



Do Canada's Top 3 Brands Deserve a Spot in Your Portfolio?

Description

In the May 2014 issue of *Canadian Business*, the magazine revealed its top 25 Canadian brands for 2014. The group included a lot of retailers, which makes sense given their need for mass market appeal. The banks also did surprisingly well, with five out of Canada's big six making the list.

But what brands made the top 3? And does that make them good investments?

1. Tim Hortons

It should surprise no one that **Tim Hortons** (TSX: THI)(NYSE: THI) claimed the top spot, especially since the company also topped last year's list. But now more than ever, Tim Hortons is relying on its brand strength as it faces increased competition from American rivals with deep pockets.

Meanwhile, the company is doing its best to grow earnings in the United States. Unfortunately, Tim Hortons does not have that same brand strength south of the border, making its expansion especially challenging.

But because of its powerful brand back home, Tim Hortons remains a solid investment option. It isn't going to hit any home runs, but does generate stable earnings from loyal customers. And as long as the company keeps appearing at the top of *CB's* list, shareholders can sleep easily.

2. Jean Coutu Group

Claiming the silver medal is Quebec-based pharmacy chain **Jean Coutu Group** (TSX: PJC.A). This is a nice jump; Jean Coutu leaped three spots from its fifth place position last year.

The company's ranking is no doubt helped by its pharmacy services, which help the chain develop a more interpersonal relationship with its customers. It should be noted that **Shoppers Drug Mart**, which runs fairly similar stores, ranks fourth on the same list.

Jean Coutu shares have been on a nice run, having returned over 30% per year over the past three years. But the company is constantly rumoured to be a takeover target, and such an event could push

the shares even higher.

3. Westjet

Westjet (TSX: WJA) has always had a friendlier reputation than rival **Air Canada** (TSX: AC.B) but, thanks to its “Christmas Miracle” advertisement, has likely extended its lead.

The ad started with various Westjet passengers saying what they wanted for Christmas. Then after arriving at their destination, they were surprised to find their Christmas wishes – everything from underwear & socks to a flat-screen TV – wrapped for them by Westjet. The video has already been viewed 35 million times online and cost the company less than a traditional advertisement.

Does this make Westjet a good investment? Probably not on its own. The company’s fortunes will likely depend more on fuel prices and exchange rates than anything else, both of which have been moving in the wrong direction lately. But Westjet’s ability to connect with its passengers gives it a leg up over Air Canada, which didn’t even appear on the list.

Foolish bottom line

Investors should remember that a strong brand only has so much value. But these three companies have all done an excellent job reaching out to their customers, and have been rewarding handsomely for doing so. As long as they continue to do this successfully, they should be able to generate the steady income that their investors covet.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:TLRY (Aphria)

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