



Amazon.com, Inc. May Be Targeting Canada for Growth: Here Are the Companies to Be Wary of

Description

Much ado has been made lately over the potential cities e-commerce giant **Amazon.com, Inc.** ([NASDAQ:AMZN](#)) will consider as its second North American headquarters. With Canadian cities such as Toronto and Vancouver expressing interest in welcoming Amazon with open arms (after all, 50,000 high-paying jobs does sound quite nice), the question of what a Canadian headquarters would mean for specific Canadian industries has begun to circulate in the minds of investors.

Specific industries have already taken hard hits of late relating to the lightning-fast merger and implementation of pricing strategies in the grocery retail business following Amazon's acquisition of major North American grocery retailer Whole Foods Market. Canadian grocery retailers such as **Loblaw Companies Ltd.** ([TSX:L](#)) and **Metro, Inc.** ([TSX:MRU](#)) have seen their market capitalizations dip by 15% apiece since late spring, when both companies hit 52-week highs.

The continued onslaught for Canadian industries, which have long been considered to be insulated from many of the innovation-driven trends seen in the U.S. market, may thus only be beginning, encouraging many investors to continue taking money off of the table in this sector, waiting until sentiment turns positive once again. With Canada welcoming Amazon with open arms, the question of how soon sentiment is expected to turn positive remains a big unknown.

How likely a Canadian "second home" is for Amazon, relative to other major metropolitan cities within the U.S., is one which is currently under debate. While some argue that Canada is an excellent second home for a technology company that has proven to have difficulty gathering talent from abroad, the Canadian immigration system may prove to be an advantage for securing talent from outside North America in an expedited fashion. The Toronto/Waterloo area also boasts one of the strongest computer science and technology programs in Canada, producing a competitive talent base Amazon could rely on to produce top-notch talent for the long term.

That said, issues with differences in taxation, regulation, and other international concerns remain concerns for Amazon's management team, which has remained open to any and all bids, but appears to be less interested in looking outside the U.S. market than many analysts seem to believe.

Bottom line

While cities such as Toronto may remain a long shot with respect to the long list of U.S. cities that will be lining up to welcome Amazon and the jobs, infrastructure, and prestige the e-commerce company may bring, the possibility alone that Amazon will choose Canada as a second home has some investors considering what the potential implications would be for industries such as grocery retail in Canada.

With all the headwinds facing such industries, I would advise caution for the time being for investors interested in companies such as Loblaw or Metro as long-term holdings.

Stay Foolish, my friends.

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TICKERS GLOBAL

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2. TSX:L (Loblaw Companies Limited)
3. TSX:MRU (Metro Inc.)

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