



## Canadian Tire Corporation Limited: A Strong Retailer That Knows How to Adapt

### Description

Warren Buffett once said, “Only when the tide goes out do you discover who’s been swimming naked.” When it comes to the brick-and-mortar retail industry, the tide couldn’t be lower, and the number of retail businesses caught with their pants down is ridiculously high. While many traditional brick-and-mortar retailers are struggling to deal with the pressures from e-commerce giants, there are a few retailers that have been thriving, despite the industry-wide headwinds.

Although many investors may be frightened by the thought of investing in a traditional physical retailer during a technological shift to e-commerce, I believe there are physical retailers that have what it takes to weather the storm caused by digital retailers.

**Canadian Tire Corporation Limited** ([TSX:CTC.A](#)) is an example of a traditional retailer that has adapted to the changing retail landscape quite well thanks to its management team, who’s always thinking several years ahead.

It’s not just Canadian Tire’s management team that deserves all the credit though; the company also happens to sell products that are better suited to be purchased in physical stores rather than through a digital platform.

The company sells automotive, home improvement, sports, and leisure products, and usually, customers are much better off buying such items from a physical store. The hassles involved with time-consuming returns can easily be avoided. There’s a Canadian Tire location within the vicinity of most Canadians, so, for many, buying furniture or tires online doesn’t really make a lot of sense, especially if you have to pay for hefty delivery fees for such bulky items.

While a lot of Canadian Tire items are better suited to be purchased in a physical store, there are also a tonne of items that its subsidiaries sell that would be better off sold via a digital platform.

Keith Howlett, an analyst at Desjardins Capital Markets, believes that Canadian Tire needs to start getting serious about beefing up its e-commerce platform: "...2018 is the year that Canadian Tire has to finally swim proficiently in the e-commerce pool, including in the deep end (delivery to home in all banners)," said Mr. Howlett.

FGL Sports, Canadian Tire's sporting goods subsidiary, has shown weakness this year with decreasing same-store sales (SSS), despite significant investments in innovation to drive physical store traffic. Howlett believes Sport Chek's online initiatives are essential for Canadian Tire's future because of increasing competition in the space, and the rise of the direct-to-consumer sales from brand owners.

### **Bottom line**

Although the stock price has been rocky of late, the trajectory remains up, and it's expected that Canadian Tire's management team will continue to ramp up its online efforts to offset decreasing SSS at its physical locations.

Canadian Tire and its subsidiary stores will always be brick-and-mortar retailers at heart, but it certainly doesn't hurt to have a strong e-commerce platform (specifically at Sport Chek and Mark's) to win over the digital consumers who would have otherwise gone with a competitor.

Canadian Tire is a fantastic retailer that will find ways to adapt to a rapidly changing retail industry. Given the recent volatility, investors should strongly consider picking up shares on any dips going forward.

Stay smart. Stay hungry. Stay Foolish.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. TSX:CTC.A (Canadian Tire Corporation, Limited)

### **PARTNER-FEEDS**

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

### **Category**

1. Investing

### **Date**

2025/08/22

### **Date Created**

2017/10/20

**Author**  
joefrenette

default watermark

default watermark