



## Will Amazon Crush Canadian Retailers?

### Description

This year, **Walmart** is celebrating the 20th anniversary of its entry into Canada. When Walmart bought 122 Woolco stores in Canada in 1994, numerous pundits predicted the death of many Canadian retailers.

So it seems fitting that **Amazon** ([Nasdaq: AMZN](#)) is now announcing more service offerings in Canada. On Tuesday the company launched two new categories – wireless accessories and musical instruments – the latest of 16 new categories launched in the past 12 months. And it's not done.

The headlines are again creating a lot of chatter about the effect on various Canadian retailers. But how worried should these Canadian retailers be?

### Canadian Tire: We've been here before

When Walmart entered Canada, many people predicted the impending demise of **Canadian Tire** ([TSX: CTC.A](#)). We now know those predictions were a bit premature, but that hasn't stopped many analysts from talking up Amazon's effect on Tire.

The key to Canadian Tire's continued success is its footprint; the company's 91-year history has given it the best locations in practically every metropolitan area in Canada. Over 90% of Canadians live within a 15-minute drive of a store. As a result, the average shopper buys only three items per trip, evidence that the stores are effectively oversized convenience stores.

It is this advantage that helped Canadian Tire survive when Walmart entered Canada. And as Amazon grows, Tire will continue to use its convenience as an advantage. Even as Amazon expands next-day delivery, you can get your item faster with a trip to your local Canadian Tire.

### Loblaw: Can groceries be sold online?

Amazon has also expanded into offering groceries, which could be seen as a threat to Canada's largest grocer, **Loblaw Co** ([TSX:L](#)). But is online grocery retailing a credible threat? Many have tried, and they have all proven that grocery retailing is notoriously difficult.

Loblaw has another reason to feel relatively secure. As Canada's largest grocer, the company has tremendous purchasing power with suppliers. This is usually the role played by Amazon and Walmart, a key advantage over most rivals. But when facing Loblaw in Canada, there is no such advantage.

### **The Americans: The ones who should be worried most**

When Walmart entered Canada, it forced Canadian retailers to up their game. The ones who are still around are the ones that did so successfully. And ironically, that may make them better prepared to take on Amazon too.

It's a different story for the American retailers that expanded north. Whether it's Walmart itself, or other companies like **Target**, Amazon represents a serious challenge in Canada. Furthermore, Walmart and Target don't have the same footprint as companies like Canadian Tire and Loblaw, so the convenience of Amazon's online experience will be very formidable.

### **Foolish bottom line**

Canadian retail is a lot less competitive than it is in the United States, which is great news for investors. Amazon will continue to make a lot of headlines, but it will take a long time before Canadian retailers are severely impacted.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NASDAQ:AMZN (Amazon.com Inc.)
2. TSX:CTC.A (Canadian Tire Corporation, Limited)
3. TSX:L (Loblaw Companies Limited)

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