Modernizing Retail – A look at how Loblaw retail has evolved in recent decades, most notably through the acquisition of Shoppers Drug Mart and through the Company’s consistent drive to embrace innovation, digitization and changing customer expectations.

During the 2000s, Loblaw firmly set its sights on the future. However, challenges remained - intensifying competition, fluctuating external market factors and evolving consumer expectations. The Company recognized that customers were expecting more from retailers than ever before, and the Company’s leadership committed to evolving well ahead of these shifts.

This renewal began with the Company’s most foundational functions – Information Technology and Supply Chain. In February of 2007, the Company announced an Information Technology overhaul with a very significant investment in enterprise resource planning and other technical capabilities. Five and a half years later, and with an abundance of caution, the conversion to a new enterprise resource planning system was largely complete. By that time, all Loblaw stores had successfully transitioned to the new system with no major service issues or disruptions – a remarkable achievement, given the size of the organization and the fact that Loblaw’s implementation was one of the largest in history.

With the benefit of strategic investments in the Company’s Information Technology and Supply Chain capabilities, Loblaw set out to gain a much richer and deeper understanding of its customers than ever before, all with a view to unlocking meaningful value for those customers and giving them the best possible shopping experience. The first major demonstration of this value was the launch of the PC Plus loyalty program in May of 2013. When announcing the launch of the program, Galen G. Weston remarked: “This program is so sophisticated, it will allow us to give customers offers on the products they love most. It is so smart, it will learn how individual customers shop and adapt to their needs over time. Everything is included, from fresh fruits and vegetables to all your favourite brands.”

In 2013, as Loblaw reviewed its strategy and opportunities to create value for shareholders, it made the decision to move a significant portion of its owned real estate into a new entity, leading to the creation of Choice Properties REIT, which completed an initial public offering in July 2013. For further details regarding the evolution of Choice Properties REIT, including the ultimate spin-out of the REIT from Loblaw to George Weston Limited, see the subsequent section entitled “Choice Properties REIT – A Third Strategic Operating Segment”.

While the launch of PC Plus in 2013 was game-changing, the Company wasn’t finished innovating by a long-shot. Two short months after introducing PC Plus, and only ten days after the completion of the Choice Properties REIT initial public offering, the Company announced its most significant investment ever – a $12.4 billion agreement to acquire Shoppers Drug Mart (SDM), another iconic Canadian retailer. The deal was completed in March of 2014 and fundamentally changed the Canadian retail landscape. Together, Loblaw and SDM would become one of the country’s most innovative retailers, putting both companies’ trusted brands and services within closer reach of even more Canadians, and delivering more choice, service, value and convenience than ever before.

Today, Shoppers Drug Mart and Loblaw reach millions of Canadians, deliver over $46 billion in revenue annually, and generate over one billion customer transactions per year at one of approximately 2,500 stores or pharmacies.

Amid efforts to combine Loblaw and SDM, the Company recognized the need to evolve and become more customer-focused, setting out to make big strides in e-commerce and digital retail. The Company established Loblaw Digital to curate an engaging and innovative digital experience for customers. What started with the launch of JoeFresh.ca in late 2013 rapidly grew into a billion-dollar business, with digital platforms supporting apparel, beauty, grocery and loyalty.

In August of 2016, Loblaw’s digital presence moved into health and wellness with the acquisition of QHR, one of Canada’s leading electronic medical record (EMR) platforms. While surprising to many, the move into EMR technology showcased the Company’s drive to modernize and deliver solutions for Canadians in new ways. “Helping improve care for Canadians is a natural fit with our company purpose – Live Life Well,”
said Galen G. Weston at the time, noting that QHR would complement the Company’s existing health and wellness network of over 5,000 pharmacists, opticians, dietitians, and nurses, who offer services like prescriptions, medication checks, flu shots, minor-ailment diagnoses, and nutrition counselling.

Shortly thereafter, in December of 2016, Loblaw announced plans to tackle the environmental impact of its operations with an ambitious carbon reduction strategy. “We intend on reducing our carbon footprint 20% by 2020, and 30% by 2030, relative to a 2011 baseline,” said the Company in a press release. “We will deliver carbon-reduction in line with our nation’s targets and demonstrate, along with other forward-looking Canadian companies, that these goals can be achieved without sacrificing economic growth.” This announcement subsequently led to significant investment in energy reduction, fuel efficiency and waste diversion, and included plans to reduce energy emissions associated with electricity consumption by 35%, transportation by 25%, refrigerants by 50%, and to improve waste diversion by 80% in stores and 95% in distribution centres. These efforts resulted in the early achievement of the Company’s “20% by 2020” carbon reduction goal.

In January of 2017, the Company appointed Sarah Davis as President, with Galen G. Weston as the Chairman and CEO of both Loblaw and GWL. Loblaw’s strategy evolved, centering on innovation and modernization, with a specific focus on digital retail, connected healthcare, and payments & rewards.

Within a year, the Company made a number of significant inroads in delivering against this new strategy. In November of 2017 came the launch of PC Insiders, a paid subscription service that provides consumers with unique perks and benefits on select food and apparel products and services. Days later came the announcement that the industry-leading PC Plus and Shoppers Optimum loyalty programs would come together as the PC Optimum program, providing consumers with the convenience and power of a single loyalty app or card to earn and redeem points across the nation’s largest retail network, including nearly 2,500 food, drug and beauty stores and related e-commerce sites.

These two programs highlighted just how serious Loblaw is about changing the retail landscape in Canada through data-driven insights. PC Insiders and PC Optimum enable the Company to deliver personalized consumer experiences, leverage the strength of its in-store and digital networks, and utilize its valued control brand portfolio to increase convenience and rewards for millions of Canadians.

Since late 2017, Loblaw has introduced an amazing number of products and services to deliver consumer value – the launch of grocery pick-up and delivery services, most notably PC Express, the Company’s online ordering and store pick-up service which now includes pick-up locations at transit stations and in urban condo developments; a loyalty partnership with Esso to offer PC Optimum points to consumers; a partnership with Flashfood to help reduce food waste in stores and the launch of an online marketplace offering curated products in expanded categories such as Baby, Toy, Home, Kitchen and Pet.

Over the past decade, Loblaw has leveraged its strong foundation, adaptability and willingness to innovate to deliver meaningful value to Canadian consumers. Looking ahead, it has no plans to slow down, and with a dedicated focus on process, efficiency and data-driven insights the opportunities abound.