

Why Dollarama Inc. Is the Only Retail Stock You Should Own

Description

Dollarama Inc. ([TSX:DOL](#)) has been one of the bright spots on the TSX in 2017 — a year where many retailers have struggled. Year to date, the discount retailer has produced returns of ~60%, and with more growth expected, the company could continue to build on those results in 2018.

The dollar store has a big advantage over many retailers: less overhead, less inventory, and more flexibility. While certain stores may need to go for a certain brand or image that is in line with their corporate values or beliefs, Dollarama just has to find the best deals.

Minimum wages could pose some challenges

With Ontario and Alberta seeing minimum wage hikes this year, Dollarama will take a big hit to its bottom line if it doesn't pass those costs on to consumers. However, there's [reason to believe](#) that despite being a discount retailer, it might not be the hardest hit from these increases.

Since these industry-wide changes will impact all retailers, Dollarama will still be less expensive in comparison to other stores.

Why Dollarama might be safe from online threats

While we see many consumers do more online shopping, stores are trying to find ways to compete and convince people to purchase in store rather than through a company like **Amazon.com, Inc.** ([NASDAQ:AMZN](#)). You may be wondering why you don't see Dollarama doing anything, and the big reason is that it doesn't have to.

For most customers, if you're looking for \$1 and \$2 items, Amazon is probably not going to be your store of choice, unless you need to add an item or two to meet their threshold for online shipping. This is what makes Dollarama unique, and separates it from regular retailers that might struggle to compete against the tech giant.

The one area where it may have some competition is for those customers that want to buy in bulk, where a large purchase on Amazon or another online site might be cheaper and more convenient.

Company will offer online ordering

In response to the growing demand and popularity of online sales, Dollarama announced in December that it would be selling items online, which will be sold by the case for those looking to buy in bulk. This should fill the need for those looking to buy party supplies or other low-cost items that might be needed in higher quantities.

The company didn't offer a specific date as to when we might see the e-commerce portal come online besides that it would be within 13 months or before the end of 2018. This is good news for investors, since it would open another avenue for Dollarama to grow its sales without having to physically expand

its locations.

Is Dollarama a buy today?

If you're going to invest in retail, specifically in Canada, Dollarama is going to offer you the best buy. **Canadian Tire Corporation Limited** ([TSX:CTC.A](#)) has seen decent returns of 17% this year, but it's well short of Dollarama's performance.

Loblaw Companies Ltd. ([TSX:L](#)) has had a poor year, and the share price is down from where it was a year ago. The recent [price-fixing scandal](#) also suggests it might not be due for a recovery any time soon.

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

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Date

2025/08/26

Date Created

2017/12/30

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