



Here's a Thriving Canadian Retailer That You'd Least Expect Would Survive the Amazon.com, Inc. Onslaught

Description

Many retailers have been going belly up courtesy of **Amazon.com, Inc.** ([NASDAQ:AMZN](#)) over the years, and I'm sure you'd expect all bookstores would have gone the way of the dodo bird by now. Amazon started out as a bookstore; it's now the everything store, but books remain a major seller as we move deeper into the digital age.

As a Canadian you're probably very familiar with **Indigo Books & Music Inc.** ([TSX:IDG](#)), the company behind Indigo and Chapters brick-and-mortar stores. Despite the obvious vulnerability to Amazon since the late 1990s, Indigo has held its ground well, and you probably wouldn't expect Indigo stock to have surged ~150% over the past four years.

It's remarkable that the brick-and-mortar retailer, which has been in the middle of Amazon's crosshairs since the beginning, is still alive and thriving. As fellow Fool contributor Will Ashworth [pointed out](#), buying Indigo on dips over the last five years has been a very profitable endeavour. Of course, hindsight is 20/20. I'd imagine that experiencing a dip in the stock of a book retailer in real time is horrifying, and buying on such double-digit percentage dips requires some serious guts.

It's not just a bookstore anymore; it's an awesome one-stop shop for neat gifts and generic merchandise

The main attraction of Indigo isn't its books. You can find a majority of the books that Indigo sells online at better prices on Amazon that can be delivered to your doorstep overnight, so you don't have to lug around a bunch of books all over the shopping mall.

It's the cool merchandise that draws me into its stores. There are cool toys for kids and adults in addition to reading and writing accessories, generic items, like backpacks, and "impulse buy" reading material, like magazines.

The Indigo stores I go to are usually packed full of customers that buy the merchandise as much as the books. I think the management team has done an impeccable job of adapting and driving store traffic

at a time when many pundits would have called for Indigo's downfall at the hands of Amazon over a decade ago.

Indigo can still compete with Amazon in the book department

The Canadian Amazon isn't at the level of U.S. Amazon yet, and because of this, there are many books that may not be available at a certain time on Amazon, especially new releases that have limited initial availability.

That means Indigo, with its virtual monopoly over Canadian bookstores, can win over Canadian's business, either through its brick-and-mortar store (if the book is in stock) or through its e-commerce platform.

Bottom line

Indigo a fine example of a business that can adapt in a harsh environment. As the company continues to diversify away from books and into generic merchandise, I suspect the business will continue to fly and co-exist with Amazon.

The stock isn't cheap at 24.5 times trailing earnings, but if another dip presents itself, you may wish to jump in, especially after a [solid Q2 2018](#).

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