3 Canadian Companies That May Not Survive to 2020

Description

In the 1970s, Woolworth's was the world's largest department store, peaking at more than 10,000 stores worldwide. The company owned many brands including Foot Locker, the Kinney Shoe Company, and the discount chain Woolco, which was particularly popular in Canada. The company also had huge footprints in such markets as the U.K., South Africa, Mexico, and Ireland.

Woolworth's revolutionized many concepts that are commonplace in today's retail environment, including discounting, putting a restaurant in stores, and actually allowing customers to touch and feel merchandise before they bought it. These were big innovations at the turn of the 20th century, when the company got its start.

The company's dominance continued for years, before pressure from discount retailers such as **Walmart**, **Target**, and **K-Mart** proved too much. By 1997, all that was left was Foot Locker. Everything else had either closed or been acquired by rivals. In fact, Walmart's first expansion into Canada was when the company bought the Woolco chain from its struggling parent in 1994.

In 20 years, Woolworth's went from the world's largest retailer to having just its Foot Locker division survive. These three Canadian companies are also destined to look very different in just a few years.

Sears Canada

After being "encouraged" to sell all its valuable assets by the company's American parent, **Sears Canada** (TSX: SCC) officially went on the auction block this week, putting itself up for sale.

This move comes after years of **Sears Holdings'** moves to strip its Canadian subsidiary of anything useful. Sears Canada sold its highly profitable credit card division in 2005 and the majority of its real estate holdings in 2012, giving shareholders huge special dividends for their stake in these businesses. Since the parent company owns 51% of the Canadian subsidiary's shares, the majority of those special dividends ended up in the pockets of Sears Holdings.

Considering the company's struggles in a tough Canadian retail market, who would be interested in acquiring a company that's clearly on the way down? Revenue has fallen more than 20% over the past four years, and operational profits have been negative for the last three.

One look at **Target's** so far disastrous foray into Canada is all a potential acquirer needs to dissuade itself from a bid for Sears Canada. All the valuable pieces have already been sold off. Nobody wants to bid on the rest.

Indigo Books and Music

Unfortunately for **Indigo Books and Music** (TSX: IDG), it's days are numbered as well. It's just too easy to buy books online.

As much fun as it is to go into a bookstore and browse, it's obvious the company is fighting against time. Customers come into the store, find a couple of books that look interesting, and then go home and order the books online for a significant discount. The company's stores are almost a showcase for its competitors.

For Indigo to survive, it needs to get rid of all the costs of being a traditional book seller and instead push sales of its Kobo e-reader. Electronic books are the future in the industry, with more and more people moving to the convenience of an e-reader. If the company doesn't dump the retail stores soon, they'll end up dragging down the whole company.

Manitoba Telecom

Unlike the other two companies in this article, **Manitoba Telecom** (TSX: MBT) isn't likely to fail anytime soon. The company holds a virtual monopoly on Manitoba's phone and internet service, and has significant wireless exposure via its Allstream division.

The company has been trying to sell Allstream for years now, with little success. It had a deal with an Egyptian based company to sell Allstream, but that deal with nixed by Ottawa, citing "security concerns." It seems the Canadian government won't rest until a foreign telco buys up Allstream, finally ushering in a fourth wireless competitor.

Once Allstream is sold, Manitoba Telecom is ripe pickings for either **BCE, Telus,** or **Rogers Communications.** It's the smallest operator in the sector, and enjoys a dominant position in one part of the country. It's the perfect acquisition target, especially for mature telecom companies that spin off a lot of cash.

In business, only one thing is constant — change. Each of these three companies is dealing with change in a different way. Some are hoping to be bought out, while the other is hoping technology can prop up a weak existing business. Either way, if these companies are around in six years, it'll be in a vastly different form.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:IDG (Indigo Books & Music)

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