Why You Should Add Rogers Communications Inc. and Canadian Tire Corporation Ltd. to Your Portfolio

Description

When investing, it can often be tempting to buy the company with the best products or brand. After all, don't these companies have the most potential to grow?

Unfortunately, this can lead to problems. What happens if competitors catch up? What happens if growth slows? What happens if the company fails to innovate fast enough? These are things that shareholders of companies like **Lululemon** know all too well.

Meanwhile, there are other companies that seem to frustrate its customers year after year. Yet they still make plenty of money. These kinds of companies are obviously much more reliable from an investor's point of view. And below we take a look at two examples.

1. Canadian Tire Corporation Ltd.

There are few companies that Canadians have a stronger love/hate relationship with than **Canadian Tire Corporation Ltd.** (TSX: CTC.A). The 90-year-old company has earned a reputation for low-quality products, disorganized stores, and unhelpful staff. Yet "Crappy Tire" continues to thrive, and has survived against larger competitors from the United States.

So the key to Tire's success is not necessarily having the best stores. Rather, it's due to having the best real estate, a product of its long history in Canada. In fact, over 90% of Canadians live within 15 minutes of a Tire store. Meanwhile, newer competitors are stuck with locations that require a lot more travelling.

Better yet, Tire has made some substantial improvements to its stores, and has addressed some of its customers' biggest complaints. And the news is only likely to get better, as the company rolls out its digital loyalty program — this will help the company serve its customers even more effectively.

So at this point, the future looks very bright for Tire. And even if the company falters, shareholders can still relax, knowing that Canadians will remain very loyal to the company.

2. Rogers Communications Inc.

Rogers Communications Inc. (TSX: RCI.B)(NYSE: RCI) is another company that has a love/hate relationship with its customers. And like Tire, Rogers is putting great emphasis on improving this relationship.

To be more specific, new CEO Guy Laurence is overhauling the customer service function at Rogers, which includes changing the organizational structure. He says that the company has "neglected" its customers for too long. So should investors buy into his plans?

Well, Mr. Laurence may or may not succeed with his overhaul. But more importantly, Rogers will continue to generate strong cash flows either way. Just look at the last three years: From 2011 to 2013, annual revenue came in at $12.4 billion, then $12.5 billion, then $12.7 billion. This is partly because Rogers makes money from subscriptions, which keeps revenue smooth. But it's also because Rogers faces limited competition, and is protected by high barriers to entry.

So when all is said and done, these two companies make for relatively safe investments. And if their overhauls turn out to be successful, the shares have plenty of upside.

There are other stocks that share these characteristics. One is **Enbridge**, which continues to generate strong cash flows despite a blemished track record. The company is profiled further in the free report below.

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
2014/10/06
Author
bensinclair