



3 Canadian Industries That Are Going to Get Rattled by Disruptors in 2018

Description

There's no shortage of coverage on U.S. technological disruptors and their impact on low-tech industries that are experiencing tectonic shifts towards innovation and digitization. When it comes to major disruptors, it's hard to not think of **Amazon.com, Inc.** ([NASDAQ:AMZN](#)) and its effects on the entire retail industry. Jim Cramer referred to Amazon as a Death Star, and I think that's the best analogy that one could make today; however, for many industries, there are disruptive forces that, believe it or not, can't be blamed on Amazon.

Sure, the ground-shaking disruption caused by Amazon has been felt by firms north of the border, but a less-covered topic is the fact that there are many other up-and-coming disruptors that are going to shake up industries that aren't traditional retail.

From a Canadian perspective, let's have a closer look at three Canadian industries that are facing immense pressures from the rise of various disruptive forces. Many businesses with wide moats in these industries may experience a bad case of "moat erosion" over the next year and beyond.

The Canadian grocery industry and the rise of grocery delivery and meal-kit services

Since Amazon announced its intent to enter the Canadian grocery scene, Canada's top grocers have been scrambling to batten down the hatches before the Death Star approaches. **Loblaw Companies Ltd.** ([TSX:L](#)) and **Metro, Inc.** ([TSX:MRU](#)) have been spending a great deal of effort on e-commerce and unique offerings to keep the business of Canadian shoppers.

It's not just Amazon that Canada's grocers need to worry about though. **Wal-Mart Inc.** ([NYSE:WMT](#)) is working on a delivery platform of its own. And to add more salt in the wounds of Canada's top grocers, meal-kit delivery services like Chef's Plate have taken off, which is yet another disruptive force that'll likely put a huge dent in the top lines of traditional brick-and-mortar grocers.

There's no question that the outlook for Canada's grocers is bleak. I suspect underperformance from all Canadian grocers in 2018 and beyond, as pricing pressures mount from competition that's about to seriously heat up.

The Canadian wireless industry and the rise of Freedom Mobile

Freedom Mobile of **Shaw Communications Inc.** ([TSX:SJR.B](#))([NYSE:SJR](#)) is a serious threat to the Big Three incumbents, and 2018, I believe, will be the year that pricing pressures will cause the Big Three wireless providers to aggressively cut rates to prevent significant losses to their subscriber bases.

When it comes to promos, Freedom Mobile has been ridiculously aggressive of late, and I think Shaw will experience a surge in the latter part of 2018 at the expense of its bigger brothers.

Although the telecom industry will feel the disruption caused by Freedom Mobile in 2018, I suspect the longer-term implications will be more severe, especially once 5G becomes the norm. With the shift to 5G, likely in 2019, all four telecoms are given a clean slate, and it's completely plausible that Freedom Mobile could then become an equivalent member of the "Big Four." Investors are going to need to be patient though, as 5G won't become the norm until at least another two years from now.

The Canadian airline industry, and the rise of ultra-low-cost carriers (ULCCs)

Lastly, the Canadian airline industry is experiencing a tectonic shift thanks to ULCCs, which are slated to hit the skies in the summer of 2018. **WestJet Airlines Ltd.** (TSX:WJA) has a front-row seat to the ULCC market with Swoop, which I believe will be an absolute hit with indebted Canadians, many of whom are (or should be) on strict budgets.

Canada Jetlines Ltd. (TSXV:JET), a small up-and-comer, more than tripled in December because of the real potential behind the Canadian ULCC market.

Airlines have been known as horribly cyclical plays and high-risk businesses in the past, but with a thriving ULCC business, I think such airlines could better weather the next recession once it shows its ugly face.

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Date

2025/08/26

Date Created

2018/01/13

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