



Canadian Tire Corporation Limited Continues to Innovate

Description

Canadian Tire Corporation Limited ([TSX:CTC.A](#)) may just be the most innovative retailer on the market.

Just a few short years ago, the retailer was struggling with a generational branding issue brought on by the company lacking any strategy to deal with the emergence of mobile websites and commerce.

Fast forward a few years, and Canadian Tire has not only addressed those issues, but it has become an example to other retailers of how to tackle e-commerce, integrate technology as part of the sales process, and expand into emerging areas.

What Canadian Tire did

Retailers have been struggling with transitioning to online e-commerce platforms for as long as they have existed. Part of the problem is that legacy retailers aren't set up to (or are unwilling) open to the online world, instead preferring to invest in the large brick and mortar stores that are seeing less and less traffic with each passing year.

What Canadian Tire did to combat and reverse this trend is nothing short of brilliant.

Canadian Tire introduced technology directly into the buying process in ways that other retailers hadn't thought of. For example, the company uses treadmills to recommend the best possible shoe, a VR headset to show how new patio furniture would look in customers' yards before purchasing it, and a driving simulator to try out different tires various weather conditions.

More recently, Canadian Tire's efforts have turned to in-house brands and to launching a delivery service.

Canadian Tire's revamped in-house brands

Canadian Tire's paint department is one underserved area that has started to turn around recently after lagging the competition for several years. Canadian Tire put an emphasis on expanding and improving

the quality of the company's in-house Premier brand and retrofitted all stores with new paint-mixing machines.

Part of that revamp included prioritizing the in-house brand over third-party brands, which will be phased out over time, leaving the much-improved in-house brands in a redesigned section of the store.

In-store brands have traditionally been viewed as inexpensive "me-too" alternatives to preferred national brands. By improving the quality and pushing the new products to shoppers in an improved experience, Canadian Tire strives to recapture some of the paint market it lost years ago, while building a reputable, high-quality brand to take advantage of the surging DIY renovations market, which is valued at \$2 billion for paint and paint supplies alone.

This is not the first time that Canadian Tire has revamped a store brand. A similar effort was undertaken several years ago with Canadian Tire's camping goods brands: Woods and Outbound. The result of that initiative was an over \$100 million increase in sales across both brands in a few short years.

Is Canadian Tire a good investment?

Canadian Tire's stock has taken a bit of a dip in recent weeks, but overall the stock remains up year to date by over 9%. The most recent quarter saw Canadian Tire post a profit of \$107.9 million, or \$1.24 per share, bettering the \$85.6 million, or \$0.90 per share, posted in the same quarter last year. Revenues in the quarter saw strong growth of 7.6%, coming in at \$2.75 billion.

In my opinion, Canadian Tire remains a great investment for investors looking to diversify with a retail stock that has plenty of potential. Canadian Tire continues to innovate and grow into new areas, such as the upcoming home delivery service trial, and invigorate existing product lines to be more profitable.

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