Why Canadian Retail Investment Is Getting Shaken Up

Description

Retail stock investors may have noticed that the American multi-line retailer L.L. Bean is getting ready to cut the tape on its first branch on Canadian soil. Due for its grand debut towards the end of August, L.L. Bean will open its doors to customers (it hopes) just outside Toronto. The 13,000-square-foot flagship will likely become a favourite of visitors to Oakville Place, where it will rub shoulders with **Roots**, **Hudson's Bay**, and other familiar stores.

How big will L.L. Bean's presence in Canada be? There's already a Canadian version of its website, where the company's characteristic range of leather products, flannel wear, and camping gear can be purchased. But the biggest impact the American outlet is likely to have on Canadian retail will likely be its brick-and-mortar footprint.

Investing in retail? Think "recession"

With **Catalyst Capital Group** putting forward a bid to snap up $150 million worth of Hudson's Bay shares to block an insider buyout of the retailer, both new and seasoned TSX investors eyeing this space may want to consider an alternative, such as a consumer staples play. While not directly competitive, an investment in **Canadian Tire** (TSX:CTC.A) or **Loblaw** (TSX:L) might satisfy an investor looking for domestic retail stocks.

Either stock is a potentially safer play in an economic landscape characterized by high household debt and a number of other classic warning signs of a correction. In the case of Canadian Tire, its range of affordable DIY goods will appeal to homeowners focused on renovation (since moving house becomes prohibitively difficult during a downturn). Meanwhile, Loblaw could see an uptick in sales when pinched households cut back on restaurant visits and turn to home cooking.

In terms of market performance, Canadian Tire's lower share price makes it an attractive pick for reasons of value, trading for around what it did two years ago. It's also in a great position to benefitfrom an **Amazon** disruption, should that ever occur (and looking at the online retailer's buddies in the FAANG gang, it's not beyond the realms of possibility). In short, betting on Canadian Tire's longevity at today's prices is a bold play that could pay off.

The same goes for Loblaw. The grocery giant slumped on disappointing second-quarter results, meaning that any investor with beaten-up retail stocks on the shopping list is in luck. While sales growth has been an issue, this could be reversed in the event of a deep market correction that could drive consumers to make strategic budgeting choices — including cooking at home. Again, the potential to capture market share from an ailing Amazon exists here.

The bottom line

While domestic investors weigh dividend stocks like Canadian Tire, the country's retail landscape may be about to get a face-lift, American style. Whether the introduction of stores like L.L. Bean end up having much of an impact on Canadian lookalikes has yet to be seen. However, it's unlikely that the U.S. retail model will fare much better than our own, as yet more households and businesses continue to feel the pinch.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

1. TSX:CTC.A (Canadian Tire Corporation, Limited)
2. TSX:L (Loblaw Companies Limited)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

Date
2025/08/27
Date Created
2019/07/30
Author

vhetherington