



Dollarama Inc (TSX:DOL) Launches Online Store: Why It Could Send Sales Soaring

Description

Dollarama Inc ([TSX:DOL](#)) launched its online store this week, which will allow consumers to buy products in bulk. It covers a wide range of categories and about 1,000 items are available on the website, according to the company. However, the prices are not the same as those that customers can expect in-store.

The website's launch comes after the model was piloted in Quebec for five weeks.

It's a big move for a company that's recently run into challenges growing its sales. The focus is clearly on the corporate customer as Dollarama offers consumers to shop by activity, ranging from catering and restaurant products to weddings and schools. While individual customers would likely be turned off by the shipping fees or the need to purchase items in bulk, for businesses looking to order supplies, it might be a good way for Dollarama to reach a new type of customer.

Why the model might work well

One reason why I could see this working well for Dollarama is that it carries many low-cost items that are unavailable on **Amazon**. While you can certainly order cleaning products and school supplies from Amazon and other online retailers, the selection and pricing will certainly vary.

How much of a gap there is in the market with corporate buyers needing certain Dollarama items and having to go in-store to buy them is impossible to gauge, but we'll see that once the company starts reporting on its online store sales. If this was a play for individual consumers, then it would no doubt be dead on arrival, but for corporate customers, I can definitely see a lot of opportunities for the company to help inject some life into its sales.

Dollarama needs the store to be successful

In its past [two quarters](#), Dollarama's sales have been growing at rates of just around 2-3%, making the once high-growth dollar store no more special than a regular retailer. That has hurt its [stock price](#), which has dropped by more than 30% in value over the past year. If sales don't start improving for the

company in a hurry, its tailspin could continue. And at a price-to-earnings multiple of over 20, it's still a bit pricey if the company can't muster up more growth than what it's been achieving lately.

Why the stock is a good buy today

Despite the concerns with the company's growth, I see a lot of upside for the stock today. Its recent decline has brought it down to a good price, especially if it can return to its previous growth levels. The launch of this store will certainly stimulate a lot more activity, and I'd be surprised if we didn't see some strong numbers out of the gate. There's a lot of potential here, and the model will definitely work for businesses. Long term, I wouldn't be surprised if most of its sales doesn't end up coming from its online store.

Dollarama could be poised for a strong year in 2019, which could make the stock a great buy right now.

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