



What Tim Hortons Can Teach Canopy Growth Corp. Investors

Description

One of the best-known brands in Canada is the coffee franchise Tim Hortons. Tim Hortons is owned by **Restaurant Brands International Inc.** ([TSX:QSR](#))([NYSE:QSR](#)), and the stock has performed very well for long-term investors.

Every year, Tim Hortons sells a significant amount of coffee and donuts to consumers who line up every morning to get their daily fix. As an investor, I have grown to admire this company because of the incredible coast-to-coast distribution system. The product offering is the same in every restaurant across the country on a daily basis.

The company's success has been developed based on selling a commodity: coffee. In any city, every consumer has at least 20 different coffee shop options in addition to brewing a cup at home. In spite of this competition, Restaurant Brands has grown into a company with a market capitalization of no less than \$17 billion.

What can marijuana investors learn from this?

As we have witnessed many investors purchase marijuana stocks over the past few month, shares of medical marijuana producers such as **Canopy Growth Corp.** ([TSX:WEED](#)) have moved from a 52-week low of \$2.40 to a current price in excess of \$10. For some, this has been a very profitable trade.

At this point, however, investors looking to jump on the marijuana bandwagon may want to cool their jets before potentially making a huge mistake.

The production of a commodity needs to be better understood before an investor commits their hard-earned money. Currently, Canopy is growing marijuana, which can only be sold to users for medical purposes. If everything goes as planned with the legalization of marijuana, then almost anyone will be able to purchase the substance for personal use. The company is responsible for growing the product and not for the customization of the product.

When comparing Canopy to Tim Hortons, investors need to understand the growing of a commodity (coffee and marijuana) vs. the distribution system put in place to sell a commodity. Through marketing

and repackaging, which creates brand recognition, Tim Hortons distributes coffee to consumers. Coffee growers do not reach individual retail consumers.

In the marijuana industry, producers like Canopy will most probably sell to retailers once the product becomes legal. Marijuana grower may experience the same fate as the coffee growers in South America. The danger of producing a commodity is the lack of product differentiation between you and your competitors.

With Tim Hortons, the consumer will at least be familiar with the brand, highlighting that things are done at the store level, not at the growers' level.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:QSR (Restaurant Brands International Inc.)
2. TSX:QSR (Restaurant Brands International Inc.)
3. TSX:WEED (Canopy Growth)

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Date

2025/08/27

Date Created

2017/04/14

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