

3 Reasons Why Dollarama (TSX:DOL) Is Still an Appealing Growth Pick

Description

Over the past decade, **Dollarama** ([TSX:DOL](#)) has been synonymous with growth. The dollar store operator has witnessed explosive growth of its network, with the current +1,200 locations not only making Dollarama the largest dollar store chain in the country in terms of size but also one of the most diverse, with locations stretching from one end of the country to the other.

More recently, critics have increasingly pointed to slowing growth at the company as hints that the good times are steadily coming to an end for Dollarama investors. While Dollarama's incredible growth has slowed in recent years, nobody expected the near double-digit growth to continue forever, and despite what those critics say about Dollarama, there are compelling reasons why Dollarama's incredible growth story is far from over.

Dollar stores cater to any economy

One of the first things that should be mentioned is that Dollarama is [not your traditional retailer](#); it's a dollar store. I realize that's self-explanatory, but this is an important distinction and is often taken for granted among potential investors, who don't fully understand the different dynamic and challenges that a traditional retailer has to deal with.

Dollarama sells goods at fixed price intervals, which currently lead up to \$4. This sets an expectation for what shoppers will pay for and reduces any potential sticker shock, which is in stark contrast to traditional retailers that have varying costs and margins on goods. For Dollarama, this also makes ordering and bundling products easier, resulting in a wider variety of products on offer, which provides an overwhelming sense of value to shoppers.

That sense of value makes Dollarama a popular destination for shoppers irrespective of whatever the market says. To put it another way, when times are good, shoppers will fill their carts with what they perceive to be good deals. When times are bad, such as in a recession, shoppers will again turn to Dollarama for value.

Dollarama is quietly expanding on multiple fronts

There are three initiatives that Dollarama has undertaken over the past few years that continue hold massive potential, particularly over the long term. All three are set to provide a combination of new revenue or market opportunities for the company.

First, there's the move by Dollarama under two years ago to finally accept credit cards in its stores. This was a huge move that has already helped provide a boost to the company's bottom line. Specifically, as Dollarama bumps its price points up, the company can provide a larger quantity and higher-quality selection of goods. This entices shoppers to spend more, which they can more freely do

when paying by credit.

Second, there's Dollarama's international venture. Most people may not realize this, but Dollarama has a presence in several Latin American countries through an agreement to provide a variety of support and products to the Dollar City chain. Under the terms of that agreement, Dollarama has the option to buy the chain outright, and given the incredible growth and expansion into new countries over the past few years, exercising that option could prove to be lucrative.

Finally, there's Dollarama's recent move to sell goods online. Following a successful pilot in Quebec, Dollarama announced this month the availability of ordering products online in bulk through its website for customers in Canada. The service is primarily targeting smaller businesses that will buy products in bulk, and Dollarama offers to ship products to locations within Canada for a fixed fee. So far, approximately 1,000 of the more than 4,000 products sold in stores are available online across a variety of different product groups.

This move can be seen as a counter to the growing threat of online commerce. So far, internet commerce behemoths have avoided the lower-priced market served by dollar stores, partially because of the shipping costs associated with those items would make them unprofitable. Still, this latest bulk effort by Dollarama is intriguing, and potential investors should take note of the [long-term potential](#) this new service carries.

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Date

2025/09/28

Date Created

2019/01/30

Author

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