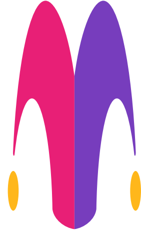

3 Canadian Retailers That May Not Be Around in 2016

Description

When you look at a list of underperforming stocks over the past few years, many retail names pop up. Thanks to a tough market and American chains using Canada as a testing ground for worldwide expansion, many weaker retailers have been plagued by underperformance.

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The other problem is the leaders are really good. **Walmart** is the best retailer in the world, and its Canadian operations are run quite well, even by its lofty standards. **Loblaw** is the leader in Canada for a reason. It has a presence in every province, and its stores are a testament to good merchandising and solid management.

Because the competition is so great, there are several Canadian retailers that may not survive much longer. Some are actively trying to salvage their struggling stores, while others are just waiting to pull the plug. In any case, investors looking to get into Canada's retailers would be wise to avoid these three struggling companies.

Target

When I think of **Target's** (NYSE: TGT) entry into Canada, one word immediately comes to mind — disaster.

Since opening the bulk of its 140 stores in March of last year, the company has been weighed down by supply chain issues, empty shelves, and lower sales than expected. Since launching, Target's Canadian operations have lost nearly $1 billion, and it doesn't look like the losses are close to being finished.

The company's U.S.-based management is well aware of the quagmire. Canada's poor performance is one of the reasons why CEO Gregg Steinhafel lost his job earlier this year. Analysts expect the red ink to continue until a minimum of 2016, and possibly longer. Winning back jilted customers is difficult, especially in a market as tough as Canada's.

Once the company finds a permanent CEO, Canada could very well be on the chopping block, forgood.

Sears Canada

Unlike most of Canada's struggling retailers, **Sears Canada** (TSX: SCC) has all but thrown in the towel.

After being used for years as a quasi-ATM by its U.S. parent, the company has recently put itself up for sale. It's already sold off much of its most valuable real estate, as well as the credit card division. There isn't much left of any value.

There are still nearly 200 corporate locations (as well as a similar number of franchised outlets), a small chain of travel centres, and an appliance repair and maintenance business. There are certainly some assets there, but what company wants to buy up a struggling retailer to try to compete in one of the world's most competitive retail markets? Sears will be waiting a long time to find a suitor.

Indigo Books and Music

I have a confession to make. Sometimes, I go into **Indigo** (TSX: IDG) bookstores and just snap pictures of the books I want to read using my smartphone. I'm surprised nobody has kicked me out, to be honest.

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It's just too easy to go into one of the company's stores and use it as a browsing area to find interesting books to buy at **Amazon** for 30% cheaper. Sure, Indigo is trying to expand into housewares and music, but these will never replace books as the main driver. Retailers have a pretty poor track record when they try to reinvent themselves.

Indigo is sitting on quite a bit of cash and no debt, but it lost over $1 per share in 2013. The company perhaps has a future as an online only bookseller with a few select retail locations, but if it insists on carrying on in its current form, it's only a matter of time before the cash runs out.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:TGT (Target Corporation)
2. TSX:IDG (Indigo Books & Music)

Category

1. Investing

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