What Do Rogers Communications Inc., Canadian Imperial Bank of Commerce, and Canadian Tire Corporation Ltd. Have in Common?

Description

What makes a great business? Is it pricing power, profitability, a moat, or maybe promising growth prospects? If you ask 10 different people, you'll get 10 different responses. But there's one characteristic of great business models that can't be denied: the ability to thrive even when selling inferior products.

In the United States, the bond rating agencies are often cited as examples. After all, they dropped the ball badly, but still are relied on for the work they do. And these types of companies often make for great investments.

There are also examples here in Canada, and two are shown below.

1. Rogers Communications Inc.

Canada's Big 3 telecommunications providers have plenty of advantages: They face very limited competition, are protected by high barriers to entry, and make money from subscription-based services. This all makes for very predictable revenue and steady profits, exactly what investors should be looking for.

Rogers Communications Inc. (TSX: RCI.B)(NYSE: RCI) offers a perfect example. The company has "neglected" its customers for years, as stated by new CEO Guy Laurence. Despite those issues, customers have been fairly loyal. To illustrate, 98.76% of wireless customers renewed their service in an average month last year.

Rogers is in the midst of a customer service overhaul, which ideally will help reduce complaints. But even more importantly, Rogers has been able to keep its customers despite neglecting them. So investors can be very confident in the company's sustainability.

2. Canadian Imperial Bank of Commerce

Like the Big 3 telcos, Canada's Big 5 banks have advantages of their own. Competition is once again limited, and profits are easy to come by. And like Rogers, **Canadian Imperial Bank of Commerce** (TSX: CM)(NYSE: CM) offers a perfect example.

CIBC does not do well in customer satisfaction rankings. For example, the bank finished last among the Big 5 in the most recent JD Power rankings. Yet the profits just keep rolling in; for example, last quarter CIBC's retail and business banking business made nearly $600 million, and revenue was up 4% year over year on an adjusted basis. So like Rogers, customers are willing to stick with the company even when the product is subpar.

Once again, this is exactly the kind of dynamic that investors should be looking for. And as a bonus, CIBC has dedicated itself to Canadian banking in recent years. If the bank is able to figure out how to make its customers happier, then the shares have even more upside.

Remember Canadian Tire Ltd.

At the beginning of last year, nobody seemed to like **Canadian Tire Corporation Ltd.** (TSX: CTC.A). As a result, people were afraid of **Target** coming to Canada and stealing Tire's customers. But people forgot about just how resilient Canadian Tire is. Remember, customers keep coming back, even if not all of them are happy.

Since then, Target has faltered, Tire has improved its stores, and the stock has skyrocketed. Rogers and CIBC could make for similar stories.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSE:RCI (Rogers Communications Inc.)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:CTC.A (Canadian Tire Corporation, Limited)
5. TSX:RCI.B (Rogers Communications Inc.)

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