



This Iconic Canadian Retailer Just Keeps Getting Better and Better!

Description

The sentiment surrounding the brick-and-mortar retail industry is all doom and gloom these days. And it's probably going to remain this way forever with some physical retailers going under at the hands of their digital counterparts. While you may think it's a prudent strategy to avoid brick-and-mortar retailers, you'd be unfairly shunning many opportunities where fears are both overblown and unwarranted.

Not all brick-and-mortar retailers are created equal, and as I've explained in a previous piece, the ones that will survive and thrive alongside digital disruptors will be the ones with unique, exclusive offerings that consumers can't get anywhere else.

This abundance of "exclusive brands" serves as an essential building block to a retailer's moat, and in the case of **Canadian Tire Corporation Ltd.** ([TSX:CTC.A](#)), management is committed to building upon its moat further through small [tuck-in acquisitions](#).

Does a moat really exist for any brick-and-mortar retailer?

It does. However, the environmental conditions need to be optimal in order for a retailer to co-exist in the digital era. In the case of Canadian Tire, management is not only competent, but the wide range of automotive, hardware, sport, and home products are simply better-suited for brick-and-mortar stores versus their online counterparts.

These are "try before you buy" products where a consumer would be taking on a substantial amount of risk by purchasing such big-ticket items online without real-time interaction with a product to get a true grasp of its look and feel. Is the product built of quality materials? Is the flyer's depiction of the item accurate in the real world or was it exaggerated on the flyer?

This “try before you buy” nature of a majority of Canadian Tire’s products have allowed the company to perform well, and even get a leg-up on the competition. Moreover, when consumers *try*, then *buy* products, odds are they’ll stick with the exclusive branded product in the future if the product suited their needs. Consumers have already tried, so for future purchases or replacements, all they need to do is *buy*! And they’ll remember the brand name, many of which are exclusive to Canadian Tire and are “tested for life in Canada.”

Furthermore, management’s commitment to improving its digital platform, customer satisfaction initiatives, and portfolio of exclusive offerings will build upon a moat that’s arguably the widest in the brick-and-mortar retail industry.

The stock currently trades at a mere 14.1 times forward earnings and the 2.14% dividend yield is ~34% greater than the company’s five-year historical average yield. Canadian Tire is well positioned to grow its dividend at an above-average rate over the foreseeable future, so I have no problem recommending Canadian Tire for any investor who’s looking to [whack the markets](#) over the medium and long-term.

Further, the bigger threat to Canadian Tire’s moat on the sports side of the business (FGL Sports) may be with the entrance of [another brick-and-mortar player](#), and not an e-commerce disruptor as many investors may be fearing.

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