



Why Canadian Tire Corporation Limited Is Set to Soar

Description

When thinking of **Canadian Tire Corporation Limited** ([TSX:CTC.A](#)), there's a certain stereotype that comes to mind. Canadian Tire has long been associated with being a destination for shoppers looking for sporting equipment or parts for a car, but it's rarely seen as a behemoth of retail or a company that sets the standard for peers to follow in terms of technology adoption.

But Canadian Tire is all of these things and is set to grow considerably over the next few years, assuming current efforts at the company continue.

Here's a look at what differentiates Canadian Tire from other retailers, and why Canadian Tire represents a unique opportunity for investors.

The Canadian Tire of old

Just a few years ago, Canadian Tire had some serious problems. The brand was viewed as a relic of the old days of retail and, as such, was out of touch with the growing digital-first retail model. There was no online ecommerce, and weekly flyers were still printed on paper and distributed with little change in over half a century.

Canadian Tire was viewed as being out of touch with the current generation of shoppers and risked becoming irrelevant.

Fortunately, Canadian Tire realized this and has worked to bring new users into stores and adopted the use of technology to aid in the retail process.

The new Canadian Tire

The use of technology in the retail process is something that retailers, particularly ones that have been around for decades, have struggled with greatly. Most of these retailers are stuck in the decades-old retail model of having a large physical showroom to display and sell products; they fail to realize that an online showroom for products can be just as important, if not more important, in reaching potential shoppers.

Integrating technology directly into the sales process is another area that retailers have struggled with. Merely using technology to display descriptions of products or show brief product-explaining videos lacks any true innovative use of technology.

So, what did Canadian Tire do? In the automotive department, rather than picking out tires from a catalogue, customers can try out new tires in a driving simulator to see how the tires handle in a variety of weather conditions. Shoppers trying to decide on which type of shoe to purchase can go for a walk on a treadmill that will recommend the right type of shoe. Customers wondering how that patio furniture will look in their backyard can put on a VR headset in store and take a look.

Beyond the stores, Canadian Tire also reinvented the iconic catalogue to be digital, smart, and interactive. The catalogue provides an augmented reality experience to readers when viewed through a smartphone, which allows for additional tips and details to be viewed.

Company officials have noted at times that there are nearly 30 different initiatives underway at the company, ranging from new retail-assistance tools to back-end inventory systems.

What does this mean for Canadian Tire going forward?

The transformation at Canadian Tire is an ongoing process that will take time, but it's already paying dividends. Management has noted that the innovations have had an impact on both traffic and sales in stores, and the added exposure of the augmented reality catalogue and corresponding app have been wildly successful.

In short, Canadian Tire has gone from just another physical retailer to a market leader in a hybrid world that the company refers to as a "phygital," physical and digital, environment in a short amount of time.

Canadian Tire also managed to perform well during earnings period and has even established a precedent of steadily increasing the quarterly dividend for the past seven consecutive years. The current quarterly dividend pays \$0.65 per share, which gives a yield of 1.87% at the current stock price. While this is not the best-paying dividend in the market, it is both sustainable and slated to grow over the next few years. As for the stock price, year-to-date, Canadian Tire is up over 17%.

In my opinion, Canadian Tire is a great long-term investment opportunity for investors looking to diversify their portfolios with a retail stock.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CTC.A (Canadian Tire Corporation, Limited)

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