dimensions.

In conclusion, the analysis reveals that while buyers hold significant power in the Canadian Supermarkets & Grocery Stores industry, strategic initiatives by companies like Metro Inc. demonstrate effective countermeasures. Through loyalty programs, strategic store locations, and an emphasis on customer experience, Metro and its peers are actively reshaping buyer dynamics. Hence i'll give it a score of 7 out of 10.

Five Forces Summary

Direct competitors in the Canadian food and beverage retail industry compete fiercely (Score: 9/10), with major businesses like Metro, Empire, Walmart, Sobeys, and Loblaws fighting for market share. Because of the high entry hurdles and the market dominance of established enterprises, there is little threat from new entrants (Score: 4/10). Replacements are a major difficulty (Score: 9/10), with competitive alternatives being offered by convenience stores and online delivery providers. Suppliers have significant sway (Score: 8/10), and buyer power is significant (Score: 8/10), fueled by things like digital empowerment and homogeneous products. The industry's competitive environment is extremely fierce, with an average of 7.6 across the five forces, Metro is facing strong rivalries and is heavily wary of replacement by different subgroups.

Driving Forces

There are several factors that affect the way Metro intends to utilize their way of understanding and accounting for change at the industry level. Metro Inc. faces a dynamic competitive environment with a cluster of trends influenced by evolving consumer preferences, digital transformation, and has the power to transform the retail Industry significantly. Adapting to these forces is essential for sustained success in their industry.

Consumer Preferences and Trends(Intensity: Increasing)

As consumer preferences evolve, there is a growing demand for healthier, organic, and locally sourced products. Metro must adapt to these trends by offering relevant products and enhancing its supply chain to meet changing consumer needs. Implementing this strategy will promote success for them in their industry, due to customers learning that their preferences are being acknowledged it would prompt increased customer loyalty and more buyers.

E-Commerce and Online Shopping(Intensity: Increasing)

The rise of online grocery shopping has accelerated due to convenience and safety concerns. Change in consumer behavior induced by COVID-19 restrictions has shifted purchase of grocery items online. Services like Instacart have seen a 300% increase in a span of 5 years showing an increase in preference for online grocery delivery. Services such as meal kits as shown by the graph above are projected to steadily increase $2.7 billion annual revenue in 2028. Metro needs to invest in robust e-commerce platforms, efficient delivery systems, and seamless online experiences to remain competitive.

Technological Advancements(Intensity: Increasing)

Technology drives efficiency, data analytics, and personalized experiences. Another emerging trend is the preference for self-service technologies, as revealed by consumer attitudes towards technology in grocery shopping. For Metro, this is an opportunity to enhance customer experience, reduce labor costs, and increase checkout efficiency. By integrating more self-checkout systems in their stores, Metro can capitalize on this trend to streamline operations and reduce queue times, which is crucial since a sizable portion of consumers take actions to avoid slow checkout experiences. Metro should embrace innovations like AI, automation, and data-driven insights to stay competitive.

Driving Forces Summary

Metro Inc. operates in a dynamic competitive environment influenced by evolving consumer preferences, digital transformation, and technological advancements, all of which have the potential to significantly shape the retail industry. Adapting to these driving forces is crucial for sustained success in the industry. One key factor is the increasing intensity of consumer preferences and trends, particularly towards healthier products. Metro must align its product offerings and enhance its supply chain to meet these changing demands, fostering customer loyalty and attracting more buyers in the process. Additionally, the rise of e-commerce and online shopping, accelerated by convenience and safety concerns, presents a significant opportunity for Metro. To remain competitive, Metro needs to invest in robust e-commerce platforms, efficient delivery systems, and seamless online experiences to cater to the growing preference for online grocery shopping and meal kit services.

Furthermore, technological advancements play a critical role in driving efficiency and enhancing customer experiences. With the increasing preference for self-service technologies, Metro has an opportunity to leverage innovations such as AI, automation, and data analytics to streamline operations, reduce labor costs, and improve checkout efficiency. Embracing these advancements not only enhances customer satisfaction but also positions Metro competitively in the rapidly evolving retail landscape, where consumers increasingly seek convenience and personalized experiences. By adapting to these driving forces, Metro can ensure its relevance and success in the industry for years to come.

Part II Summary

Based on Porter's Five Forces, the retail food and beverage industry in Canada is deemed to be moderately unappealing to potential investors. The business is characterized by fierce competition amongst big firms like Loblaws and Metro, which leads to price wars and margin pressures that reduce profitability and make market entry difficult. High capital needs and the dominance of well-established companies like Metro are examples of entry barriers that impede new competitors and limit growth prospects. Traditional grocery shops face serious competition and market share threats from the emergence of replacements including convenience stores, supercenters, and online delivery services. Suppliers have significant bargaining leverage, especially large firms like the Canada Bread Company. This affects retailers' profitability by driving up input costs. Furthermore, because of things like product uniformity and easy access to price comparison tools, consumers have a lot of negotiating power. This gives them the ability to bargain for lower costs and improved quality, which puts additional pressure on enterprises' profitability. The Canadian food and beverage retail market is moderately unappealing despite the sector's high profits and good development prospects due to a mix of strong supplier influence, intense rivalry, and a serious threat from replacements. Even if market leaders like Metro are still exhibiting growth and resilience, prospective newcomers and established companies should proceed with care and strategic planning when contemplating involvement in this competitive environment.

Internal Analysis

Appendix- Normalized Income Statements of Metro Inc, Loblaws and Empire Company

	Metro inc			Loblaws			Empire Company		
Details	**2023**	**2022**	**2021**	**2023**	**2022**	**2021**	**2023**	**2022**	**2021**
Sales	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
Cost of Goods Sold	80.30%	79.97%	80.01%	68.02%	68.19%	68.53%	74.07%	74.16%	74.26%
Gross Profit	**19.70%**	**20.03%**	**19.99%**	**31.98%**	**31.81%**	**31.47%**	**25.93%**	**25.84%**	**25.74%**
Net Operating Expense	10.19%	10.26%	10.51%	25.76%	25.90%	25.95%	21.91%	21.34%	21.16%
Operating Income	**9.50%**	**9.77%**	**9.47%**	**6.22%**	**5.91%**	**5.52%**	**4.02%**	**4.49%**	**4.58%**
Other Expenses	3.13%	3.66%	3.35%	1.35%	0.12%	0.93%	0.87%	0.93%	0.95%
Earnings Before Income Taxes	6.38%	6.11%	6.13%	4.87%	4.71%	4.59%	3.15%	3.56%	3.63%
Income Tax	1.46%	1.61%	1.61%	1.20%	1.18%	0.88%	0.77%	0.89%	0.94%
Net Earning	**4.92%**	**4.50%**	**4.52%**	**3.67%**	**3.53%**	**3.72%**	**2.38%**	**2.67%**	**2.69%**

Introduction

Metro, founded in 1947 by Rolland Jeanneau in Lasalle, Quebec, began as a partnership of independent supermarkets seeking a competitive price advantage through shared bargaining power. Originally known as Magasins Lasalle Stores, the company rebranded as Les Marchés d'Aliments Metro in 1972 after 25 years of retail industry expansion. With a commitment to growth, Metro has become a major player in the grocery industry, operating under various banner names such as Metro, Metro plus, Super C, and Food Basics, with a total of 983 food stores. Additionally, Metro Inc. owns and operates 640 pharmacies, a significant expansion into the pharmaceutical industry highlighted by the successful acquisition of Jean Coutu. In 2023, Metro Inc. reported annual revenue of $20.7 billion and net earnings exceeding $1 billion, employing over 97,000 individuals according to 2023 annual reports of Metro Inc. With a consistent market share of 13.6% in 2023.[34] Metro has maintained its position in the market over the past few years.

Primary Value Chain Activities

Supply Chain Management

The grocery store industry in Canada is dominated by three corporations: Loblaw, Empire Company, and Metro. In the last few years, relationships between grocery stores and their suppliers have grown increasingly strained, as they argue about the causes and solutions to the nation's inflation. According to Canada's Competition Bureau, "grocery prices in Canada are increasing at the fastest rate seen in 40 years".[35] Metro and its competitors all agree and say suppliers are asking for unjustified price increases. Galen G. Weston, the president of Loblaw,

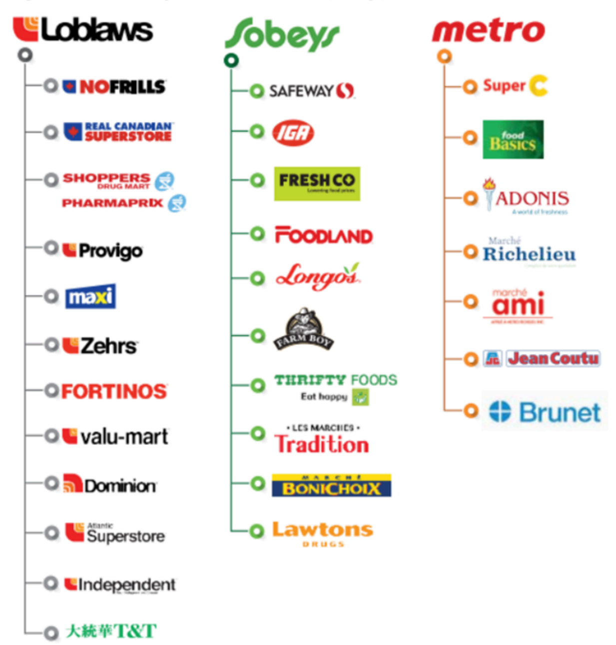
---

[34] McErlaine, B. (2023). Supermarkets & Grocery Stores in Canada. [online]. URL: https://my-ibisworld-com.proxy1.lib.trentu.ca/ca/en/industry/44511ca/at-a-glance [Accessed 25 Feb. 2024].

[35] Toneguzzi, Mario. "Competition Bureau Report Says Canada Needs More Grocery Competition as Consumers Struggle with Food Inflation ." *Retail Insider*, 27 June 2023, retail-insider.com/retail-insider/2023/06/competition-bureau-report-says-canada-needs-more-grocery-competition-as-consumers-struggle-with-food-inflation/.

claims that there are "over 1000 supplier requests" for cost increases and that in many cases, they are unjustified.[36] However, Metro and its two competitors are positioned as the dominant factions in a highly concentrated industry which gives them heaps of negotiating leverage against their suppliers. Suppliers are dealing with their own problems, such as rising gas prices, Canadian wildfires destroying crops, and the war in Ukraine severely limiting access to grain and corn supplies.[37] Metro's large market share allows them to more easily refuse these price increase requests and force suppliers to shoulder the financial burdens alone.

Figure 1: Stores owned by or affiliated with Loblaws, Sobeys, or Metro



https://retail-insider.com/retail-insider/2023/06/competition-bureau-report-says-canada-needs-more-grocery-competition-as-consumers-struggle-with-food-inflation/

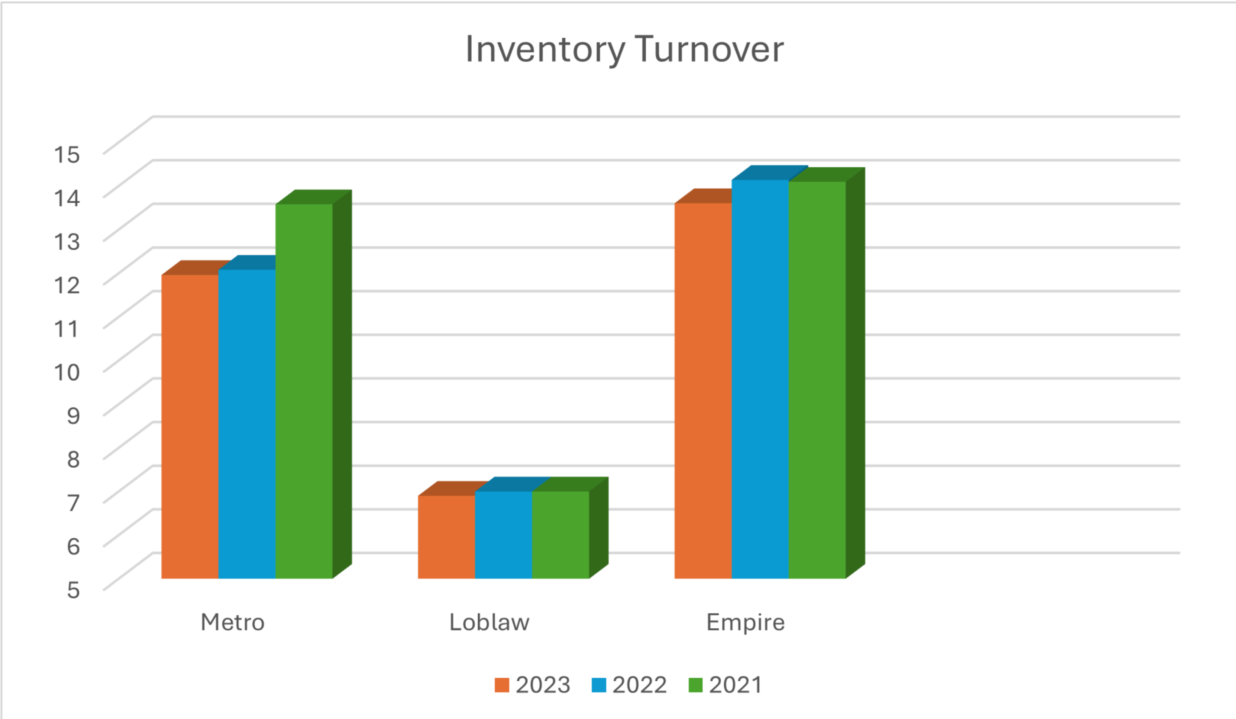
[36] Bundale, Brett. "Loblaw Facing 'over 1,000 Supplier Requests' for Fresh Price Hikes: Galen G. Weston." *CTVNews*, 23 Feb. 2023, www.ctvnews.ca/business/loblaw-facing-over-1-000-supplier-requests-for-fresh-price-hikes-galen-g-weston-1.6285718.

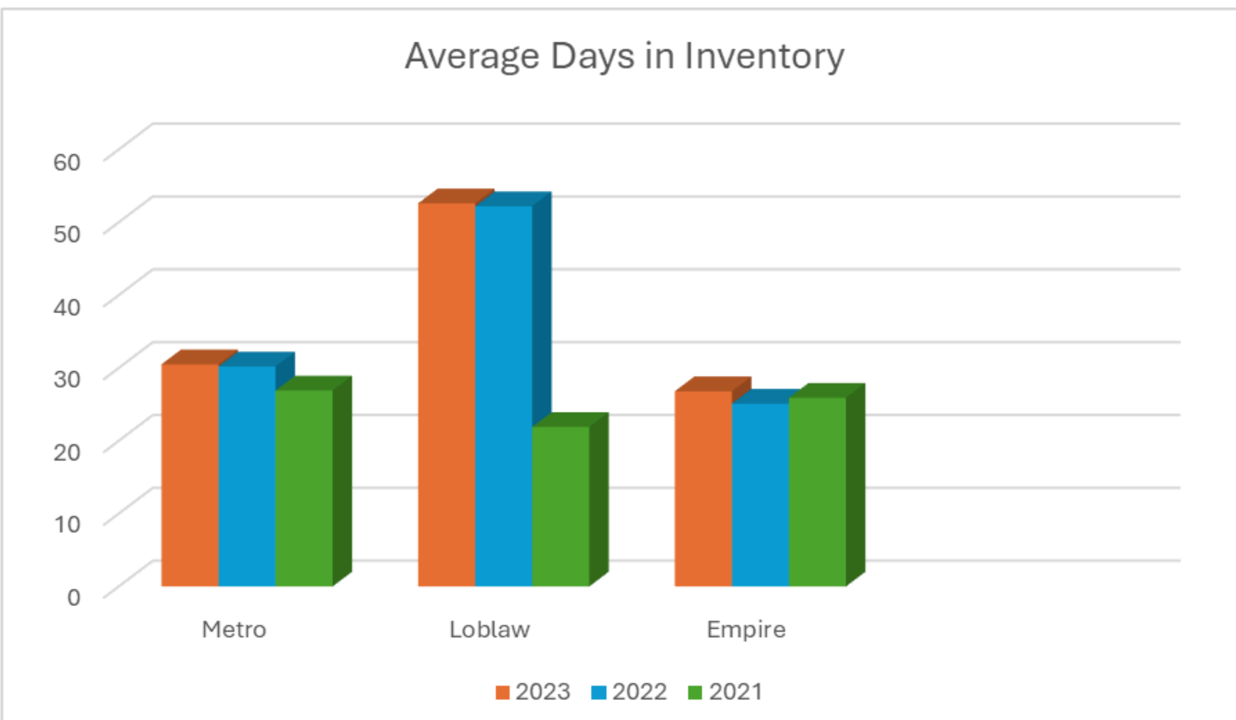
[37] Liew, Christopher. "Who's to Blame for Rising Food Prices in Canada?" *CTVNews*, 13 Oct. 2023, www.ctvnews.ca/business/who-s-to-blame-for-rising-food-prices-in-canada-1.6599960.

The three Canadian grocery giants have such a strong foothold over the industry, it is near impossible for suppliers to negotiate terms and prices. In addition, grocery stores implement heavy penalty fees for late shipments but insist on paying for said shipments months after they are delivered. On top of that, the grocery chains refuse to shoulder any costs for defective or expired products and insist the suppliers carry the full burden of its cost.[38] It should be noted however, even though Metro is the third largest grocer in Canada, they hold very little market share when compared to Loblaw and Empire. While they still have the strength to negotiate and haggle with suppliers, Metro claims they are also at the mercy of the other two companies. For example, Loblaw was implicated and pleaded guilty to price fixing with Canada Bread Company, and proceeded to insinuate the involvement of the other industry leaders. Metro, Empire, and many other retailers such as Walmart, deny these allegations. Metro claims they resisted price increases but had no choice but to concede to the "effective duopoly" of Canada Bread and Weston.[39]

[38] Alsharif, Ghada. "'Supply Chain Bullying': Inside the Food Fight between Canada's Grocery Giants and Their Suppliers." *Toronto Star*, 29 Apr. 2023, www.thestar.com/business/supply-chain-bullying-inside-the-food-fight-between-canada-s-grocery-giants-and-their-suppliers/article_6ed074d4-2765-508f-9b35-1c099eb42f0b.html.

[39] Johnson, Daniel. "Metro Files Lawsuit against Loblaw for Reputational Damage - BNN Bloomberg." *BNN Bloomberg*, 18 Oct. 2023, www.bnnbloomberg.ca/metro-files-lawsuit-against-loblaw-for-reputational-damage-1.1986508.





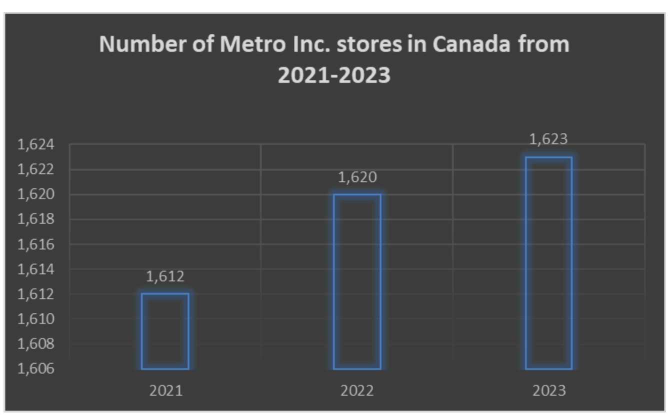
Both graphs were created using data from the financial statements of the three companies.

When it comes to managing their inventory, Metro performs very well against its competition. Though it has declined in recent years, Metro remains a close match to Empire's ability to sell the inventory it buys. The industry leader, however, trails in this regard. Metro can consider their efficiency at selling their inventory as a strength, as they will have much lower costs of storage and will be less likely to have product expire or damage before they are able to be sold.

In conclusion, Metro's management of its supply chain would not meet the criteria for being a sustainable competitive advantage. As stated previously, most grocery stores purchase their products from the same suppliers. Metro's relationship with these suppliers are not rare, and are certainly not valuable in comparison to its competitors. Any grocery store chain, regardless of their size or market share, can buy from the same suppliers. The lack of substitutes further cements Metro's supply chain management is no different than that of its competitors and cannot be considered a sustainable competitive advantage.

Operations

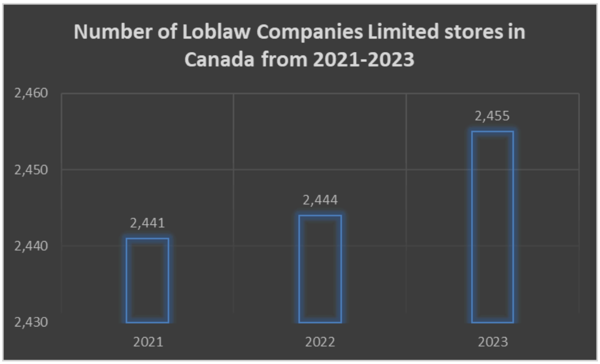
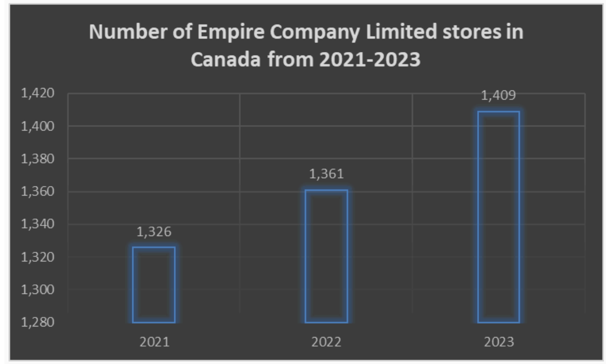
Number of stores and regional locations.



[40]

[40] Metro Inc. Annual Reports- 2023 (p15), URL: https://corpo.metro.ca/userfiles/file/PDF/Rapport-Annuel/annual_report_2023_EN.pdf, [Accessed 25 Feb. 2024].

https://corpo.metro.ca/userfiles/file/PDF/Rapport-Annuel/2023/en/annual_report_2023_EN.pdf

 https://www-statista-com.proxy1.lib.trentu.ca/statistics/1295777/number-of-loblaw-stores-canada/ 41	 https://www.empireco.ca/uploads/2023/08/2023-Empire-AR-English-SEDAR.pdf?var=0

Metro Inc. operates mainly in Quebec and Ontario and has a total of 1623 stores by 2023. It operates 703 food stores and 526 pharmacies in Quebec, 280 food stores and 86 pharmacies in Ontario and lastly 28 pharmacies in New Brunswick. Its two main competitors are Loblaws and Empire Company Limited (Sobeys), they each operate a total of 2455 and 1409 total stores respectively by 2023. Loblaws operates multiple private label brands mainly in Ontario, Alberta, and British Columbia. Empire Company Limited Operates mainly in Ontario and the Midwest Territories. Ontario, Quebec, and British Columbia account for 61% of the Canadian retail market, this is a strength for Metro Inc as it already operates in 2 of the three major retail markets. Looking at Metro's financial statements, its main goal for the past three years has been

[41] Loblaw. (February 23, 2023). Number of Loblaw Companies Limited stores in Canada from 2014 to 2022 [Graph]. In *Statista*. Retrieved March 07, 2024, from https://www-statista-com.proxy1.lib.trentu.ca/statistics/1295777/number-of-loblaw-stores-canada/

increasing market share.Operating in these two major retail markets has helped Metro broaden its customer base by segmenting its consumers into high-end and discount divisions. This has been achieved by increasing the amounts of Food Basic discount stores in Ontario and Quebec and the Purchase of Jean Coutu Pharmacy brands allowing Metro to tap into the Mid-west market.

SCA analysis (Temporary competitive advantage)

Valuable	Rare	Costly	Non-Substitutable	Competitive Advantage	Performance Implications
Yes	Yes/No	Yes	Yes/No	Temporary	Above average returns

Core Competency (Pharmacies)

Pharmacies have become a source of competitive advantage for grocery stores as shoppers value the convenience they provide. In 2018 Metro acquired the previous industry leader Jean Coutu Group Inc. (Jean Coutu) for $4.3 billion to supplement its pharmacy holdings of more than 250 pharmacies under the Clini-Plus, Brunet, the Pharmacy and Drug Basics banners. Among its major competitors only Loblaws appears to rival its pharmacy holdings with the 2013 $12.3 billion acquisition of industry leader Shoppers drug mart and its already existing Loblaws pharmacy that operates in its subsidiaries. Using the four criteria of sustainable competitive advantage, the pharmacies are Valuable as they help Metro exploit an opportunity in the Market. They are not quite rare since one of the two competitors already owns a large brand to rival Metros'. It's costly to imitate considering the complexities of opening and staffing the pharmacies in grocery stores. Lastly, the pharmacies are non-substitutable as you require firm specific knowledge to operate them. This gives Metro a temporary competitive advantage leading to above average returns for the company.

Metrics of Metro, Loblaws and Empire Company Limited for 2021-2023.

Categories	Metro 2023	2022	2021	Loblaws 2023	2022	2021	mpire 2023	2022	2021
Sales(In mil	20,725	18,889	18,283	58,345	55,492	52,269	30,478	30,162	28,268
Employees	97,000	95,000	90,000	220,000	221,000	200,000	131,000	131,000	134,000
per employee	**213656**	**198831**	**203144**	**265205**	**251095**	**261345**	**232657**	**230247**	**210957**
Stores	1,623	1,620	1,612	2,455	2,444	2,441	1,409	1,361	1,326
ne store sales	**12769316**	**11659815**	**11341811**	**23765784.1**	**2705401**	**1412946**	**21631015**	**161940**	**1318477**
ROCE	**12.4%**	**11.50%**	**10.8%**	**12.7%**	**10.9%**	**10.7%**	**9.6%**	**11.0%**	**11.3%**
ROA	**7.50%**	**6.30%**	**6.10%**	**5.70%**	**5.30%**	**5.50%**	**4.40%**	**5.10%**	**5.10%**

Sales per Employee (weakness)

Most retail companies rely heavily on employees to operate stores effectively and efficiently. The sales per employees ratio is a weakness for Metro as it ranks last compared to its other major competitors. The lower SPE ratio shows that in the past three years compared to its competitors. Metro is not efficiently managing their workforce to produce above average returns. In August 2023, Metro took steps to address this issue by increasing employee wage by $1.50 as a way to incentivize employees following their recent strike.

Same store Sales (Strength)

Assessing the same store sales for Metro shows a steady increase over the past three years, this is a strength for Metro as it shows potential for growth in the future. Looking at its competitors, Loblaw is also experiencing a steady increase in the past three years. Empire has seen a decline in same store sales in 2022. This metric shows Metro's main strength, over the last three years Metro's main focus has been to increase its market share by operating more discount stores across Ontario and Quebec.

Return on Capital Employed (Strength)

The ROCE, which measures a company's profitability and how efficiently it is employing its own capital, is a strength in Metro's value chain. Over the past three years Metro's average ROCE is 11.6%, Loblaw is 11.4% and Empire is 10.6%. Both Metro and Loblaw have seen a steady increase in their ROCE, while Empire is seeing a steady decline in its ROCE over the past 3 years. This shows a strength in Metro's ability to efficiently utilize its capital, which generates $0.116 in profit for every $1 of capital employed.

Return on Assets (Strength)

ROA measures how efficiently a company is using its assets to generate profit. Over the past three years the average ROA for Metro is 6.63%, Loblaws is 5.50% and 4.87% for Empire. The table above also shows that among its competitors, Metro is the only company to achieve a steady increase in its ROA over the past three years. It shows Metro's strength in efficiently generating profits using its assets, generating on average $0.0663 for every $1 of assets available.

Gross Margin (Weakness)

Metro has an average gross margin of 19% in the past 3 years. Its main competitors, Loblaw and Sobeys, have a 32% and 26% gross margin respectively. This is a glaring weakness for Metro as it shows the company is struggling to keep its cost low to generate higher profit. In its 2023 financial report, Metro attributed the increase in operating expense to the labor conflict the company experienced from employee strikes. To address this weakness, the company struck a deal with its employees and agreed to a $1.50 wage increase back in August 2023.

Distribution

In 2023, Metro, Loblaw and Empire had 15, 27 and 28 distribution centers respectively as per information from their websites. These retail businesses, Metro, Loblaw and Empire being under the same strategic group map has roughly 1623, 2455 and 1409 stores serving the consumers until 2023 year-end data for which each distribution center can thereby be held responsible to serving about 109, 91 and 51 stores respectively for which Metro Inc.'s distribution network can be seen be the most efficient. While previous sections of our analysis concluded Metro Inc. to have a strength for their ability to sell their inventory efficiently, the efficient distribution centers of Metro Inc. may thus be assumed to play a vital role in helping them to achieve this efficiency. These metrics can be calculated by dividing the number of stores by their total number of distribution centers that can be found on their annual reports.

Company	# of Distribution Centers 	# of Grocery Stores 	# of Stores per Distribution Center 
Metro	15	1623	108
Loblaw	27	2455	91
Empire	28	1409	50

Looking at the 2023 annual reports of Metro Inc, the following information was found regarding their distribution centers;- “This fall, METRO opened its new automated distribution center for fresh and frozen products in Terrebonne. The inauguration of this new center marks a significant milestone for METRO and reaffirms the prominent economic role that the company plays in Quebec, especially through the investment of over $420 million in its Quebec distribution network and the tens of thousands of jobs it provides across the province. This new automated distribution center will help improve the quality of service and products sent to grocery stores, thanks to greater order accuracy and reduced handling time, as well as improving the resilience of our supply chain.

In October 2017, we announced a $400 million investment over six years in our Ontario distribution network. Phase 1 of the project, the semi-automated section of our new fresh distribution center, deployed in 2021 as well as Phase 2 of the project, our new fully automated frozen distribution center, deployed in 2022, are complete and fully operational. The launch of the final phase of the investment project, a fully automated section of our new fresh distribution center, is expected to take place in spring 2024. Equipped with state-of-the-art technology, these facilities will help us improve service to our store network and offer greater product freshness and variety. METRO will be able to better meet the constantly evolving customer preferences and position itself as the retailer providing the best customer experience in each of its banners.” (Metro Inc. Annual Report (2023), p- 15)[42]

On the other hand, based on information from the annual report of one of Metro’s major

---

[42] Metro Inc. Annual Reports- 2023 (p15), URL: https://corpo.metro.ca/userfiles/file/PDF/Rapport-Annuel/annual_report_2023_EN.pdf, [Accessed 25 Feb. 2024].

rivals Loblaw can be seen to have had a busy year of 2022. They closed two of their distribution centers in Laval and Ottawa and invested heavily in their Cornwall distribution center to expand and modernize it to achieve higher efficiency.[43] For 2024, Loblaw is planning to invest a net of $1.8 billion capital expenditure to further expand their network of stores and distribution centers.[44]

Although specific information about the allocation of the investment was not yet found for Loblaws it can be assumed a huge portion of it will be contributing to the modernization of their distribution network. While Loblaws is continuing its investment and currently looking forward to further automate their distribution network, the 2017 project taken by Metro Inc to modernize and automate their distribution centers will give them a first movers advantage to Metro having most of their retail network efficiently covered by the currently automated distribution centers which definitely act as a strength creating value for Metro Inc. At the same time it is also needed to be considered that Loblaws have a bigger network of distribution, even though they did not previously take on any such 6 year longed project as early as 2017 as Metro Inc. did. Since 2022, the importance of restructuring Loblaws can be assumed to understand the importance of automating the distribution centers and increasing their efficiency which Metro has been aiming to do since as early as 2017. Thus distribution facilities and networks are a strength for Metro Inc.

Marketing and Sales

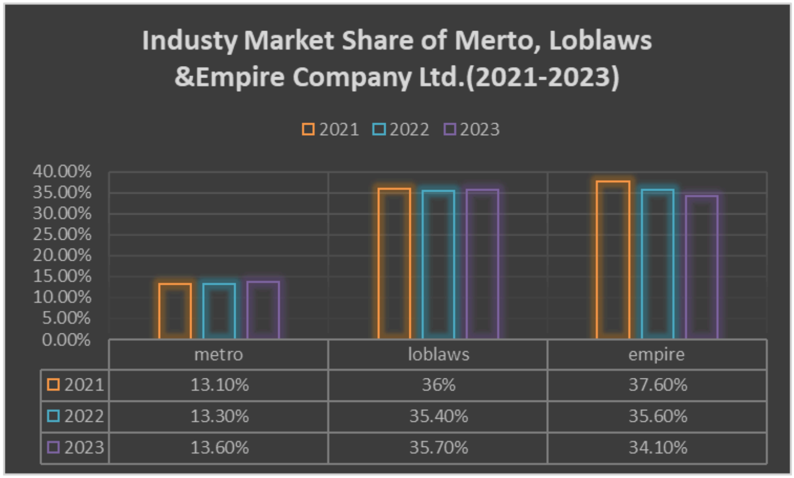
Sales:

---

[43] Loblaw Company Limited- Annual Reports- 2023, (p77) URL:https://dis-prod.assetful.loblaw.ca/content/dam/loblaw-companies-limited/creative-assets/loblaw-ca/investor-relations-reports/annual/2023/LCL_2023_AR.pdf [Accessed 25 Feb. 2024].

[44] Loblaw Company Limited- Annual Reports- 2023, (p75) URL:https://dis-prod.assetful.loblaw.ca/content/dam/loblaw-companies-limited/creative-assets/loblaw-ca/investor-relations-reports/annual/2023/LCL_2023_AR.pdf [Accessed 25 Feb. 2024].

i.)Market Share(weakness)



[45]

https://my-ibisworld-com.proxy1.lib.trentu.ca/ca/en/industry/44511ca/companies

Among its two main competitors,Metro ranks last in terms of market share at 13.60% to Loblaws' 35.70% and Empires' 34.10%. This has proven to be a weakness for Metro compared to its main competitors in the past three years. To help improve its market share strategy has been to focus on its discount store banners as they account for 50% of its revenue.

ii.)Sales Revenue (Strength)

Sales Revenue (In millions)								
Metro 2023	**2022**	**2021**	**Loblaws 2023**	**2022**	**2021**	**Empire 2023**	**2022**	**2021**
20,725	18,889	18,283	58,345	55,492	52,269	30,478	30,162	28,268

---

[45] IMF. (January,2024). Market Share [Table]. In IBISWorld. Retrieved February 16, 2024, from https://my-ibisworld-com.proxy1.lib.trentu.ca/ca/en/business-environment-profiles/ca001/business-environment-profile

The industry has seen Revenues increase over the last three years mainly due to a rise in food prices. The table above shows Metros sales revenues for the past three years compared to its major competitors. A key takeaway from the data is Metro's steady growth over the last few years. With a small market share it has seen its Revenue increase steadily from $18.3 billion in 2021 to $20.7 in 2023, this can be attributed to certain factors including its Moi loyalty program and Marketing strategy.

Marketing:

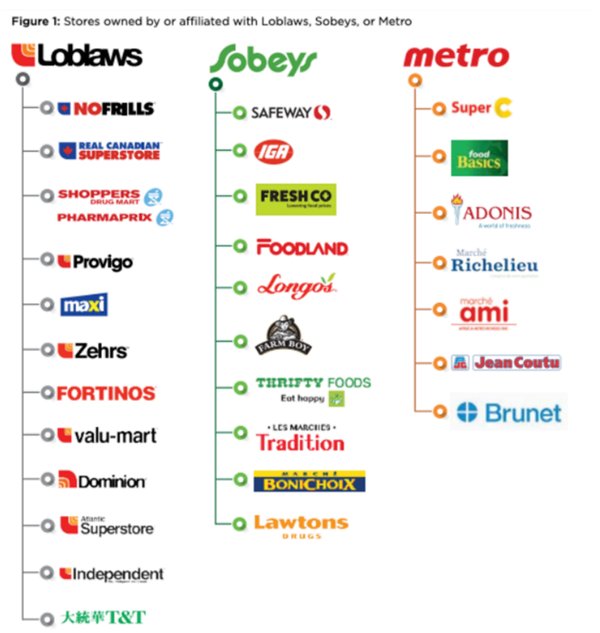
i.)Loyalty Program(weakness)

Metro Jean Coutu Super C Premiere Moison American Express Cobalt card	Loblaws No Frills Real Canadian Supersto Fortinos Independent Grocer Valumart Zehers Shoppers Drug Mart Pharmaprix Pc Travel Esso and Mobil stations Joe Fresh	Sobeys Safeway Foodland Fresco IGA Thrifty Foods Rachelle Bery Cineplex The Rec room Best Buy Montana's Swiss Chalet Apple East side Marios Rakuten

https://www.theglobeandmail.com/investing/personal-finance/household-finances/article-loyalty-points-programs-grocery-compare/

With an increase in food prices for the consumers, grocery stores optimize ways to attract new shoppers while also creating existing ones. Loyalty programs help create brand loyalty and strengthen brand recognition. Metros Moi loyalty program ranks last among its competitors' PC optimum for Loblaw and Scene Plus for Sobeys. The lack of a robust loyalty program to rival its competitors is a weakness for Metro as consumers tend to gravitate towards its competitors who offer better rewards. In 2023 Metro took steps in rebranding its Moi rewards programs adding Jean Coutu and Premiere Moisson as partner merchants. This step helped the company earn above average returns boosting their sales in 2023 from $18.9 billion to $20.7 billion.

ii.)Discount Division(strength)



[46]

https://my-ibisworld-com.proxy1.lib.trentu.ca/ca/en/industry/44511ca/companies

Metro's CEO La Fleche has been quoted saying that about half of the merchandise sold by Metro is on discount or under a certain promotion. These include weekly flyers, vendor promotions and loyalty programs. As food inflation keeps rising some Canadians are finding it difficult to afford prices as seen by the outrage Loblaw received in 2022 for its high costs. This has led to chains like Metro and Loblaws to focus more on their discount divisions. Metro's main

---

[46] IMF. (January,2024). Profit Margin [Table]. In IBISWorld. Retrieved February 16, 2024, from https://my-ibisworld-com.proxy1.lib.trentu.ca/ca/en/business-environment-profiles/ca001/business-environment-profile

discount store is under the FoodBasics brand operating mainly in two of the three major food markets Quebec and Ontario. With a revenue of $20 billion,50% is attributed to Metro's discount division. Compared to its competitors only Loblaws rivals Metro in the discount divisions with stores like Real Canadian superstore and No Frills operating across Canada. Sobeys has fallen behind in the past three years as the company's focus on their discount store Fresco has shifted to their more expensive Longos and Farmboy. This combination of integrating both high end and discount stores is Metro's main sales strength and has proved crucial in attaining above average returns, seeing that Metro boasts the highest profit margin among its competitors with Sobeys ranking last.

SCA analysis

Valuable	Rare	Costly	Non-Substitutable	Sustainable Competitive Advantage	Performance Implications
Yes	No	No	Yes/No	Temporary	Average-Above average returns

Metro's strength is focus on both high end and discount stores is a temporary sustainable competitive advantage. It creates value by offering high end food products for consumers willing to pay extra through its Metro and Metro Plus stores. Then creates value for its consumers constrained by their budget who are seeking more affordable food products through their discount division Food Basics.

Customer Service

Customer service in grocery chains operate similarly across the industry. There is not much that one company can do over another to truly claim customer service as a strength. Especially with Metro, as well as its large competitors, where they have hundreds of locations that will have their own quality of customer service. However, a survey done by Leger places Metro seventh in customer service, squeezed closely between Loblaws and Empire's Sobeys.[47]

LEGER'S ONTARIO SUPERMARKET CUSTOMER EXPERIENCE RANKING

1. Longo's	76.0	7. Sobeys	65.3
2. Farm Boy	74.5	9. Zehrs	63.7
3. Whole Foods	71.8	10. No Frills	62.7
4. Fortinos	70.1	11. FreshCo	58.8
5. RCSS	68.1	12. Food Basics	57.9
6. Loblaws	67.6	13. Price Chopper	50.4
7. Metro	65.3	14. Rabba Fine Foods	42.9

https://canadiangrocer.com/which-ontario-grocery-retailers-offer-best-customer-experience

One possible strength Metro has in terms of customer service would be its customer loyalty program. Within the last year, Metro launched an updated loyalty program in conjunction with Royal Bank of Canada. Moi, previously known as Metro & Moi, launched in 2010. Loblaw has seen tremendous success with their PC Optimum loyalty program, and Empire has recently reconfigured their loyalty program to be attached to Scene Plus. Every program is similar with a focus on rewarding returning customers with "points" they can redeem when they shop at their

[47] Brown, David. "Which Ontario Grocery Retailers Offer the Best Customer Experience?" *Canadian Grocer*, Canadian Grocer, 15 Dec. 2021, canadiangrocer.com/which-ontario-grocery-retailers-offer-best-customer-experience.

stores. Most returns can be done through apps with the loyalty program, which is much more efficient than the standard return process of calling their phone number or using their website. Though there are many similarities between the programs, Moi was a standout amongst the competition according to another Leger survey. Metro was "recognized as one of the 10 best rewards programs in Canada and #1 in personalization".[48]

There is evidence that Metro is edging out the competition in terms of its customer service, but not by enough to consider it a sustainable competitive advantage. While great customer service is certainly valuable and non-substitutable, it is very cheap to imitate. Any changes to Metro's loyalty program can be easily copied and applied to the competition's loyalty program. Leger's customer experience rankings are interesting to look at, but in practice, these scores are averages from thousands of locations. These scores are likely to fluctuate on a store by store basis, and would not be truly indicative of the company's ability to sustainably compete against each other.

Secondary Value Chain Activities

Human Resource Management(Strength)

In 2023, Metro had a workforce of around 97,000 people, including both direct and indirect hires. With a smaller workforce compared to its competitors, Metro remains committed to prioritizing human capital management as a key driver of its success in the retail sector. Since 2020, Metro has provided over 50,000 colleagues with access to the Employee and Family

[48] Metro Inc. "Metro Inc. Officially Launches the Moi Rewards Program in Nearly 900 Food Stores and Pharmacies in Quebec." *Cision Canada*, 23 May 2023, www.newswire.ca/news-releases/metro-inc-officially-launches-the-moi-rewards-program-in-nearly-900-food-stores-and-pharmacies-in-quebec-817834048.html.

Assistance Program (EFAP). This program offers a wide range of support services, including psychological, legal, financial, nutritional, and work-life balance assistance[49]. In both 2022 and 2021, Metro's revenue per employee figures continued to be strong compared to its larger competitors[50]. Metro consistently achieves strong financial results and gains a competitive edge in the retail industry through effective utilization of its workforce. Overall, Metro's ability to achieve competitive revenue per employee demonstrates its commitment to operational excellence and ongoing industry growth. Ultimately, Metro's focus on effectively managing its workforce and its success in generating strong revenue per employee showcase its dedication to operational efficiency and expansion. With its focus on providing top-notch support services and maximizing employee potential, Metro has established itself as a retail industry leader, even with a smaller workforce than its competitors. Going forward, Metro's commitment to sustainability, both in terms of the well-being of its workforce and its financial performance, will remain a key driver of its success and competitiveness in the industry.

[49] INC, M. (2023, May 23). *METRO inc. officially launches the Moi rewards program in nearly 900 food stores and pharmacies in Quebec*. Www.newswire.ca. http://www.newswire.ca/news-releases/metro-inc-officially-launches-the-moi-rewards-program-in-nearly-900-food-stores-and-pharmacies-in-quebec-817834048.html

[50] Ohanenye, P. (2024, April 5). *Metro Revenue per employee*. Google Docs. https://docs.google.com/spreadsheets/d/1M_Lr0fy9a_oma2joUeDZwIMWSUPMPCk-tsRRGngN15Q/edit?usp=sharing

Year	Metro	Loblaws	Empire
2023	$213,655.67	$270,586.36	$232,657.24
2022	$198,830.52	$255,674.21	$232,018.46
2021	$203,144.44	$265,850	$210,957.46

[51]

SCA Analysis

Valuable	Rare	Costly	Non-Substitutabl e	Sustainable Competitive Advantage	Performance Implications
Yes	No	No	Yes/No	Temporary	Above average returns

Research and Development

Metro Inc.'s strategic emphasis on Research and Development (R&D) and New Product Development within the grocery retail sector reflects a dynamic approach towards enhancing operational efficiency, engaging customers more effectively, and solidifying its competitive position in the market. At the heart of this strategy are key initiatives focused on supply chain innovations, the expansion of private label products, and advancements in digital technology, all designed to resonate with changing consumer preferences and elevate the overall shopping experience.

---

[51] Ohanenye, P. (2024, April 5). *Metro Revenue per employee*. Google Docs. https://docs.google.com/spreadsheets/d/1M_Lr0fy9a_oma2joUeDZwIMWSUPMPCk-tsRRGngN15Q/edit?usp=sharing

A cornerstone of Metro's innovation strategy is the establishment of a new automated distribution facility in Terrebonne, Quebec. This significant investment in supply chain optimization is part of a broader, nearly $1 billion plan aimed at enhancing distribution networks across Quebec and Ontario. With more than 600,000 square feet of advanced temperature-controlled zones, the facility markedly improves Metro's ability to manage a wide array of fresh and frozen goods, ensuring their quality and availability. This endeavor underscores Metro's dedication to reducing waste, optimizing inventory management, and enhancing the efficiency of product distribution.

In parallel, Metro Inc. commits to the development of distinctive private label products, capturing emerging consumer trends such as preferences for organic, gluten-free, and ethnic foods. Through in-depth market research, the sourcing of premium ingredients, and extensive product testing, Metro has been able to introduce innovative offerings that meet specific consumer needs, thereby differentiating its brand and nurturing customer loyalty.

However, the competitive landscape in the grocery retail sector is vibrant and challenging. Competitors like Loblaw and Sobeys have also embarked on similar paths, focusing on supply chain advancements and the diversification of their product lines to include private label offerings that cater to niche markets. Loblaw, for example, has significantly invested in its digital infrastructure and online shopping capabilities, enhancing customer experience and operational efficiency. Similarly, Sobeys has leveraged technology in its supply chain to improve inventory management and reduce waste, while also expanding its range of private label products to attract a diverse customer base.

Moreover, Metro's efforts in R&D and new product development, while showcasing the company's agility and technological integration capabilities, present challenges. Balancing the costs associated with these investments against the benefits they bring, especially in a market sensitive to price fluctuations, poses a significant hurdle. Furthermore, the rapid pace of technological advancements requires continuous investment to prevent obsolescence, a challenge that Metro shares with its competitors.

In light of these observations, a comparative analysis reveals that while Metro, Loblaw, and Sobeys share common strategic goals, their approaches to achieving these goals vary. Metro's investment in a state-of-the-art distribution facility and its focus on high-quality, locally-sourced private label products offer a unique proposition. However, the need to continuously evaluate and adapt its strategies in response to competitive pressures and market dynamics remains paramount.

Corporate Leadership

Eric La Fleche, a highly experienced leader, has been a key figure within Metro since 1991, taking on the CEO position in April 2008. Having extensive experience in the retail industry, La Fleche's leadership has brought stability and strategic direction to Metro, giving the company a competitive edge over its rivals[52]. In comparison, the tenures of Empire's CEO,

[52] Metro.ca. (2024, January 30). *Eric R. La Flèche | Metro*. Www.corpo.metro.ca. https://www.corpo.metro.ca/en/governance/board-directors/biography-eric-lafleche.html

Michael Medline, who took on the position in 2017, and Loblaws CEO Per Bank, whose tenure is only 1.17 years, are considerably shorter[53]. The notable difference in CEO tenures highlights the extensive and unwavering leadership experience within Metro, establishing the company as a strong presence in the retail industry.

In 2020, La Fleche was recognized by the Financial Post as Canada's Outstanding CEO of the Year, which further solidifies his exceptional leadership abilities. This esteemed accolade acknowledged his pivotal role in leading Metro to unprecedented achievements, characterized by significant revenue expansion to over $16 billion per year and the employment of ninety thousand Canadians. In addition, Metro's financial performance over the past three years, demonstrated by consistent revenue growth, highlights the success of La Fleche's strategic leadership approach. The consistent growth trajectory of Metro showcases its ability to adapt and thrive in a changing market, establishing itself as a leader in the industry.

Eric La Fleche's extensive experience as a leader at Metro is a major asset for the company. His wealth of experience, notable leadership accolades, and consistent track record of driving long-term growth and profitability showcase the effectiveness of his leadership approach. La Fleche's leadership has brought stability, strategic vision, and a competitive edge to Metro, positioning the company for ongoing success in the retail sector.

---

[53] Simplywall. (n.d.). *Loblaw Companies Limited (L) Leadership & Management Team Analysis*. Simply Wall St. Retrieved April 5, 2024, from https://simplywall.st/stocks/ca/consumer-retailing/tsx-l/loblaw-companies-shares/management

Company	2021 Revenue	2022 Revenue	2023 Revenue
Metro	$18,283,000,000	$18,888,900,000	$20,724,600,000
Empire	$28,268,300,000	$30,162,400,000	$30,478,100,000
Loblaws	$53,170,000,000	$56,504,000,000	$59,529,000,000

[54] (Table created from cited information)

Company	2021 Share Price	2022 Share Price	2023 Share Price	Average Share Price
Metro	60.18	69.84	70.54	66.52
Empire	30.90	42.05	40.39	37.78
Loblaws	59.79	62.26	67.05	63.70

[55] (Table created from cited information)

Summary of Internal Analysis

Metro has carved out a commendable niche within the competitive Canadian grocery sector, underpinned by its effective supply chain management, strategic operational focus, and the leverage of core competencies such as its pharmacies. The company's adept handling of inventory, alongside the optimization of its distribution network through automation and targeted investments, underscores its commitment to enhancing service quality and fortifying its supply chain against market fluctuations. Despite the omnipresent challenges posed by its heavyweight competitors and the broader market dynamics, Metro's unwavering dedication to innovation,

[54] Loblaws.ca. (n.d.). *2023 Annual Report*. Retrieved April 5, 2024, from https://dis-prod.assetful.loblaw.ca/content/dam/loblaw-companies-limited/creative-assets/loblaw-ca/investor-relations-reports/annual/2023/LCL_2023_AR.pdf

[55] Metro.ca. (n.d.-a). *Annual Report 2023*. Retrieved April 5, 2024, from https://corpo.metro.ca/userfiles/file/PDF/Rapport-Annuel/2023/en/annual_report_2023_EN.pdf

exceptional customer service, and strategic marketing initiatives have catalyzed steady growth and bolstered its market presence.

Central to Metro's value chain is its proficient supply chain management, which has not only ensured effective negotiations with suppliers but also maintained a strong bargaining position within a highly concentrated industry. This, coupled with Metro's strategic focus on optimizing store operations and enhancing its distribution centers—particularly through automation and significant investments—has elevated its inventory management and product availability standards.

Another pillar of Metro's success is its emphasis on pharmacies as a core competency. The acquisition of Jean Coutu and the subsequent integration of pharmacies within its grocery stores have furnished Metro with a temporary competitive advantage, enriching its value proposition through added convenience and a diversification of services.

While Metro has indeed secured a temporary competitive advantage through these strategic endeavors, the fiercely competitive landscape, underscored by the dominance of Loblaws and Empire Company Limited, demands ongoing innovation and adaptability to sustain and augment this edge.

Given the landscape, Metro emerges as moderately attractive within the Canadian grocery market. It showcases strong financial health, strategic growth initiatives, and an allegiance to customer-centricity and innovation. Nonetheless, its relatively lesser market share, juxtaposed with the rigorous competition in the sector, poses challenges that need continuous strategic navigation to enhance its attractiveness and secure a more sustainable competitive advantage. In light of these dynamics, Metro's resilience and strategic foresight in navigating the competitive currents of the Canadian retail market signal potential for further growth and improvement in its market standing.

Corporate Strategy

Strategic alliances and acquisitions with businesses that share commonalities have fueled Metro's growth trajectory from a small cooperative to a major Canadian retail grocer. For instance, to counter increased competition from rivals like Loblaw and Sobeys in the late 1990s, Metro expanded beyond Quebec by acquiring Loeb supermarkets in Ontario. This move allowed Metro to establish a presence in new markets and mitigate competitive threats. Subsequent acquisitions, including A&P Canada's stores in 2005 and the Jean Coutu Group in 2018, expanded Metro's footprint and diversified its offerings, adding grocery and pharmacy chains to its portfolio. Retaining acquired companies' banners, such as Jean Coutu and Brunet, enabled Metro to tap into loyal customer bases and access new markets.

Furthermore, Metro employs vertical integration strategies to optimize its supply chain management. By investing in modern distribution centers for fresh and frozen foods in Terrebonne and expanding fruit and milk capacity in Laval, Metro enhances its distribution capabilities and reduces reliance on external suppliers. This integrated approach ensures quality consistency, profitability, and effective delivery of goods to retail outlets, ultimately serving customers better.

However, Metro's heavy focus on Quebec and Ontario presents risks, as it exposes the company to localized economic fluctuations and regulatory changes specific to these regions. In contrast, competitors like Loblaws and Empire Company Limited (Sobeys) have a broader geographic presence, reducing their vulnerability to regional factors. To mitigate this risk and seize growth opportunities, Metro could consider expanding nationally, particularly in neighboring regions like New Brunswick, where it recently acquired pharmacies. This expansion would diversify income streams, reduce overreliance on two provinces, and enhance market power. Embracing a transnational approach to expansion is essential for Metro to remain competitive and thrive in the evolving retail landscape. However, such ventures may face challenges, including cultural differences and resource constraints.

Business Strategy

Metro's discount grocery stores, such as Super C in Quebec and Food Basics in Ontario, are central to its cost leadership strategy. These chains are designed to attract price-sensitive consumers by offering a range of products at lower price points compared to full-service supermarkets. The emphasis is on cost efficiency, value offerings, and volume sales. On the other end of the spectrum, they operate full-service supermarkets under its Metro and Metro Plus banners. These are stores which cater to consumers looking for a premium shopping experience, offering a wide variety of products, including organic, local, and gourmet options, and higher-end services such as seafood counters, butcher shops, and ready-to-eat meals. These elements contribute to Metro's ability to offer lower prices, thereby appealing to a broader demographic seeking value for money, without compromising on profitability. The acquisition and integration of Jean Coutu pharmacies represent a significant move towards creating a one-stop shopping experience, merging the convenience of grocery shopping with pharmaceutical services. This not only adds to the convenience factor but also positions Metro as a holistic provider of health and wellness products, setting it apart from competitors who may not offer such integrated services. This dual approach of operating both discount and full-service chains allows it to effectively compete on both price and differentiation fronts. This strategy capitalizes on different market segments, optimizing revenue streams, and balancing market risks. By being a cost leader in its discount chains, Metro captures price-sensitive customers, driving volume sales. Simultaneously, its full-service chains cater to a more premium segment, allowing for higher margins through differentiated offerings. This integrated strategy showcases Metro's adaptability and strategic insight into consumer behavior and market dynamics, reinforcing its competitive position in the Canadian grocery market.

Metro's loyalty program, "Moi," currently faces a series of challenges that hinder its effectiveness as a competitive tool in the retail market. One notable weakness is the program's lack of a competitive edge. Customer satisfaction rankings reveal that "Moi" falls behind its competitors, such as Scene—which boasts partnerships with prominent businesses like Cineplex, Best Buy, and Swiss Chalet. This disparity suggests that Metro's loyalty rewards might not be as compelling or valuable to consumers, potentially due to less attractive rewards or the perceived value of current offerings. In addition to these concerns, the program struggles with engaging customers effectively. A loyalty program's success is largely measured by its ability to enhance customer engagement, encourage repeat visits, and boost overall spending. If "Moi" is unable to significantly influence these factors, it may indicate a failure to leverage customer data and insights effectively to personalize offers and improve the overall customer experience.

Another critical area where "Moi" falls short is differentiation. In the highly competitive grocery market, loyalty programs must provide unique benefits to stand out. Without innovative features such as exclusive discounts, access to special events, or partnerships with external services (e.g., fuel discounts, restaurant deals), Metro's program risks becoming less appealing compared to its rivals. These issues not only affect customer retention but also Metro's ability to attract new customers, impacting its market share. Despite its operations primarily spanning two to three provinces in Canada, a less competitive loyalty program can have significant repercussions on the perceived value of the program and, by extension, the Metro brand itself. While Metro has made investments aimed at optimizing operations and diversifying its product offerings, its pace of innovation and adoption seems to lag behind that of its competitors, which could further jeopardize customer retention in the fast-evolving grocery retail sector.

To address these weaknesses, several recommendations are proposed. Enhancing the loyalty program's value proposition through increased reward value and variety, alongside simplifying the process to earn and redeem points, could significantly boost its appeal. Forming partnerships that resonate with the customer base's lifestyles and preferences, such as collaborations with local farms, sustainable goods providers, entertainment venues like cinemas, museums, and amusement parks, as well as travel and hospitality services, including hotel chains and airlines, could further enrich the program's attractiveness. Aligning the loyalty program with Metro's overall branding strategy could enhance the perceived brand value. Investments in supply chain optimization, particularly through blockchain technology, could lead to more transparent and efficient management, reducing costs and fostering better relationships with suppliers. Leveraging data analytics for personalized promotions and recommendations, alongside enhancing the e-commerce experience, could significantly improve customer engagement and convenience, potentially leading to increased sales.

In conclusion, while the "Moi" loyalty program is a vital component of Metro's customer retention strategy, addressing its current weaknesses by fostering competitiveness, personalization, and innovation could pivot it from a liability to a substantial asset. By undertaking these initiatives, Metro can not only enhance its loyalty program but also strengthen its overall position in the highly competitive grocery retail market.

Bibliography

- Bethlenfalvy, P. (n.d.). PETER BETHLENFALVY MINISTER OF FINANCE BUILDING A STRONG ONTARIO TOGETHER 2023 Ontario Economic Outlook and Fiscal Review. https://budget.ontario.ca/2023/fallstatement/pdf/2023-fall-statement-en.pdf
- Bundale, Brett. "More Grocery Competition Needed, Federal Watchdog Finds ." *Toronto Sun*, 27 June 2023, torontosun.com/news/national/competition-bureau-to-release-study-on-grocery-sector-concentration-and-food-costs.
- Competition Bureau. "Canada Bread Sentenced to $50 Million Fine after Pleading Guilty to Fixing Wholesale Bread Prices." *Canada.Ca*, / Gouvernement du Canada, 8 Feb. 2024, www.canada.ca/en/competition-bureau/news/2023/06/canada-bread-sentenced-to-50-million-fine-after-pleading-guilty-to-fixing-wholesale-bread-prices.html.
- Evans, Pete. "Canada Bread Agrees to $50m Fine for Role in Bread Price-Fixing Scandal." *CBC News*, CBC/Radio Canada, 22 June 2023, www.cbc.ca/news/business/canada-bread-price-fixing-1.6883783.
- IBISWorld. "Supermarkets & Grocery Stores in Canada - Market Size, Industry Analysis, Trends and Forecasts (2024-2029): IBISWorld." *IBISWorld Industry Reports*, www.ibisworld.com/canada/market-research-reports/supermarkets-grocery-stores-industry/#IndustryStatisticsAndTrends. Accessed 1 Apr. 2024.
- Robertson, Susan Krashinsky. "Canada's Competition Watchdog to Study Grocery Sector as Inflation Hits Shoppers." *The Globe and Mail*, 24 Oct. 2022, www.theglobeandmail.com/business/article-canada-grocery-retailers-competition-bureau-inflation/.
- Saba, Rosa. "Metro Accuses Loblaw of Falsely Implicating It in Bread Price-Fixing ." *Financial Post*, 20 Dec. 2023,

financialpost.com/news/retail-marketing/metro-accuses-loblaw-falsely-implicating-bread-price-fixing.

- Sagan, Aleksandra. "Bakers, Grocers Involved in 16-Year Price-Fixing Conspiracy: Competition Bureau." *CTVNews*, CTV News, 1 Feb. 2018, www.ctvnews.ca/canada/bakers-grocers-involved-in-16-year-price-fixing-conspiracy-competition-bureau-1.3783528.
- Empire. (n.d.). *Executive Leadership Team - EmpireCo*. Www.empireco.ca. Retrieved April 5, 2024, from https://www.empireco.ca/executive-leadership-team
- EmpireCo. (n.d.). *2023 Annual Report*. Retrieved April 5, 2024, from https://www.empireco.ca/uploads/2023/08/2023-Empire-AR-English-SEDAR.pdf?var=0
- INC, M. (2023, May 23). *METRO inc. officially launches the Moi rewards program in nearly 900 food stores and pharmacies in Quebec*. Www.newswire.ca. http://www.newswire.ca/news-releases/metro-inc-officially-launches-the-moi-rewards-program-in-nearly-900-food-stores-and-pharmacies-in-quebec-817834048.html
- Loblaws.ca. (n.d.). *2023 Annual Report*. Retrieved April 5, 2024, from https://dis-prod.assetful.loblaw.ca/content/dam/loblaw-companies-limited/creative-assets/loblaw-ca/investor-relations-reports/annual/2023/LCL_2023_AR.pdf
- Metro.ca. (n.d.-a). *Annual Report 2023*. Retrieved April 5, 2024, from https://corpo.metro.ca/userfiles/file/PDF/Rapport-Annuel/2023/en/annual_report_2023_EN.pdf
- Metro.ca. (n.d.-b). *Colleagues | Metro*. Corpo.metro.ca; Metro. Retrieved April 5, 2024, from https://corpo.metro.ca/en/corporate-social-responsibility/colleague.html
- Metro.ca. (2024, January 30). *Eric R. La Flèche | Metro*. Www.corpo.metro.ca. https://www.corpo.metro.ca/en/governance/board-directors/biography-eric-lafleche.html

- Ohanenye, P. (2024, April 5). *Metro Revenue per employee*. Google Docs. https://docs.google.com/spreadsheets/d/1M_Lr0fy9a_oma2joUeDZwIMWSUPMPCk-tsRRGngN15Q/edit?usp=sharing
- Simplywall. (n.d.). *Loblaw Companies Limited (L) Leadership & Management Team Analysis*. Simply Wall St. Retrieved April 5, 2024, from https://simplywall.st/stocks/ca/consumer-retailing/tsx-l/loblaw-companies-shares/management
-

Appendix of Financial Statements

metro

Consolidated statements of net income

Years ended September 30, 2023 and September 24, 2022

(Millions of dollars, except for net earnings per share)

	2023 (53 weeks)	2022 (52 weeks)
Sales *(note 21)*	**20,724.6**	18,888.9
Cost of sales	**(16,642.4)**	(15,105.6)
Gross Profit	**4,082.2**	3,783.3
Operating expenses	**(2,116.8)**	(1,964.0)
Gain on disposal of assets *(notes 8, 9 and 10)*	**4.2**	25.3
Operating income before depreciation, amortization and impairments of assets, net of reversals	**1,969.6**	1,844.6
Depreciation and amortization *(notes 8, 9 and 10)*	**(525.2)**	(503.3)
Impairments of assets, net of reversals *(notes 8, 9 and 10)*	**—**	(70.1)
Net financial costs *(note 4)*	**(122.6)**	(117.6)
Earnings before income taxes	**1,321.8**	1,153.6
Income taxes *(note 5)*	**(303.0)**	(304.1)
Net earnings	**1,018.8**	849.5
Attributable to:		
Equity holders of the parent	**1,014.8**	846.1
Non-controlling interests	**4.0**	3.4
	1,018.8	849.5
Net earnings per share *(Dollars) (notes 6 and 16)*		
Basic	**4.36**	3.53
Fully diluted	**4.35**	3.51

See accompanying notes

metro

Consolidated statements of income

Years ended September 24, 2022 and September 25, 2021
(Millions of dollars, except for net earnings per share)

	2022	2021
Sales *(note 23)*	**18,888.9**	18,283.0
Cost of sales	**(15,105.6)**	(14,628.2)
Gross Profit	**3,783.3**	3,654.8
Operating expenses	**(1,964.0)**	(1,929.7)
Gain on disposal of assets *(notes 8 to 11)*	**25.3**	7.4
Operating income before depreciation, amortization and impairments of assets, net of reversals	**1,844.6**	1,732.5
Depreciation and amortization *(notes 8 to 11)*	**(503.3)**	(478.3)
Impairments of assets, net of reversals *(notes 8, 10 and 11)*	**(70.1)**	—
Net financial costs *(note 4)*	**(117.6)**	(133.5)
Earnings before income taxes	**1,153.6**	1,120.7
Income taxes *(note 5)*	**(304.1)**	(295.0)
Net earnings	**849.5**	825.7
Attributable to:		
Equity holders of the parent	**846.1**	823.0
Non-controlling interests	**3.4**	2.7
	849.5	825.7
Net earnings per share *(Dollars) (notes 6 and 18)*		
Basic	**3.53**	3.34
Fully diluted	**3.51**	3.33

See accompanying notes

metro

Consolidated statements of financial position

Years ended September 30, 2023 and September 24, 2022

(Millions of dollars)

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	**29.5**	13.4
Accounts receivable *(notes 12 and 21)*	**728.3**	680.3
Accounts receivable on subleases *(note 9)*	**96.1**	94.8
Inventories *(note 7)*	**1,451.0**	1,331.1
Prepaid expenses	**65.9**	54.1
Current taxes	**32.8**	9.6
	2,403.6	2,183.3
Non-current assets		
Fixed assets *(note 8)*	**3,768.3**	3,457.7
Right-of-use assets *(note 9)*	**942.8**	995.1
Intangible assets *(note 10)*	**2,733.0**	2,739.0
Goodwill *(note 11)*	**3,307.4**	3,301.2
Deferred taxes *(note 5)*	**37.9**	44.8
Defined benefit assets *(note 18)*	**160.5**	127.9
Accounts receivable on subleases *(note 9)*	**426.5**	478.3
Other assets *(notes 12 and 24)*	**85.3**	74.0
	13,865.3	13,401.3
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable *(notes 13 and 24)*	**1,619.4**	1,575.8
Deferred revenues	**36.8**	38.5
Current taxes	**6.9**	43.6
Current portion of debt *(notes 14 and 24)*	**19.3**	18.3
Current portion of lease liabilities *(note 9)*	**278.4**	276.3
	1,960.8	1,952.5
Non-current liabilities		
Debt *(note 14)*	**2,646.3**	2,324.5
Lease liabilities *(note 9)*	**1,380.3**	1,502.7
Defined benefit liabilities *(note 18)*	**29.4**	30.0
Deferred taxes *(note 5)*	**1,001.6**	942.2
Other liabilities *(notes 15 and 24)*	**30.6**	31.0
	7,049.0	6,782.9
Equity		
Attributable to equity holders of the parent	**6,801.2**	6,604.5
Attributable to non-controlling interests	**15.1**	13.9
	6,816.3	6,618.4
	13,865.3	13,401.3

Commitments and contingencies *(notes 8, 9, 19 and 20)*

metro

Consolidated statements of financial position

Years ended September 24, 2022 and September 25, 2021

(Millions of dollars)

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	**13.4**	445.8
Accounts receivable *(notes 13 and 23)*	**680.3**	679.2
Accounts receivable on subleases *(note 10)*	**94.8**	92.8
Inventories *(note 7)*	**1,331.1**	1,169.0
Prepaid expenses	**54.1**	46.6
Current taxes	**9.6**	33.4
	2,183.3	2,466.8
Non-current assets		
Fixed assets *(note 8)*	**3,457.7**	3,129.8
Investment properties *(note 9)*	**14.5**	33.4
Right-of-use assets *(note 10)*	**995.1**	1,064.7
Intangible assets *(note 11)*	**2,739.0**	2,854.7
Goodwill *(note 12)*	**3,301.2**	3,301.2
Deferred taxes *(note 5)*	**44.8**	57.1
Defined benefit assets *(note 20)*	**127.9**	84.8
Accounts receivable on subleases *(note 10)*	**478.3**	549.6
Other assets *(note 13)*	**59.5**	50.0
	13,401.3	13,592.1
LIABILITIES AND EQUITY		
Current liabilities		
Bank loans *(note 14)*	**0.1**	0.1
Accounts payable *(note 15)*	**1,575.3**	1,546.5
Deferred revenues	**38.5**	35.9
Current taxes	**43.6**	25.9
Provisions *(note 16)*	**0.5**	1.6
Current portion of debt *(note 17)*	**18.2**	318.5
Current portion of lease liabilities *(note 10)*	**276.3**	269.7
	1,952.5	2,198.2
Non-current liabilities		
Debt *(note 17)*	**2,324.5**	2,318.2
Lease liabilities *(note 10)*	**1,502.7**	1,657.5
Defined benefit liabilities *(note 20)*	**30.0**	61.5
Provisions *(note 16)*	**12.8**	13.5
Deferred taxes *(note 5)*	**942.2**	927.7
Other liabilities	**18.2**	2.7
	6,782.9	7,179.3
Equity		
Attributable to equity holders of the parent	**6,604.5**	6,399.9
Attributable to non-controlling interests	**13.9**	12.9
	6,618.4	6,412.8
	13,401.3	13,592.1

Commitments and contingencies *(notes 21 and 22)*

Consolidated Statements of Earnings

For the years ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars except where otherwise indicated)		2023		2022
Revenue	$	**59,529**	$	56,504
Cost of sales		**40,492**		38,528
Selling, general and administrative expenses		**15,333**		14,634
Operating income	$	**3,704**	$	3,342
Net interest expense and other financing charges (note 6)		**803**		683
Earnings before income taxes	$	**2,901**	$	2,659
Income taxes (note 7)		**714**		665
Net earnings	$	**2,187**	$	1,994
Attributable to:				
Shareholders of the Company (note 8)	$	**2,100**	$	1,921
Non-controlling interests		**87**		73
Net earnings	$	**2,187**	$	1,994
Net earnings per common share ($) (note 8)				
Basic	$	**6.59**	$	5.82
Diluted	$	**6.52**	$	5.75
Weighted average common shares outstanding (millions) (note 8)				
Basic		**316.7**		328.1
Diluted		**320.0**		331.7

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Earnings

For the years ended December 31, 2022 and January 1, 2022 (millions of Canadian dollars except where otherwise indicated)		2022		2021
Revenue	$	**56,504**	$	53,170
Cost of sales		**38,528**		36,436
Selling, general and administrative expenses		**14,634**		13,797
Operating income	$	**3,342**	$	2,937
Net interest expense and other financing charges (note 6)		**683**		495
Earnings before income taxes	$	**2,659**	$	2,442
Income taxes (note 7)		**665**		466
Net earnings	$	**1,994**	$	1,976
Attributable to:				
Shareholders of the Company (note 8)	$	**1,921**	$	1,875
Non-controlling interests		**73**		101
Net earnings	$	**1,994**	$	1,976
Net earnings per common share ($) (note 8)				
Basic	$	**5.82**	$	5.49
Diluted	$	**5.75**	$	5.45
Weighted average common shares outstanding (millions) (note 8)				
Basic		**328.1**		339.1
Diluted		**331.7**		341.8

Consolidated Balance Sheets

(millions of Canadian dollars)		As at December 30, 2023		As at December 31, 2022
Assets				
Current assets				
Cash and cash equivalents (note 9)	**$**	**1,488**	$	1,608
Short term investments (note 9)		**464**		326
Accounts receivable (note 10)		**1,298**		1,199
Credit card receivables (note 11)		**4,132**		3,954
Inventories (note 12)		**5,820**		5,855
Prepaid expenses and other assets		**324**		353
Assets held for sale (note 13)		**52**		81
Total current assets	**$**	**13,578**	$	13,376
Fixed assets (note 14)		**6,346**		5,696
Right-of-use assets (note 27)		**7,662**		7,409
Investment properties (note 15)		**53**		60
Intangible assets (note 16)		**5,994**		6,505
Goodwill (note 17)		**4,349**		4,323
Deferred income tax assets (note 7)		**125**		86
Other assets (note 18)		**872**		692
Total assets	**$**	**38,979**	$	38,147
Liabilities				
Current liabilities				
Bank indebtedness (note 31)	**$**	**13**	$	8
Trade payables and other liabilities		**6,324**		6,218
Loyalty liability		**123**		180
Provisions (note 19)		**115**		110
Income taxes payable		**240**		195
Demand deposits from customers		**166**		125
Short term debt (note 11)		**850**		700
Long term debt due within one year (note 20)		**1,191**		727
Lease liabilities due within one year (note 27)		**1,455**		1,401
Associate interest		**370**		434
Total current liabilities	**$**	**10,847**	$	10,098
Provisions (note 19)		**123**		109
Long term debt (note 20)		**6,661**		7,056
Lease liabilities (note 27)		**8,003**		7,714
Deferred income tax liabilities (note 7)		**1,132**		1,279
Other liabilities (notes 21)		**594**		435
Total liabilities	**$**	**27,360**	$	26,691
Equity				
Share capital (note 22)	**$**	**6,477**	$	6,686
Retained earnings		**4,816**		4,461
Contributed surplus (note 25)		**136**		122
Accumulated other comprehensive income		**35**		30
Total equity attributable to shareholders of the Company	**$**	**11,464**	$	11,299
Non-controlling interests		**155**		157
Total equity	**$**	**11,619**	$	11,456
Total liabilities and equity	**$**	**38,979**	$	38,147

Consolidated Balance Sheets

(millions of Canadian dollars)		As at December 31, 2022		As at January 1, 2022
Assets				
Current assets				
Cash and cash equivalents (note 9)	$	1,608	$	1,976
Short term investments (note 9)		326		464
Accounts receivable (note 10)		1,199		947
Credit card receivables (note 11)		3,954		3,443
Inventories (note 12)		5,855		5,166
Income tax recoverable (note 7)		—		301
Prepaid expenses and other assets		353		249
Assets held for sale (note 13)		81		91
Total current assets	$	13,376	$	12,637
Fixed assets (note 14)		5,696		5,447
Right-of-use assets (note 27)		7,409		7,175
Investment properties (note 15)		60		111
Intangible assets (note 16)		6,505		6,402
Goodwill (note 17)		4,323		3,949
Deferred income tax assets (note 7)		86		91
Other assets (note 18)		692		802
Total assets	$	38,147	$	36,614
Liabilities				
Current liabilities				
Bank indebtedness (note 31)	$	8	$	52
Trade payables and other liabilities		6,218		5,433
Loyalty liability		180		190
Provisions (note 19)		110		111
Income taxes payable		195		153
Demand deposits from customers		125		75
Short term debt (note 11)		700		450
Long term debt due within one year (note 20)		727		1,002
Lease liabilities due within one year (note 27)		1,401		1,297
Associate interest		434		433
Total current liabilities	$	10,098	$	9,196
Provisions (note 19)		109		114
Long term debt (note 20)		7,056		6,211
Lease liabilities (note 27)		7,714		7,542
Deferred income tax liabilities (note 7)		1,279		1,346
Other liabilities (note 21)		435		468
Total liabilities	$	26,691	$	24,877
Equity				
Share capital (note 22)	$	6,686	$	6,852
Retained earnings		4,461		4,591
Contributed surplus (note 25)		122		116
Accumulated other comprehensive income		30		14
Total equity attributable to shareholders of the Company	$	11,299	$	11,573
Non-controlling interests		157		164
Total equity	$	11,456	$	11,737
Total liabilities and equity	$	38,147	$	36,614

Empire Company Limited
Consolidated Statements of Earnings
52 and 53 Weeks Ended
(in millions of Canadian dollars, except share and per share amounts)

	May 6 2023	May 7 2022
Sales	$ 30,478.1	$ 30,162.4
Other income (Note 19)	60.8	86.8
Share of earnings from investments, at equity (Note 7)	87.7	93.1
Operating expenses		
Cost of sales	22,685.4	22,502.7
Selling and administrative expenses	6,708.8	6,475.9
Operating income	1,232.4	1,363.7
Finance costs, net (Note 21)	267.0	282.1
Earnings before income taxes	965.4	1,081.6
Income tax expense (Note 13)	237.7	270.3
Net earnings	$ 727.7	$ 811.3
Earnings for the year attributable to:		
Non-controlling interest	$ 41.7	$ 65.5
Owners of the Company	686.0	745.8
	$ 727.7	$ 811.3
Earnings per share (Note 22)		
Basic	$ 2.65	$ 2.81
Diluted	$ 2.64	$ 2.80
Weighted average number of common shares outstanding, in millions (Note 22)		
Basic	258.8	265.2
Diluted	259.4	266.2

Consolidated Statements of Earnings

53 and 52 Weeks Ended (in millions of Canadian dollars, except share and per share amounts)	May 7, 2022	May 1, 2021
Sales	$ 30,162.4	$ 28,268.3
Other income (Note 20)	86.8	53.0
Share of earnings from investments, at equity (Note 7)	93.1	51.4
Operating expenses		
Cost of sales	22,502.7	21,069.0
Selling and administrative expenses	6,475.9	6,004.2
Operating income	1,363.7	1,299.5
Finance costs, net (Note 22)	282.1	269.4
Earnings before income taxes	1,081.6	1,030.1
Income tax expense (Note 14)	270.3	265.9
Net earnings	$ 811.3	$ 764.2
Earnings for the year attributable to:		
Non-controlling interest	$ 65.5	$ 62.7
Owners of the Company	745.8	701.5
	$ 811.3	$ 764.2
Earnings per share (Note 23)		
Basic	$ 2.81	$ 2.61
Diluted	$ 2.80	$ 2.60
Weighted average number of common shares outstanding, in millions (Note 23)		
Basic	265.2	268.3
Diluted	266.2	269.3

See accompanying notes to the consolidated financial statements.

Empire Company Limited
Consolidated Balance Sheets
As At
(in millions of Canadian dollars)

(in millions of Canadian dollars)	May 6 2023	May 7 2022
ASSETS		
Current		
Cash and cash equivalents	$ 221.3	$ 812.3
Receivables	683.4	558.8
Inventories (Note 4)	1,743.3	1,591.5
Prepaid expenses	131.0	127.6
Leases and other receivables (Note 5)	85.2	73.8
Income taxes receivable	90.8	48.7
	2,955.0	3,212.7
Leases and other receivables (Note 5)	587.0	549.1
Investments, at equity (Note 7)	701.9	681.5
Other assets	26.3	21.7
Property and equipment (Note 8)	3,338.1	3,159.2
Right-of-use assets (Note 9)	4,860.9	4,999.7
Investment property (Note 10)	166.8	146.8
Intangibles (Note 11)	1,375.6	1,338.5
Goodwill (Note 12)	2,067.8	2,059.0
Deferred tax assets (Note 13)	404.3	425.4
	$ 16,483.7	$ 16,593.6
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 3,028.6	$ 2,988.9
Income taxes payable	61.3	127.6
Provisions (Note 14)	29.9	32.7
Long-term debt due within one year (Note 15)	101.0	581.0
Lease liabilities due within one year (Note 9)	563.7	509.5
Other liabilities due within one year (Note 16)	73.0	-
	3,857.5	4,239.7
Provisions (Note 14)	42.7	44.2
Long-term debt (Note 15)	911.3	595.7
Long-term lease liabilities (Note 9)	5,620.9	5,775.9
Other long-term liabilities (Note 16)	279.2	366.0
Employee future benefits (Note 17)	166.6	178.2
Deferred tax liabilities (Note 13)	268.8	260.0
	11,147.0	11,459.7
SHAREHOLDERS' EQUITY		
Capital stock (Note 18)	1,914.7	2,026.1
Contributed surplus	50.1	37.2
Retained earnings	3,216.0	2,914.2
Accumulated other comprehensive income	19.6	14.0
	5,200.4	4,991.5
Non-controlling interest (Note 23)	136.3	142.4
	5,336.7	5,133.9
	$ 16,483.7	$ 16,593.6

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheets

As At (in millions of Canadian dollars)	May 7, 2022	May 1, 2021
ASSETS		
Current		
Cash and cash equivalents	$ **812.3**	$ 890.5
Receivables	**558.8**	547.0
Inventories (Note 4)	**1,591.5**	1,500.1
Prepaid expenses	**127.6**	101.0
Leases and other receivables (Note 5)	**73.8**	91.0
Income taxes receivable	**48.7**	60.5
Assets held for sale (Note 6)	**-**	3.4
	3,212.7	3,193.5
Leases and other receivables (Note 5)	**549.1**	544.2
Investments, at equity (Note 7)	**681.5**	570.1
Other assets (Note 8)	**21.7**	22.3
Property and equipment (Note 9)	**3,159.2**	2,977.6
Right-of-use assets (Note 10)	**4,999.7**	4,678.9
Investment property (Note 11)	**146.8**	158.6
Intangibles (Note 12)	**1,338.5**	976.0
Goodwill (Note 13)	**2,059.0**	1,577.8
Deferred tax assets (Note 14)	**425.4**	474.9
	$ **16,593.6**	$ 15,173.9
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ **2,988.9**	$ 2,874.1
Income taxes payable	**127.6**	22.1
Provisions (Note 15)	**32.7**	55.0
Long-term debt due within one year (Note 16)	**581.0**	46.5
Lease liabilities due within one year (Note 10)	**509.5**	490.5
	4,239.7	3,488.2
Provisions (Note 15)	**44.2**	46.5
Long-term debt (Note 16)	**595.7**	1,178.8
Long-term lease liabilities (Note 10)	**5,775.9**	5,417.6
Other long-term liabilities (Note 17)	**366.0**	100.1
Employee future benefits (Note 18)	**178.2**	254.0
Deferred tax liabilities (Note 14)	**260.0**	190.7
	11,459.7	10,675.9
SHAREHOLDERS' EQUITY		
Capital stock (Note 19)	**2,026.1**	1,969.8
Contributed surplus	**37.2**	25.2
Retained earnings	**2,914.2**	2,363.1
Accumulated other comprehensive income	**14.0**	14.6
	4,991.5	4,372.7
Non-controlling interest (Note 24)	**142.4**	125.3
	5,133.9	4,498.0
	$ **16,593.6**	$ 15,173.9

See accompanying notes to the consolidated financial statements.

On Behalf of the Board