

## *Case Prospectus*

# **LOBLAW COMPANIES LTD.**

<http://www.loblaw.com/>

**Background:** Loblaw Companies Ltd., (Loblaw) is Canada's leading retail grocery chain with 1997 sales of \$11.01 billion Cdn. Exhibiting double-digit revenue growth despite being in a competitive, flat-revenue industry, Loblaw may be able to further enhance its future profits by launching programs aimed at reducing distribution costs and differentiating stores to accommodate diverse local-customer preferences in specific geographic and socio-economic markets. On balance, Loblaw's strategy seems sustainable, but it does face nontrivial threats from Internet grocers already meeting certain customers' needs and mass merchandisers penetrating the retail grocery market. Wal-Mart, who in 1995 was the third largest grocery operator in the less concentrated U.S.-retail grocery industry, poses a significant threat.

**Case learning objectives:** Students completing this case will:

- Become familiar with fundamental strategic analyses for an entity in a mature retail industry.
- Perform a fundamental business process analysis by assessing Loblaw's supply chain product management process.
- Understand how financial-statement auditors can develop evidence-acquisition procedures by drawing on knowledge acquired through strategic and business process analyses.

**Level of use:** This case can be used in undergraduate and graduate auditing courses. Part I of the case—the strategic analysis section—can be used in undergraduate or graduate (MBA) strategy courses. To this end, the strategic-analysis section of the teaching note presents Porter's five forces and a "Resource-Based-View" of the company.

**Time to complete:** For best results, students will need at least three hours to prepare, assuming they possess basic knowledge of strategic management and have been introduced to the strategic-systems auditing (SSA) approach (see note). Learning opportunities can occur even when students have not been exposed to this approach provided the elementary strategic framework implicit in the case discussion questions is followed for Part I—Strategic Analysis. Class discussion is best conducted over two 50-80 minute classes.

Note: As background, students should be encouraged (required) to read, *Auditing Organizations Through a Strategic-Systems Lens* by Bell, et. al.