Assessing the Kings of the Retail Market as Investments

Description

Traditional retail stocks have acquired a reputation in recent years. For some, that reputation is one of where retailers are surviving on borrowed time, as the onslaught of mobile commerce alternatives continues to chew away at the earnings and foot traffic at traditional brick-and-mortar stores.

To others, the growing shift to online and mobile shopping represents an opportunity for change that should be embraced and met head-on rather than completely ignored.

Here are two stocks that are arguably the best the retail stocks in the nation, and how they plan to (or have already dealt with) the mobile threat.

Canadian Tire (TSX:CTC.A) is one of the most iconic brands in the country, but that alone would not save the company from the changing shopping habits of consumers. Just a few years ago, Canadian Tire had a branding and revenue problem, with lacklustre sales, declining traffic at stores, and little vision for the future.

To counter that threat, the company invested heavily into technology and made it part of the buying process. Customers can don a VR headset to see how patio furniture would fit in their yard, or run on a special treadmill to help recommend the perfect shoe. These may sound more like sales gimmicks, but they were instrumental in the first part of the company's transformation.

The second part has to do more with the brands that Canadian Tire sells, specifically its house brands. Canadian Tire has made a number of acquisitions over the years that have all become integral parts of the company's brand portfolio. These popular products are available at Canadian Tire stores and online, providing yet another moat around any potential mobile threat.

In terms of a dividend, Canadian Tire offers a quarterly dividend that pays a respectable 2.40% yield.

Dollarama (TSX:DOL) is often noted as one the most lucrative retail opportunities in the market. In recent years, the stock has shot up as the company continues to roll out more dollar store locations across the country, satisfying an insatiable appetite by consumers to purchase a variety of goods at fixed price points that max out at $4.

The changing face of retail has slowly begun to penetrate Dollarama's model, which has so far largely escaped online competitors owing to its unique mix of goods that are priced much lower and therefore not likely profitable for individual shipments. Still, Dollarama has been adapting to this change, with the company beginning to accept credit cards at locations as well as trialing online ordering and shipments of some items in selected regions of the country.

With over 1,000 locations across the country, critics of the stock point to slowing growth in recent quarters as well as the entry of several foreign competitors in the market as reasons to remain cautious.

Fortunately, the Canadian dollar store market is neither currently saturated nor about to become saturated anytime soon. The market can support additional locations and competitors to Dollarama, which can only lead to more innovative products and offerings in the future. Additionally, while growth may have slowed in recent quarters, it is still an impressive level of growth that most of the other traditional retailers in the market would be more than satisfied with.

While Dollarama offers a dividend to investors, the paltry 0.41% yield is hardly reason enough to consider this stock on its own. Instead, investors should be focused on the potential growth of the stock over the long term, which remains significant.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CTC.A (Canadian Tire Corporation, Limited)
2. TSX:DOL (Dollarama Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date
2025/08/24
Date Created
2018/10/30
Author
dafxentiou