



Is Now The Time to Dump All Your Retail Stocks?

Description

These are tough times to be a retailer, as the potential bankruptcy of Toys R Us is an uncomfortable reminder.

Whether the company is selling toys, clothing, electronics, books and now even food, the internet is taking a bite of their business.

We all love the ease and simplicity of shopping online, and the discounts that sites such as global behemoth **Amazon** ([NASDAQ: AMZN](#)) are now able to offer us.

However, there is a price to be paid, in this case the death of the high street and the shopping mall.

Investors need to take a close look at their portfolios to see whether the web could kill off their retail holdings.

Retail therapy

Toys R Us made a net loss of \$164m in the first quarter of 2017 and now has debts totalling a hefty \$400m.

Same-store sales have fallen for three consecutive quarters as shoppers choose to have fun online rather than trudge to one of its big box store in their local retail park or shopping centre.

Toys R Us had already a bruising encounter with all-powerful Amazon, after striking an exclusive deal in 2000 to exclusively supply toys to the site.

It ended in an ugly legal battle after the online giant allowed rival toy stores on its site.

Amazon was expected to be the big loser but it didn't turn out that way.

Fire sale

Toys R Us is hardly alone in succumbing to the power of the world wide web. Remember video rental stores? High street record shops? Local bookstores? All were strangled in the net.

A string of big-name companies are vulnerable to Amazon. They simply do not have the firepower to fight back.

Office supplies stores Staples, wholesaler Costco, lingerie specialists Victoria's Secret, book chain Barnes & Noble and shoe retailer Foot Locker are just some of the businesses that could soon be feeling the heat. Amazon is ruthless, they can expect no mercy from that quarter.

Food fight

Next it could be the turn of the big grocery chains, following the Amazon tie-up with Whole Foods.

There are doubts over whether people will be willing to buy perishable food items online, although many are already ordering food online from their existing supermarket.

Amazon is willing to sacrifice profits today for market dominance tomorrow, so you cannot rule out success here as well.

There is a reason why founder Jeff Bezos briefly leapfrogged Bill Gates in July to become the world's richest man with a fortune of more than \$90bn, just 22 years after he started selling books from his garage.

One winner

Any business that has found Amazon making a serious bid for its territory knows it has a life-and-death fight on its hands.

Some will survive, others, like Toys R Us, will find that Amazon isn't playing for fun, it is playing to win. Could it kill off any retail stocks in your portfolio?

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:AMZN (Amazon.com Inc.)

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