



Canadian Tire Corporation Limited: This Rock-Solid Retailer Is Fortunate Because it's Able

Description

The average investor is frightened of retailers whose name isn't **Amazon.com, Inc.** Sure, the e-commerce disruptor has wreaked havoc on the entire retail industry, but that doesn't mean Amazon will be the only retailer in a few decades from now. Some retailers are better suited to deal with digital disruption than others. In business in general, it's survival of the fittest, and right now, there are few retailers that are as fit as **Canadian Tire Corporation Limited** ([TSX:CTC.A](#)).

Philip Fisher, legendary investor and author of *Common Stocks and Uncommon Profits*, once divided top-notch businesses into two tranches: businesses that were "fortunate and able" and "fortunate because they are able." You can throw Canadian Tire into the latter tranche, since the nature of Canadian Tire's business leaves it less vulnerable to Amazon's digital disruption.

The retailer sells a huge selection of hardware, automotive, and sporting goods that would be quite difficult to sell online, not just because of shipping expenses, but because such items require a certain degree of expertise that's available from the experts at Canadian Tire's brick-and-mortar locations. Ordering four tires online doesn't really make a lot of sense, especially since there's a Canadian Tire in close proximity to the average Canadian. To make matters worse, you'd have quite a problem on your hands if your tires didn't end up fitting! The same goes for a tonne of other massive items that Canadian Tire sells.

So, is it safe to say Canadian Tire is immune from the rise of e-commerce?

Not quite.

Canadian Tire sells a lot of items that would make sense to have for home delivery, not to mention the company's subsidiaries Mark's and Sport Chek, which mainly sell clothing — a class of items that is becoming an increasingly popular to order online, especially for millennials, who don't want to go into a physical store and be hassled by a salesperson as they browse the clothing racks.

One could argue that Canadian Tire has been quite slow to adapt to the shift to e-commerce, but that

hasn't been a huge problem, as it's been for other retailers who are struggling to make ends meet. Management has made clear its intent to significantly enhance its e-commerce presence, and I believe that will unlock the true potential of Canadian Tire, as it continues to thrive in a modern retail environment.

Many investors may not be giving Canadian Tire the credit it deserves. The company has a moat, although it may not seem like it. I've emphasized the [importance of exclusive brands](#), which will separate the retailers with staying power from ones that will fall into a nasty secular downtrend. Canadian Tire has its fair share of brands, and going forward, it's likely we'll see more exclusive brands popping up, as they're "tested for life in Canada."

Canadian Tire is a [fine example](#) of a retailer that will be around for decades. It has the power to fight off digital disruptors, and I think investors should strongly consider adding a position today to collect the 2.22% that will grow by leaps and bounds over the years.

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Author

joefrenette

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