



Aritzia Inc. Investors: Better Options Out There

Description

Aritzia Inc. ([TSX:ATZ](#)) is one of those companies long-term investors should just turn the page on. For a number of reasons, including those I wrote about at the time of the company's [IPO](#), I believe Aritzia is a long-term disaster waiting to happen and should be avoided by any investor not interested in making short-term speculations about the price movements related to this equity issue.

Business model fraught with long-term issues

As is the case with most highly cyclical fashion-related businesses, consumers get bored. Churning out fashions so forward-looking consumers remain interested in the brand is a very difficult thing to do long term.

With the once-iconic Canadian retail brands such as **Reitmans** and **Le Chateau** closing stores in recent years, and other notable names such as Jacob and Danier Leather closing all but a few stores, the market outlook for Canadian fashion retail has grown dim. Aritzia is hoping to change this with an aggressive U.S. expansion plan, which it hopes will insulate the company from the same fate as its Canadian counterparts that were unable to grow their way out of an inevitable decline.

Shopping malls are slowly disappearing in favour of online shopping (thank you **Amazon.com, Inc.**), and fundamental benchmarks once considered to be somewhat set in stone, such as "sales per square foot" or "average ticket value," are changing.

The fact that Aritzia lacks a defined "niche," choosing rather to target a more generic (and somewhat elusive) consumer base in a competitive space with other brick-and-mortar and online retailers chipping away at market share, makes this a business with too many long-term risk variables for an investor such as myself to consider.

Bottom line

When taking a long-term view of any sector, one might say that changing consumer tastes may be a long-term risk for nearly any business in any sector. What has made great companies great over the years, however, is being able to build a large and defensible moat that protects the business from the

threats that are expected to come from competition, industry changes, macroeconomic changes, and the like.

For all the long-term investors considering a fashion company such as Aritzia with a dual-class share structure, I wish you luck.

Stay Foolish, my friends.

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