



Here's a Refreshing New Retailer With Massive Growth Potential

Description

Canada Goose Holdings Inc. ([TSX:GOOS](#))([NYSE:GOOS](#)) turns 60 this year. Other retailers could stand to learn a thing or two from the iconic retailer of high-end parkas.

To be fair, Canada Goose only joined the market earlier this year and is relatively new in the direct-to-consumer retail model, formerly selling products exclusively through wholesalers.

The direct-to-consumer model offers a refreshing approach to retail, which has been struggling due to changing consumer habits, mobile retail, and, most importantly, the emergence of retail juggernaut **Amazon.com Inc.** ([NASDAQ:AMZN](#)).

Most recently, traditional retailers have taken a dip on news that Amazon's new service, dubbed "Amazon Wardrobe" will allow customers the chance to try on clothes in their homes *before* they purchase them.

The changing face of retail, and why Canada Goose got it right

Looking back as recently as a few years ago, established retailers would say that a measure of success is to operate a grand flagship showroom on Madison Ave in New York and Bloor Street in Toronto. There was little consideration given to online sales channels and the changing patterns of retail.

Several established retailers have tried and failed at expanding into new markets using the big showroom model. Joe Fresh's failed multi-flagship venture in New York and Target Canada's big boom come to mind as examples of this.

While Canada Goose has several flagship stores and plans to add others, the company has altered that traditional expansion model in two ways.

First, there are selective locations for those flagships. Canada Goose has two — one in Toronto and one in New York — with an additional three slated to open in Tokyo, Calgary, and Boston later this year. The company plans to have up to 20 locations around the globe by 2020.

The second point has to do with how those flagship stores are augmented by a mobile-first direct-to-consumer sales model. This is brilliant because it caters to the growing number of millennials with disposable incomes, and provides a conduit for digital sales, which are set to outpace physical store sales in the coming years.

Canada Goose has set up country-specific sites to not only support the physical store sales channels but to pre-empt and grow them. Canada Goose already has four country-specific websites rolled out, targeting customers in the U.S., Canada, the U.K., and France, with several more storefronts targeting European markets set to go live later this year.

The final point has to do with the direct-to-consumer model itself. Canada Goose products typically run in the range of \$400 to upwards of \$1,000. Now, consider that wherever Canada Goose sells those products to retailers, it does so at a lower price, so the retailer can still mark up the price to the intended selling price.

If Canada Goose removes the retailer and sells direct, it could recoup the full asking price and reap a massive uptick in margins.

The recent Q1 2018 results from the company also highlight significant potential for the rest of the year. The first quarter is typically a weaker one, but Canada Goose still managed to see total revenue top \$28.2 million, representing an increase over the \$15.7 million reported in the same quarter last year.

Revenue attributed to the direct-to-consumer model surged to \$8.3 million in the quarter — up significantly from the \$1.3 million reported in the same quarter last year.

Is Canada Goose a good investment?

Canada Goose's direct-to-consumer approach is brilliant. Traditional retailers are already suffering from declining foot traffic and changing shopping patterns, which, alarmingly, some retailers still don't fully grasp.

In my opinion, Canada Goose represents an excellent investment opportunity for those investors looking to diversify over the long term with a fresh retail stock. Canada Goose is one of the first direct-to-consumer brands of this new digital era, and investors could be handsomely rewarded in the years to come.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:GOOS (Canada Goose)
2. TSX:GOOS (Canada Goose)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date

2025/07/21

Date Created

2017/09/25

Author

dafxentiou

default watermark

default watermark