



Why Canadian Tire Corporation Limited Is the Most Innovative Retailer in Canada

Description

Canadian Tire Corporation Limited ([TSX:CTC.A](#)) has gone through quite the transition. Over the past few years the company has bravely addressed a long-standing branding issue, initiated a long and difficult task of getting new users into stores, and adopted the use of technology in the decades-old retail model.

Canadian Tire and technology

Retailers often struggle to adopt the use of technology. Many fail or are left with a niche product that few—if any—consumers want.

Canadian Tire didn't just look at technology as a tool to inject into the existing retail process. Rather, the company rethought the retail process to take advantage of technology as an aid to the ultimate goal of sales.

What the company has accomplished over the past few years is truly impressive. From creating a driving simulator that lets customers try out new tires in different weather conditions to using virtual reality headsets to see how patio furniture will look in the backyard, the company has really taken to heart the idea of using technology as an aid to sales.

Impressively, the company has not stopped this charge into the digital realm, as revealed by CEO Stephen Wetmore. If anything, Canadian Tire is accelerating efforts further. Wetmore noted that the company has 30 e-commerce initiatives underway that cover all aspects of the company's online business from the first search to fulfilling and picking up orders.

The accelerated adoption of technology has helped Canadian Tire post some favourable quarterly results this week.

Canadian Tire's quarterly results

For the most recent quarter Canadian Tire posted net income of \$199 million, or \$2.46 per share, across all of the operations of the company, which include several retail banners as well as both the

REIT and financial services sectors. This represents an increase of \$12.8 million, or \$0.31 per share, over the same quarter last year.

In terms of retail revenues, the company posted \$3.04 billion for the quarter, representing a 3% increase over the same quarter last year.

Same-store sales across the retail banners of the company all increased during the quarter: Canadian Tire increased by 2.9%, Sport Chek increased by 7.2%, and Mark's increased by 4.6%.

Canadian Tire's future

There are two key points to take from the latest earnings statement and commentary from Wetmore that investors should note.

First, Wetmore said that one thing Canadian Tire needs is to develop (or acquire) products to keep customers coming back into stores. This is a key difference from former CEO Michael Medline, who was keen on pushing forward on the digital front that would attract new customers to the company. Both methods have merits, and both can meet expectations.

The second point is with respect to potential acquisitions. Wetmore stated his intent to look for acquisitions that would expand the company's product line as well as cater to new audience segments, citing the previous takeover of Forzani Group as an example. This is in stark contrast to Medline's preference of pursuing an e-commerce takeover target. Again, both have merits, but could take the company in a different direction.

In my opinion, Canadian Tire remains a great long-term investment option. The company has become a market leader in the space of transforming traditional retail into a digital-hybrid model, and should that innovation persist, investors will be more than pleased with the results.

CATEGORY

1. Investing

TICKERS GLOBAL

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