



What's the Best Canadian Retail Stock to Buy Today?

Description

Just the word *retail* makes investors cringe due to the massive disturbance that e-commerce giants like **Amazon.com, Inc.** have caused to the industry over the years. While there are many retailers on their knees and some going belly up, it's important to remember that not all businesses within the industry are created equally. With the technological shift towards e-commerce, now is an opportune time to have a look at the Canadian retailers to see [which ones have been adapting](#) and which ones are slated to be wiped out in a few years.

As the brilliant investor Warren Buffett once said, "Only when the tide goes out do you discover who's been swimming naked." The tide has been lowered, and there are a tonne of retailers who've been caught with their pants down. Many retailers are struggling to cover themselves, but there are a select few swimmers in the retail waters that remain fully clothed, like **Canada Goose Holdings Inc.** ([TSX:GOOS](#))([NYSE:GOOS](#)) (in a \$1,000 parka, perhaps?) and **Canadian Tire Corporation Limited** ([TSX:CTC.A](#)).

These retailers have management teams who are thinking years ahead of the game, and as a result, I believe these fine companies will continue to thrive and co-exist with e-commerce disruptors over the next decade and beyond.

What separates these thriving retailers from the weaker ones?

For Canada Goose, branding plays a huge role.

Canada Goose is a strong brand in its niche market, and it has done incredibly well by staying within its circle of competence and not branching out into swimwear or summer apparel. Management has done a great job of promoting the brand, not just in Canada, but in the U.S. and many other geographies with harsh winters.

Brand awareness is of utmost importance in the luxury goods space, as it's what allows Canada Goose to charge such high prices for its goods. High-end shoppers are willing to fork out a tonne of cash as long as the logo is there to show everyone their status. If nobody knew Canada Goose or its logo, then it'd be less likely that someone would spend over \$1,000 on a winter jacket.

The power of the brand will allow Canada Goose to survive and thrive regardless of the tectonic shift the industry experiences. The company has pricing power, and that's going to send the stock a lot higher over the long haul.

For Canadian Tire, it's a matter of being in the right industry, which will allow management to take its time, as it plays catch up with its e-commerce platform. In addition, Canadian Tire (like Canada Goose) has exclusive brands that are "tested for life in Canada." Think Motomaster, Mastercraft, BluePlanet, and SuperCycle. These are trusted Canadian brands that are only available at Canadian Tire, and going forward, it'll be exclusive brands like these that'll separate the retailers with staying power from the ones on their way out.

Bottom line

Of course, there are other terrific Canadian retailers that are thriving that I didn't mention in this article, but right now I think Canada Goose and Canadian Tire are the top two given their current growth profiles and valuations.

Canadian Tire and Canada Goose are both magnificent retailers whose investors won't need to worry about the Amazon effect. Although Canada Goose has a strong growth runway, I'd opt for Canadian Tire at current levels, since the valuation is far more attractive at a 15.88 price-to-earnings multiple [versus Canada Goose's](#) at 113.8.

Canadian Tire is positioned to bolster its digital platform as well, which should further offset the minimal pressures applied by digital competitors. I think this beefed-up platform will be a huge help in driving same-store sales over the next year.

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