



This 1 Trait Can Help You Spot Retailers With Staying Power

Description

Many retailers are scrambling to adapt to the disruption caused by digital disruptors, but very few will end up thriving over the next decade, as e-commerce giants find ways to provide better value and service to consumers. While it may be tempting to avoid the retail sector as a whole, I believe there are major opportunities for investors willing to do the homework to find the outliers in the harsh retail scene.

In a [previous piece](#), I emphasized that one trait has separated thriving retailers from their struggling counterparts — a strong, exclusive brand.

The retail industry is bleak, and it's going to become gloomier by the year, as e-commerce giants gain traction. For retailers selling non-exclusive items that are easily shippable, it's going to be a very difficult next few years, since the large e-commerce players can offer consumers the best prices to go with free shipping, which completely eliminates a retailer's pricing power.

For the retailers that have lacked exclusive items you can't find anywhere else, I suspect a great deal of pain can be expected for its investors. It's not as simple as starting an e-commerce platform, since an e-commerce giant will have a superior logistics capability and will be able to get an item delivered in the fastest and cheapest way possible.

An exclusive brand is a retailer's moat. The stronger the brand, the wider the moat, and a harder time digital disruptors will have at stealing that retailer's slice of the pie. Consider **Roots Corp.** ([TSX:ROOT](#)) and **Canada Goose Holdings Inc.** ([TSX:GOOS](#))([NYSE:GOOS](#)), two Canadian retailers with strong exclusive brands that are both [firing on all cylinders](#) when it comes to growth.

Both companies sell items that are branded using iconic Canadian animals: a beaver and a goose. These brands have gained a huge following over the years, and consumers are willing to pay up for items whose brand they trust.

Who would pay \$1,100 for a parka? That seems absurd, but when you see the iconic Canada Goose patch, then such a purchase may not seem absurd for a consumer of conspicuous goods. A lot of the time, such consumers are willing to open their wallets wide just for the logo. It's more than just a brand; it's a status symbol, and you can't just get it from a digital disruptor (unless there's a partnership).

Bottom line

With many retailers going direct to consumer, many consumers only have one means of obtaining a Canada Goose jacket or a Roots hoodie, and that's the source itself.

As Roots and Canada Goose continues to increase brand awareness at the international scale, each retailer will continue to thrive, regardless of what's going on in the retail industry. For that reason, I'm extremely bullish on the prospects of both Roots and Canada Goose — two retailers with staying power.

Stay hungry. Stay Foolish.

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2. TSX:GOOS (Canada Goose)
3. TSX:ROOT (Roots Corporation)

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