



Investors: Get Rich Learning to Love Canada's Most-Hated Companies

Description

A common tip in the personal finance world is that you should phone your Internet, cable, or wireless provider and ask for a discount. If needed, threaten to take your business to a competitor.

It's a good tip, one that can easily save \$20 per month. In terms of a return-on-time perspective, it might be the most profitable call you make all year. Saving \$240 over a 20-minute phone call is immensely profitable.

And yet, I don't do it, and I'm willing to bet most of the people reading this don't either. There are plenty of reasons why. We don't want to be jerks. We don't want to waste the time of the person on the other side of the line. And what if they call our bluff? So we just maintain the status quo, even though we might not like it.

This can lead to great resentment, especially among those of us who don't have telecom stocks in our portfolios. It's gotten to the point where if there's a complaint online about a company, chances are it's about one of Canada's telecom leaders.

Many investors look at these companies and refuse to add them to their portfolios. I think that's the wrong attitude. In fact, I'd even take it a step further and say these are the types of companies that should make up a big chunk of your portfolio.

What they have in common

There's always one common theme whenever folks complain about something: for the amount of money they're paying, they deserve better service.

From a consumer's standpoint, this isn't great. But from an investment standpoint, this is exactly what we're looking for in the companies we own. They provide a service that's needed. They charge enough for it that customers feel ripped off if something goes wrong. And it's obvious they have little in competition or else customers would flee en masse.

Really, the only thing they don't have going for them is customer satisfaction. But even then, the

company knows that for every annoyed customer it loses, it's likely to gain one from a competitor.

Three of the best

There are three different companies that really benefit from this.

One is **Telus Corporation** ([TSX:T](#))([NYSE:TU](#)). The interesting thing about Telus is that the company's management is well aware of this phenomenon. Instead of just accepting it as true, management adopted a different strategy. Telus has given more authority to its front-line staff, allowing them to make decisions on matters that used to require speaking to a manager.

This has helped Telus take market share away from its competitors, especially on the wireless side. Growth in Internet continues to be strong too, and the company is moving aggressively to expand its television service across western Canada, much to the chagrin of competitors who are already feeling the pinch of cord cutters.

Another example of a company that is hated by consumers is **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)). Royal Bank is a dominant force in Canadian banking. It has the most branches and is either the leader or second best in each key product category. The company is also the go-to investment banker in Canada.

If you're bearish on Canada, keep in mind that RBC is diversified beyond our borders. It gets 25% of its revenue from international sources with about half of that amount coming from the United States. That kind of diversification is good news if the Canadian consumer continues to be weak.

And finally, we have **Fortis Inc.** ([TSX:FTS](#)), Canada's largest provider of power and gas. Between its operations in Atlantic Canada, Ontario, Alberta, British Columbia, the United States, and the Caribbean, it provides more than three million customers with utilities they just can't get anywhere else.

For the most part, Fortis operates in places where the price of their product is regulated. This means a diet of steady price increases and, most importantly, regular profits. And like Royal Bank, Fortis is becoming more exposed to the U.S. dollar, a trend that is good news—at least in the short term.

CATEGORY

1. Dividend Stocks
2. Investing

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