Amazon Could Bankrupt These 3 Stocks

Description

Whenever **Amazon.com, Inc.** (NASDAQ:AMZN) enters an industry, investors should take notice.

Since its humble book-selling days, the company has grown to dominate web servers, artificial intelligence, smart home hardware, fashion, transportation, and more.

Many of its biggest successes remain unknown to everyday consumers. In fact, Amazon is likely responsible for your ability to read this article thanks to its AWS business.

The tech giant isn't finished yet, however. The following three stocks will face heavy pressure from Amazon over the coming years. Even if you don't own these stocks, you'll want to pay attention—Amazon could be coming for your portfolio next.

Grocers are in trouble

There's something funny about how Amazon takes over an industry. At the start, headlines pour in predicting the imminent demise of all incumbents. After a year or two, the media hype dies down and many people forget that Amazon entered the space altogether.

Then, before you know it, the company has completely taken over.

Amazon launched AmazonFresh, its grocery delivery service, in 2007 across parts of Seattle. At the time, analysts were predicting the end of traditional, brick-and-mortar grocers.

Ten years later, Amazon began scaling back its initiative, discontinuing services in parts of New York, New Jersey, Pennsylvania, Delaware, Maryland, and California.

While the market still acknowledges the Amazon threat, it's become convinced that danger is decades off. That's a mistake.

In 2017, the company purchased Whole Foods for US$14 billion. It's only been a few years, but there are signs that the company is ready to take over the $1 trillion North American grocery market.

Supermarket stocks, including **Metro, Inc.** (TSX:MU) and **Loblaw Companies Ltd** (TSX:L) are in trouble.

Amazon is rapidly improving its ability to unilaterally deliver packages and groceries without the help of an intermediary like **United Parcel Service, Inc.** or **FedEx Corporation**.

In June, it expanded its private aircraft fleet by 15 planes. By 2021, it should have more than 70 planes under its control. It's also been spending millions to fund small-scale, hyper-local delivery businesses.

In combination with Whole Foods, Amazon looks prepared to take the grocery market by storm. It's been a long time coming, but it finally seems like traditional, brick-and-mortar supermarkets have reason to fear.

Not just groceries

We think we live in a world dominated by Amazon, but that's not quite true. Roughly 90% of purchases are still made at brick-and-mortar stores—at least in North America. In many countries, that figure is much higher.

We think Amazon is big, but it has room to grow significantly larger. As with supermarkets, traditional retailers like **Canadian Tire Corporation Limited** (TSX:CTC.A) are likely underestimating the long-term threat of e-commerce giants.

Over the last five years, Canadian Tire stock is up 40%. Looking at its sales figures, something doesn't add up. Since 2014, sales are roughly flat, and gross profit has barely budged. Operating income increased slightly, but that's mostly due to one-time cost efficiencies.

In a decade, we may well look back and wonder why we didn't realize brick-and-mortar chains like Canadian Tire were dead in the water.

Clearly, e-commerce has eaten into Canadian Tire's growth, yet the stock continues to soar higher. As Amazon strengthens its stranglehold on last-mile delivery, including a nationwide rollout of one-day delivery, retailers, including Canadian Tire will be put on notice.

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1. NASDAQ:AMZN (Amazon.com Inc.)
2. TSX:CTC.A (Canadian Tire Corporation, Limited)
3. TSX:L (Loblaw Companies Limited)
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Author
rvanzo