

How to Profit From Retail's Death by Amazon.com, Inc.

# Description

The retail industry continues to battle the threats posed by e-commerce giant **Amazon.com**, **Inc.** (NASDAQ:AMZN) with the continued demise of traditional brick-and-mortar retailers leading to a phenomenon known as "death by Amazon." Bankruptcies in the retail industry thus far in 2017 have exceeded all in 2016, and there are signs of more to come.

#### Now what?

It was only back in June that department store Sears Canada Inc. filed for bankruptcy, as it failed to adapt to the industry-wide transformation sparked by the rise of e-commerce giant Amazon. Canada's oldest department store chain **Hudson's Bay Co** (TSX:HBC) is caught in a downward spiral with no end in sight. Its net loss for the second quarter 2017 blew out to \$201 million from \$142 million for the same period in 2016. Comparable sales, gross profit as a percentage of sales, and adjusted EBITDA are all in decline.

Even an audacious transformation strategy aimed at driving sales growth, cutting costs, and leveraging Hudson's Bay's extensive real estate portfolio appears to be failing. Earlier this year, Hudson's Bay announced that it was slashing its workforce by 2,000 employees in a desperate attempt to boost margins and stave off yet another huge loss.

Now Amazon has taken the fight to groceries and fresh food retailers with its acquisition of Whole Foods Inc.

Traditionally, that segment of retail has been perceived to be immune to Amazon's relentless advance, but it is now under direct threat. While Canada's major grocery retailers **Empire Company Limited** ( TSX:EMP.A) and **Loblaw Companies Ltd.** (TSX:L) have enjoyed a wide moat, it now appears to be under threat. It is highly likely that Amazon will cause the massive industry-wide transformation underway to progress into fresh food and groceries. It has demonstrated that, despite its size it is a nimble operator that learns from its mistakes, and its relentless expansion now poses a dire threat to grocery retailers.

Let's not forget that e-commerce in Canada lags behind other major developed markets.

According to data from Statistics Canada, retail e-commerce sales made up only 2.3% of total sales compared to 8.9% in the U.S. for the second quarter 2017. That indicates there is a huge growth opportunity available for online retailers, particularly when it is forecast by analysts that retail e-commerce sales will grow by 21% in value by the end of 2018.

#### So what?

With Amazon's assault on brick-and-mortar retailers and the continued expansion of e-commerce globally, there is a tremendous opportunity ahead for e-commerce providers. One that is certain to keep growing at an exponential rate is e-commerce provider **Shopify Inc.** (TSX:SHOP)(NYSE:SHOP), Canada's very own answer to Amazon.

Since its U.S. IPO in 2015, it has more than quadrupled in value, despite yet having to post a profit. Much of that success can be attributed to targeting the provision of a suite of e-commerce services globally to small- to medium-sized businesses, which typically lack the scale to cost effectively establish an e-commerce presence.

Gross merchandise volume for the second quarter 2017, which measures the dollar value of all orders processed through the platform net of refunds, almost doubled compared to the same period in 2016. This highlights Shopify's popularity as a retail e-commerce platform globally. The massive increase in subscribers as well as business being conducted across the platform caused monthly recurring revenue for the second quarter 2017 to swell more than twofold since the end of 2015.

Such tremendous growth can only continue with global retail e-commerce sales projected to grow exponentially for the immediate future.

#### **CATEGORY**

1. Investing

#### **TICKERS GLOBAL**

- 1. NASDAQ:AMZN (Amazon.com Inc.)
- 2. NYSE:SHOP (Shopify Inc.)
- 3. TSX:EMP.A (Empire Company Limited)
- 4. TSX:L (Loblaw Companies Limited)
- 5. TSX:SHOP (Shopify Inc.)

## **PARTNER-FEEDS**

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

### Category

1. Investing

Date 2025/07/22 Date Created 2017/09/29 Author mattdsmith



default watermark