Why Rogers Communications Inc. Could Be the Next Canadian Tire Corporation Limited

Description

Among all the companies in the **S&P/TSX 60**, two in particular stand out for causing headaches among their customers: **Rogers Communications Inc.** (TSX: RCI.B)(NYSE: RCI) and **Canadian Tire Corporation Limited** (TSX: CTC.A). But these two giants have other things in common, despite being in completely different industries.

For example, both have a long history. This is very important, because that has allowed them to build up franchises that can't be replicated by new competitors. If you don't believe me, look at what happened when new competitors competed with Rogers (Wind, Mobilicity, Public Mobile), and Tire (**Target Corporation** and **Lowe's Companies, Inc.**).

But there is one important difference: in the last couple of years, Tire seems to have turned the corner, and its shares have reflected that, up 58% over this time. Meanwhile, Rogers shares increased by only 7%, lagging the index. But Rogers could be the next company to turn the corner, and below are three reasons why.

1. Irreplaceable assets

If everyone hates 'Crappy Tire' so much, why has the company been able to survive against new competitors so gracefully? There are a few reasons, but the biggest one is its footprint; thanks to the company's 90+ year history, it had first access to the best real estate in practically every municipality.

As mentioned earlier, Rogers also has irreplaceable assets due to a lengthy history. So the company doesn't have to rush when improving itself, because competitors aren't about to take it down any time soon.

2. A focus on the customer

To give Canadian Tire some credit, it did recognize its shortcomings. Poor customer service, disorganized stores, and a bad shopping experience overall were tarnishing the Tire brand. But the company made store improvements a top priority, by implementing what management calls smart stores. And the new format deserves much of the credit for Tire's recent performance.

Likewise, Rogers recognizes its biggest shortcoming: customer service. And improvement in this area has become a top priority under new CEO Guy Laurence – it even includes a change to the organizational structure. If the company can make the same kind of improvements as Tire did, then that could be very good for both the bottom line and the stock price.

3. The right kind of investments

Tire also deserves some credit for its investment decisions, which include the purchase of Mark's in 2001 and **The Forzani Group Ltd.** (best known for Sportchek) in 2011. Both were criticized at the time for their big price tags, but have performed very well since.

Rogers has also been spending heavily. Late last year, it inked a $5.2 billion deal for National Hockey League broadcast rights, and also was the big winner at Canada's most recent wireless spectrum auction. Like Tire's purchases, both of these have been criticized for their high price tags. But Rogers is clearly spending in growth areas – sports and wireless – which ideally will pay big dividends in the long run.

So now may be just the time to buy Rogers shares; if you missed the boat with Canadian Tire, this could be your second chance.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:RCI (Rogers Communications Inc.)
2. TSX:CTC.A (Canadian Tire Corporation, Limited)
3. TSX:RCI.B (Rogers Communications Inc.)

Category

1. Investing

Date
2025/09/11
Date Created
2014/08/13
Author
bensinclair