



This Retail Stock Has Plenty of Room to Grow

Description

With few exceptions, retail stocks are typically not the best investments to make, particularly over the long term. Most retailers have failed to adapt to the online marketplace and an increasing reliance to conduct business online in lieu of the traditional, large showrooms.

One exception is **Canadian Tire Corporation Limited** ([TSX:CTC.A](#)), which has not only learned to adapt to the new reality of online commerce, but it has also become a leader and an example to the rest of the industry. Here's what Canadian Tire did, and why the company is such a great investment.

Canadian Tire's transformation

A few short years ago, Canadian Tire was a very different company. Canadian Tire developed a reputation over the years as being the place to get automotive parts or sporting goods. The problem, however, was that Canadian Tire's reputation wasn't resonating very well with a target audience that was embracing online shopping, nor was the company competitive enough with retailers that catered to the online world and had a larger array of products.

This left a branding issue and a growing gap that the company had to work quickly to seal up. What Canadian Tire did is not only impressive, but it has become a best practice for other struggling retailers to look to.

Canadian Tire integrated technology into the buying process. While a typical retailer that sells a product may show product information or mount a TV screen to play product videos, Canadian Tire made technology a bigger part of the buying process, so a customer could, for example, use a driving simulator to try out new tires in different weather conditions before purchasing them. Or they could use a VR headset to see how new lawn furniture will look in their backyard.

The company is keeping that innovation going. Canadian Tire has over 30 different initiatives underway, ranging from further integration of technology to aid sales to new inventory and sales systems.

Canadian Tire even transformed the two most iconic parts of the company. The weekly print catalogue

has morphed into a digital experience known as a Wow Catalogue; it now provides additional information to readers when viewed through a mobile device. The other iconic change is with Canadian Tire money; the company now primarily offers digital rewards currency for shoppers.

How has this translated into results?

Year-to-date, Canadian Tire has shot up over 10%, and over the past 12-month period, the stock is up over 16%. The stock is up an incredible 135% in the past five years.

While most investors know that Canadian Tire pays a dividend, what most don't realize is that the dividend has steadily risen over the years; the quarterly payout has doubled in the past five years. The current quarterly dividend is pegged to \$0.65 per share, which results in a respectable 1.69% yield at the current price. While that yield might not seem like a lot, when coupled with the incredible growth that this stock has displayed over the past few years, reinvested dividends could fuel even more growth.

In my opinion, Canadian Tire remains a solid option for investors looking to diversify their portfolios with a retail stock.

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Date

2025/07/29

Date Created

2017/03/28

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