



## 2 Retail Stocks That Might Still Be Safe Investments

### Description

Retail is a dangerous place to put your money these days with Sears Canada in the midst of liquidating its stores, and others appearing to be on the brink of disaster. Online shopping has made it easier to make purchases, and retailers without brick-and-mortar storefronts have a significant advantage over traditional stores.

However, low-cost retailers that can compete on price are more likely to survive increasing online competition than others. **Dollarama Inc.** ([TSX:DOL](#)) has a much smaller storefront than a typical department store, and its low-cost model enables the company to offer low prices while still being able to stay competitive.

What gives Dollarama an advantage over online retailers is that the items that people buy from its stores are offered at low enough prices where it would discourage shoppers from looking for cheaper options. High shipping costs would also likely negate any benefits gained from purchasing low-priced items online.

Although rising costs and minimum wage hikes will hurt Dollarama's profitability, the discount retailer will be better equipped to manage those costs than others. **Loblaw Companies Ltd.** ([TSX:L](#)) recently announced it would be cutting 500 jobs from its corporate office, so the company can "control costs." Although it did not specifically name a reason for the increase, Loblaw operates with a lot more overhead than Dollarama and would have much more of a challenge dealing with rising costs.

**Canadian Tire Corporation Limited** ([TSX:CTC.A](#)) is another company that might still be insulated from rising online competition, but for a slightly different reason than Dollarama. Canadian Tire is an iconic company with a loyal customer base that sees the store as being much more than just a regular retailer.

Consumers often frequent the store looking for help and suggestions relating to home repair, not just the purchase of the products needed to do the repairs. It's something that cannot be replaced by an online vendor, nor can that trust be gained easily by a faceless entity.

The personal experience and assistance that customers receive from their shopping experience at the

store is what separates Canadian Tire from other retailers that compete solely on the basis of price.

Although Canadian Tire has struggled to grow its sales, it's also more difficult for a company of its size to find ways to grow in a very saturated market where additional stores would likely just cannibalize the sales of existing locations.

### **Why retail is unlikely to disappear**

For all the convenience of online shopping and the allure of avoiding lineups, there are still many people who value the in-store experience and being able to try products before a purchase is made.

The biggest downside of online shopping is that if clothing doesn't fit, or if a product doesn't work well, the customer is forced to package it up and go to a post office to send it back. as easy as it may sound, it's a whole lot easier to go to a store and just buy the right product the first time and avoid any shipping-related issues.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **TICKERS GLOBAL**

1. TSX:CTC.A (Canadian Tire Corporation, Limited)
2. TSX:DOL (Dollarama Inc.)
3. TSX:L (Loblaw Companies Limited)

### **PARTNER-FEEDS**

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