Why This Industry Might Be the Riskiest for Investors

Description

We've seen many different sectors and industries take big hits in the past year. The oil and gas industry has struggled to recover, even though oil prices have increased from a year ago, and a low price of uranium has had a disastrous impact on **Cameco Corp.** (TSX:CCO)(NYSE:CCJ) as well, and that industry may actually be in even worse shape.

However, commodity prices can fluctuate significantly, and it's likely that these two industries will still bounce back. There is one industry that I'm less optimistic about, and that's retail.

In Canada, we've seen some big names struggle and eventually close shop. Sears Canada has been the most recent casualty, and **Target Corporation's** failed venture north of the border has also left a big void in many shopping centres across the country, and there could be more to come.

Another casualty in the retail industry?

Toy giant Toys R Us is rumoured to be the next big retailer to be exiting the industry, as the expectation is that it will be closing its stores in the U.S. While nothing is official north of the border, at this point, it appears to be inevitable that we will see yet another big anchor create another vacancy in our shopping malls.

With online competition continuing to rise and take away market share, the shopping mall we know today may become a relic in the future. **Amazon.com, Inc.** (NASDAQ:AMZN) has wreaked havoc on retailers, and with the company's recent foray into grocery stores, there could be even more casualties to come.

Given the resources that both Amazon and **Walmart Inc.** command, it'll be difficult for any Canadian retailer to pose a formidable challenge in the long term.

Economic conditions will make it even harder to compete

Rising minimum wages will take a big toll on the retail industry, and online retailers like Amazon will have a big advantage over brick-and-mortar stores as a result. Companies that choose to pass these costs on to consumers will find it harder to compete, as rising interest rates will only erode purchasing power.

One retail stock that could be the exception

Dollarama Inc. (TSX:DOL) is one company that could find an opportunity to grow amid the uncertainty. Its low-cost model enables the company's business to succeed, particularly in challenging economic times, when consumers are looking to stretch their budgets as much as possible.

Bottom line

It's important to consider a stock's long-term potential when investing, and right now, that's what a lot of Canadian retail stocks are lacking.

Rapid innovation is taking the industry by storm, and many will be caught flat-footed. Cashier-less stores and delivery services are minimizing the need for stores to occupy big spaces, which means fewer costs and more profitability for those that can stay ahead of the curve.

With so many big names already exiting the industry, it's hard for investors not to speculate as to which company might be next to call it quits. Retail is becoming a very dangerous industry to invest in, and unless you're going in with the big guys, you'll be exposing yourself to a lot of risk.

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3. TSX:CCO (Cameco Corporation)
4. TSX:DOL (Dollarama Inc.)

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